



# Inside

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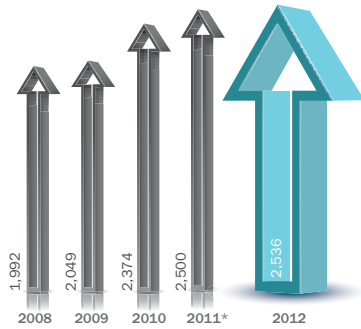
## Five-Year Group Financial Summary

	2012	2011*	2010*	2009	2008
<b>RESULTS (RM' million)</b>					
Operating profit	<b>2,536</b>	2,500	2,374	2,049	1,992
Profit before INCPS dividends and taxation	<b>2,396</b>	2,309	1,901	1,491	1,445
<b>STATEMENTS OF FINANCIAL POSITION (RM' million)</b>					
Total assets	<b>169,655</b>	143,216	119,444	106,094	94,938
Gross loans, advances and financing	<b>109,635</b>	97,697	84,188	69,846	62,639
Total deposits	<b>143,246</b>	121,635	100,083	88,221	77,765
Paid-up capital	<b>3,318</b>	3,318	3,318	3,318	3,318
INCPS and shareholder's equity	<b>12,033</b>	10,731	9,153	7,832	6,828
<b>ORDINARY DIVIDENDS (Paid)</b>					
Gross dividend rate (%)	<b>20.9</b>	9.6	9.8	6.2	7.6
Net dividend (Paid) (RM' million)	<b>520.0</b>	237.9	244.1	155.3	185.9
Net Preference Dividends (Paid) (RM' million)	–	–	–	–	32.2
<b>FINANCIAL RATIOS (%)</b>					
Net tangible assets backing per 50 sen ordinary share (sen)	<b>164.4</b>	144.9	121.2	102.9	87.8
Return on average shareholder's equity (%)	<b>15.9</b>	17.6	16.8	16.2	18.2
Earnings per 50 sen ordinary share (sen)	<b>27.2</b>	26.3	21.5	17.9	17.3

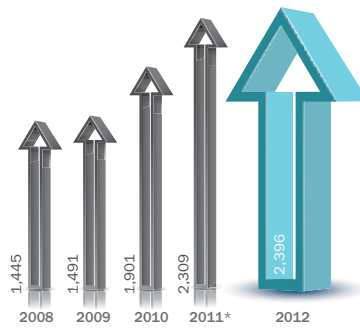
\* Restated as a result of retrospective application of MFRS 139. For financial year 2010, only relevant balance sheet items have been restated to position as at 1 January 2011.

## Summary of Five-Year Group Growth

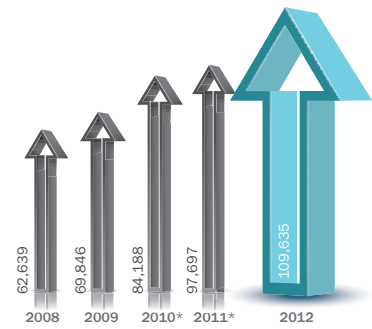
**OPERATING PROFIT  
(RM' Million)**



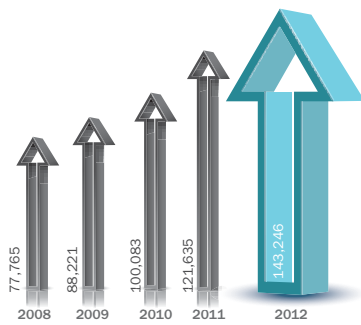
**PROFIT BEFORE INCPS DIVIDENDS  
AND TAXATION (RM' Million)**



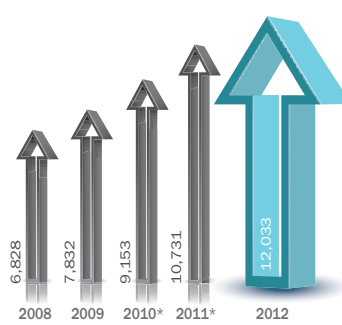
**GROSS LOANS, ADVANCES AND  
FINANCING (RM' Million)**



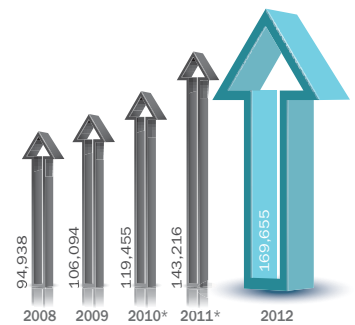
**TOTAL DEPOSITS  
(RM' Million)**



**INCPS AND SHAREHOLDER'S EQUITY  
(RM' Million)**



**TOTAL ASSETS  
(RM' Million)**



\* Restated as a result of retrospective application of MFRS 139.

## Corporate Information

As At 22 March 2013

### BOARD OF DIRECTORS

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**Tan Sri Azlan Zainol**

*Non-Independent Non-Executive Chairman*

**Haji Khairuddin Ahmad**

*Senior Independent Non-Executive Director*

**Ong Seng Pheow**

*Independent Non-Executive Director*

**Choong Tuck Oon**

*Independent Non-Executive Director*

**Dato' Mohd Ali Mohd Tahir**

*Independent Non-Executive Director*

**Abdul Aziz Peru Mohamed**

*Independent Non-Executive Director*

**Dato' Mohamed Khadar Merican**

*Independent Non-Executive Director*

**Tan Sri Ong Leong Huat @ Wong Joo Hwa**

*Non-Independent Non-Executive Director*

**Johari Abdul Muid**

*Managing Director*

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### BOARD COMMITTEES

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#### GROUP AUDIT COMMITTEE\*

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**Ong Seng Pheow**

*Chairman*

**Dato' Othman Jusoh**

**Haji Md Ja'far Abdul Carrim**

**Dato' Saw Choo Boon**

**Dato' Mohd Ali Mohd Tahir**

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#### GROUP CREDIT COMMITTEE\*

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**Dato' Mohamed Khadar Merican**

*Chairman*

**Haji Khairuddin Ahmad**

**Abdul Aziz Peru Mohamed**

**Patrick Chin Yoke Chung**

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#### GROUP IT & TRANSFORMATION STRATEGY COMMITTEE\*

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**Choong Tuck Oon**

*Chairman*

**Ong Seng Pheow**

**Dato' Mohd Ali Mohd Tahir**

**Kellee Kam Chee Khiong**

**Johari Abdul Muid**

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### GROUP RISK MANAGEMENT COMMITTEE#

---

**Haji Khairuddin Ahmad**

*Chairman*

**Patrick Chin Yoke Chung**

**Haji Md Ja'far Abdul Carrim**

**Choong Tuck Oon**

**Dato' Saw Choo Boon**

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### GROUP NOMINATING AND HUMAN RESOURCE COMMITTEE#

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**Datuk Haji Faisal Siraj**

*Chairman*

**Dato' Mohamed Khadar Merican**

**Dato' Saw Choo Boon**

**Dato' Teo Chiang Liang**

**Choong Tuck Oon**

**Haji Md Ja'far Abdul Carrim**

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### COMPANY SECRETARIES

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**Azman Shah Md Yaman**

**Ivy Chin So Ching**

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### GROUP SENIOR MANAGEMENT

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**Kellee Kam Chee Khiong**

*Group Managing Director, RHB Banking Group*

**Johari Abdul Muid**

*Managing Director, RHB Bank Berhad*

**U Chen Hock**

*CEO, OSK Investment Bank Berhad*

**Mike Chan**

*Director, Corporate Banking &  
Officer-in-Charge, RHB Investment Bank Berhad*

**Kong Shu Yin**

*Managing Director, RHB Insurance Berhad*

**Haji Abd Rani Lebai Jaafar**

*Managing Director, RHB Islamic Bank Berhad  
(until 14 February 2013)*

**Prem Kumar**

*Group Chief Financial Officer*

**Norazzah Sulaiman**

*Director, Group Corporate Services*

**Michael Lim Kheng Boon**

*Director, Group Transaction Banking  
Director, Group Treasury*

**Vince Au Yoong**

*Director, Retail Banking*

**Amy Ooi Swee Lian**

*Director, Business Banking*

**Ee Yew Chai**

Director, Operations

**Yeoh Beng Hooi**

Director, Branch Management

**Azaharin Abd Latiff**

Director (Acting), Human Resource Management

**Patrick Ho Kwong Hoong**

Director, Group Risk Management

**Wong Yih Yin**

Chief Internal Auditor

**Azman Shah Md Yaman**

Group Company Secretary

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**MANAGEMENT OF SUBSIDIARIES**

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**RHB ISLAMIC BANK BERHAD**

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**Tuan Haji Abd Rani Lebai Jaafar**

Managing Director (until 14 February 2013)

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**RHB BANK (L) LTD**

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**Toh Ay Leng**

Head, Labuan

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**OVERSEAS LOCATIONS**

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**SINGAPORE**

---

**Jason Wong Hon Lurn**

Head, Singapore Operations

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**THAILAND, BANGKOK**

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**Thiti Musuwan**

Head, Thailand Operations

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**BRUNEI, BANDAR SERI BEGAWAN**

---

**Iskandar Zulkarnain Mohd Yusof**

Head, Brunei Operations

---

**VIETNAM**

---

**Apandi Klompot**

Head, Vietnam Rep. Office

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**JAPANESE BUSINESS GROUP ADVISER**

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**Akira Miyama**

Head, Group Japanese Business

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**REGISTERED OFFICE**

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Level 10, Tower One  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : 603-9287 8888  
Fax : 603-9280 6507

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**BUSINESS ADDRESS**

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Head Office  
Towers Two & Three  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Malaysia  
Tel : 603-9287 8888  
Fax : 603-9287 9000 (General)  
Swift : RHBBMYKL  
Call Centre : 603-9206 8118  
(Peninsular Malaysia – 24 hours)  
082-276118  
(Sabah & Sarawak – 7 a.m. to 7 p.m.)

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**AUDITORS**

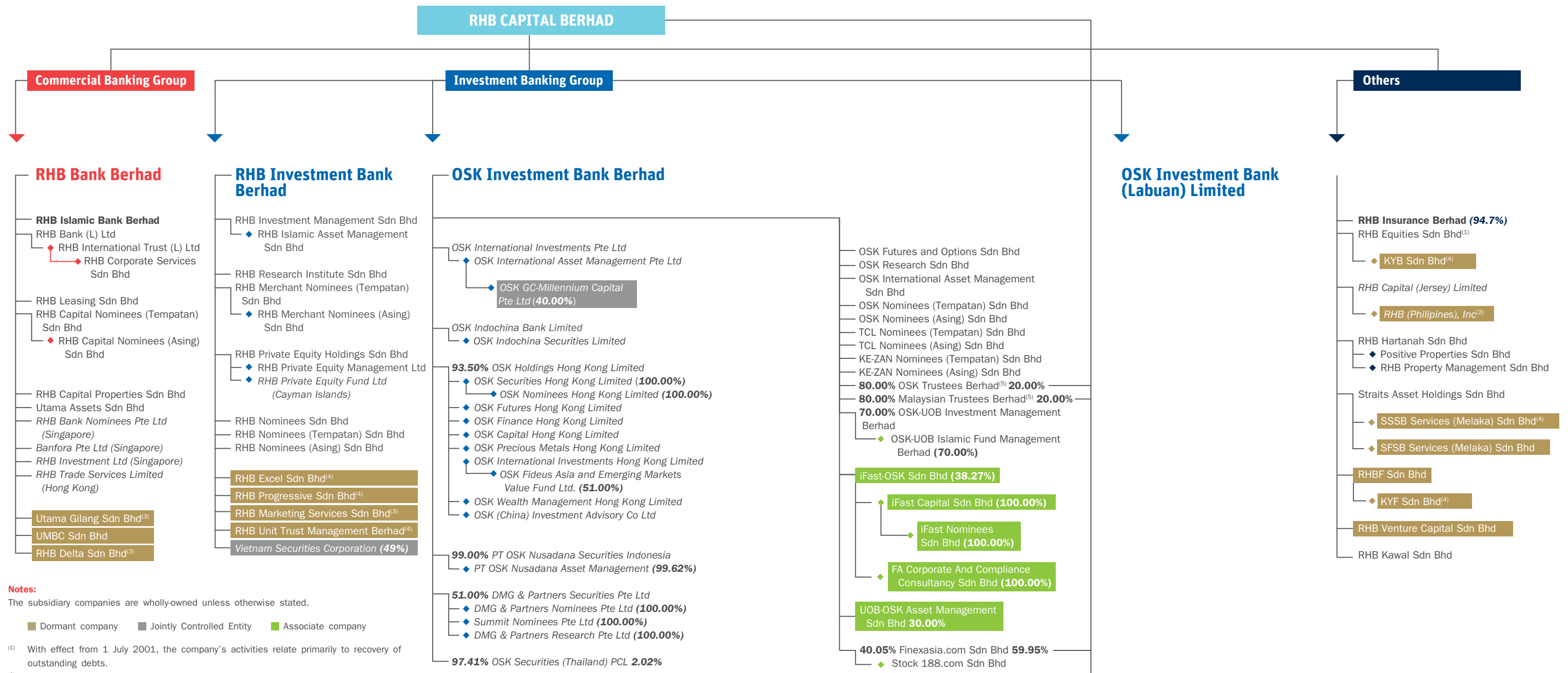
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PricewaterhouseCoopers  
Chartered Accountants  
Level 10, 1 Sentral  
Jalan Travers, Kuala Lumpur Sentral  
P.O. Box 10192  
50706 Kuala Lumpur  
Malaysia  
Tel : 603-2173 1188  
Fax : 603-2173 1288

**Note:**

- \* The Committee resides at RHB Bank Berhad and is shared with the relevant subsidiaries of the Group.
- # The Committee resides at RHB Capital Berhad and is shared with the relevant subsidiaries of the Group.

**RHB Capital Berhad Group Structure**  
As At 22 March 2013



**Notes:**

The subsidiary companies are wholly-owned unless otherwise stated.

■ Dormant company   ■ Jointly Controlled Entity   ■ Associate company

<sup>(1)</sup> With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.

<sup>(2)</sup> The company has ceased operations from the close of business on 10 December 2001.

<sup>(3)</sup> The company has commenced members' voluntary winding-up on 16 February 2011.

<sup>(4)</sup> The company has commenced members' voluntary winding-up on 28 March 2012.

<sup>(5)</sup> Held by: (i) OSKIB; (ii) OSK Nominees (Tempatan) Sdn. Bhd. (iii) OSK Nominees (Asing) Sdn. Bhd. and (iv) OSK Futures and Options Sdn. Bhd with direct shareholdings of 20.00% each.

Country of incorporation is Malaysia unless otherwise indicated in italics

## Board of Directors

Standing from left to right:

**ABDUL AZIZ PERU  
MOHAMED**

Independent  
Non-Executive  
Director

**DATO' MOHD ALI  
MOHD TAHIR**

Independent  
Non-Executive  
Director

**CHOONG TUCK OON**

Independent  
Non-Executive  
Director

**DATO' MOHAMED  
KHADAR MERICAN**

Independent  
Non-Executive  
Director

**TAN SRI ONG LEONG HUAT  
@ WONG JOO HWA**

Non-Independent  
Non-Executive Director





**TAN SRI AZLAN ZAINOL**

Non-Independent  
Non-Executive  
Chairman

**JOHARI ABDUL MUID**

Managing Director

**ONG SENG PHEOW**

Independent  
Non-Executive  
Director

**HAJI KHAIRUDDIN AHMAD**

Senior Independent  
Non-Executive  
Director



## ▸ Profiles of the Board of Directors

### Tan Sri Azlan Zainol

(63 years of age – Malaysian)

*Non-Independent Non-Executive Chairman*



Tan Sri Azlan Zainol (Tan Sri Azlan) is currently the Chief Executive Officer of the Employees Provident Fund Board. He has more than 29 years of experience in the financial sector, having been appointed as the Managing Director of AmBank Berhad and prior to that, as the Managing Director of AmFinance Berhad.

Tan Sri Azlan is a Fellow of the Institute of Chartered Accountants in England and Wales, Member of the Malaysian Institute of Accountants and Member of the Malaysian Institute of Certified Public Accountants.

Tan Sri Azlan's other directorships in public companies include RHB Capital Berhad, RHB Investment Bank Berhad, Rashid Hussain Berhad (In Member's Voluntary Liquidation), Malaysian Resources Corporation Berhad (Chairman) and Jardine Cycle & Carriage Limited (Singapore).

Tan Sri Azlan was appointed as a Director and formalised as Chairman of RHB Bank on 27 July 2005 and 29 July 2005, respectively, representing RHB Capital Berhad, the holding company of RHB Bank.

## Haji Khairuddin Ahmad

(70 years of age – Malaysian)  
*Senior Independent Non-Executive Director*



Haji Khairuddin Ahmad (Haji Khairuddin) began his career in the banking industry and was previously with Citibank N.A., Southern Bank Berhad, Bank of Commerce Berhad and Arab Malaysian Finance Berhad. He attended the Advance Management Course at Columbia Business School in New York, USA.

Haji Khairuddin's other directorship in public companies include RHB Islamic Bank Berhad (Chairman).

Haji Khairuddin was appointed as a Director of RHB Bank on 6 September 2001, representing Danamodal Nasional Berhad (Danamodal). Haji Khairuddin was re-designated from Non-Independent Non-Executive Director to Independent Non-Executive Director on 18 March 2008, after Danamodal ceased to be a substantial Irredeemable Non-Cumulative Convertible Preference Shareholder of RHB Bank in January 2008. He also serves as the Chairman of Group Risk Management Committee as well as a Member of the Group Credit Committee.

## Ong Seng Pheow

(64 years of age – Malaysian)

*Independent Non-Executive Director*



Ong Seng Pheow (Mr Ong) has over 34 years of audit and accounting experience. He is a Member of the Malaysian Institute of Certified Public Accountants (MICPA) and Malaysian Institute of Accountants. He was a partner of Ernst & Young from 1984 to 2003. His last position in Ernst & Young was the National Director of Assurance and Advisory Business Services. He also served on committees and working groups of MICPA.

Mr Ong's other directorships in public companies include RHB Insurance Berhad, Daiman Development Berhad, LCTH Corporation Berhad, George Kent (Malaysia) Berhad and HELP International Corporation Berhad.

Mr Ong was appointed as a Director of RHB Bank on 20 November 2006. He also serves as the Chairman of the Group Audit Committee as well as a Member of Group IT & Transformation Strategy Committee.

## Choong Tuck Oon

(54 years of age – Malaysian)  
*Independent Non-Executive Director*



Choong Tuck Oon (Mr Choong) was with Accenture for 23 years until his retirement in 2010 as Senior Partner in the Financial Services Asia-Pacific practice. Mr Choong has extensive experience leading business and IT transformation, mergers and acquisitions and risk management for more than 20 large domestic, regional/global financial institutions across ASEAN and North Asia; including various national multi-banks collaborative initiatives. He has also experiences with Oil & Gas, Telecommunication and Utilities industries. Mr Choong was also involved in voluntary non-governmental organisation (NGO) activities, such as launching a bank-of-banks for micro-finance institutions across Indonesia for a consortium of international aid agencies and developing a new growth strategy across eleven countries in Asia Pacific for an international conservation fund. Prior to Accenture, Mr Choong was with Petronas for 7 years in various upstream and downstream functions.

Mr Choong holds a Bachelor of Science (First Class) from University of Malaya, a Masters of Science from the Asian Institute of Technology and an Executive Diploma in Directorship from Singapore Institute of Directors and Singapore Management University.

Mr Choong's other directorship in public companies include RHB Islamic Bank Berhad and RHB Private Equity Holding. He is also a non-executive director in NTUC Income Insurance Cooperative Singapore.

Mr Choong was appointed as a Director of RHB Bank on 1 April 2010. He also serves as the Chairman of Group IT & Transformation Strategy Committee as well as a Member of Group Risk Management Committee and Group Nominating and Human Resource Committee.

## Dato' Mohd Ali Mohd Tahir

(60 years of age – Malaysian)

*Independent Non-Executive Director*



Dato' Mohd Ali Mohd Tahir (Dato' Ali) was with HSBC Bank Malaysia Berhad (HSBC Bank) for 36 years until his retirement in 2008 as Chief Operating Officer. He was responsible for the entire banking operations that included processes for core banking products and services, property management, operational risk management, process design and development with six sigma discipline foundation, bank security and procurement. As a career banker, Dato' Ali has extensive experience in regional and branch management and has developed a core competency in Corporate banking. During his tenure of service, he led the strategic bank-wide banking system conversion involving the change of the entire core operating system and hardware from mainframe to server technology.

Dato' Ali acquired his professional banking qualification from Institute of Bankers of United Kingdom and holds a Diploma in Investment Analysis from Malaysian Association of Productivity of Malaysia. He also attended the ICLIF Global Leadership Development Program under the auspices of Bank Negara Malaysia, held in Harvard University, Boston and Stanford School of Management, San Francisco.

Dato' Ali's other directorship in public companies include RHB Islamic Bank Berhad.

Dato' Ali was appointed as a Director of RHB Bank on 1 January 2011. Dato' Ali is also a Member of Group IT & Transformation Strategy Committee and Group Audit Committee.

## **Abdul Aziz Peru Mohamed**

(64 years of age – Malaysian)  
*Independent Non-Executive Director*



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

Encik Aziz Peru attended various training programmes at the Harvard Business School and Pacific Bankers Rim programmes in United States of America.

Encik Aziz Peru's other directorships include RHB Investment Bank Berhad, RHB Insurance Berhad, RHB Investment Management Sdn Bhd and As-Salihin Trustee Berhad.

Encik Aziz Peru was appointed as a Director of RHB Bank on 7 February 2011. He also serves as a Member of the Group Credit Committee.

## Dato' Mohamed Khadar Merican

(56 years of age – Malaysian)

*Independent Non-Executive Director*



Dato' Mohamed Khadar Merican (Dato' Mohamed Khadar) has had more than 30 years of experience in financial and general management. He served as an auditor and a consultant in an international accounting firm, before joining a financial services group in 1986. Dato' Mohamed Khadar has held various senior management positions in Pemas International Holdings Berhad (now known as Tradewinds Corporation Berhad) between 1988 and April 2003, including those of President and Chief Operating Officer.

Dato' Mohamed Khadar is a Member of the Institute of Chartered Accountants in England and Wales and is also a Member of the Malaysian Institute of Accountants.

Dato' Mohamed Khadar's other directorships in public companies include RHB Capital Berhad (Chairman), RHB Investment Bank Berhad, Rashid Hussain Berhad (In Members' Voluntary Liquidation), AirAsia Berhad, Astro Malaysia Holdings Berhad and Sona Petroleum Berhad.

Dato' Mohamed Khadar was appointed as a Director of RHB Bank on 1 November 2011. Dato' Mohamed Khadar serves as the Chairman of the Group Credit Committee as well as a Member of the Group Nominating and Human Resource Committee.



## Tan Sri Ong Leong Huat @ Wong Joo Hwa

(68 years of age – Malaysian)

*Non-Independent Non-Executive Director*



Tan Sri Ong Leong Huat @ Wong Joo Hwa (Tan Sri Ong) was appointed as a Non-Independent Non-Executive Director of RHB Bank on 20 November 2012.

Tan Sri Ong holds a Capital Markets and Services Representative's licence issued by the Securities Commission of Malaysia under the Capital Markets and Services Act, 2007 for dealing in securities. Tan Sri Ong was a Director of MESDAQ from July 1999 to March 2002, a member of the Capital Market Advisory Council appointed by the Securities Commission in 2004 to advise on issues relating to the implementation of the Capital Market Master Plan. He was previously a member of the Securities Market Consultative Panel of Bursa Malaysia.

For over 17 years since 1969, Tan Sri Ong was attached to a leading financial institution where he last held the position of Senior General Manager. He was the Managing Director/Chief Executive Officer (CEO) of OSK Investment Bank Berhad (OSKIB) from July 1985 to January 2007 and thereafter appointed as the Group Managing Director/CEO of OSKIB. He was then re-designated as a Non-Independent Non-Executive Director of OSKIB, a position which he still holds.

Tan Sri Ong's other directorships in public companies include RHB Investment Bank Berhad (Chairman), OSK Holdings Berhad, OSK Property Holdings Berhad, OSK Investment Bank Berhad, OSK Ventures International Berhad, Bursa Malaysia Berhad and KE-ZAN Holdings Berhad.

## Johari Abdul Muid

(55 years of age – Malaysian)

*Managing Director*



Johari Abdul Muid (Encik Johari) has more than 30 years of experience in the financial sector. He started his career with Asian International Merchant Bankers Berhad, a subsidiary of Sime Bank Berhad in 1981. From 1983 to 2003, he was with the Commerce International Merchant Bankers Berhad (CIMB) Group. He joined ValueCap Sdn Bhd in February 2003 as the Chief Investment Officer. In August 2004, he joined the Employees Provident Fund Board as the Chief Investment Officer heading the Equity Investment and Equity Research Departments. In 2007, he was promoted to Deputy Chief Executive Officer in charge of the Investment Division and subsequently, he took charge of the Corporate Planning, Policies and Training, as well as provided oversight to the Human Resource function on behalf of the Chief Executive Officer.

Encik Johari is a Fellow Member of the Chartered Institute of Management Accountants, United Kingdom (FCMA). His other directorships in public companies include Rashid Hussain Berhad (In Member's Voluntary Liquidation) and RHB Bank (L) Ltd. He is a Council Member of The Association of Banks in Malaysia.

Encik Johari was appointed as a Director of RHB Bank on 1 April 2005, representing RHB Capital Berhad (RHB Capital), the holding company of RHB Bank. On 14 November 2011, he was appointed as the Managing Director of RHB Bank and accordingly resigned as a Non-Independent Non-Executive Director of the relevant Boards within RHB Banking Group on the same date. He also serves as a member of the Group IT & Transformation Strategy Committee.

Introduction

**“Boards and management must be mindful of their duty to direct their efforts and resources towards the best interest of the company and its shareholders while ensuring that the interests of other stakeholders are not compromised. Disclosure and transparency are essential for informed decision-making. The timely availability of quality and accurate information including the reporting of financial performance are key facets of investor protection and market confidence.”**

Foreword, Chairman, Securities Commission Malaysia  
*Malaysian Code on Corporate Governance 2012 (MCCG 2012)*

## OUR COMMITMENT TO GOOD CORPORATE GOVERNANCE

The Board of Directors (Board) of RHB Bank Berhad (RHB Bank or the Bank) is committed to high standards of governance designed to protect the interests of shareholders and all other stakeholders while promoting the highest standards of integrity, transparency and accountability. The Board strives to ensure that our integrity and professional conduct are beyond reproach.

The Group is confident of its robust governance, which includes:

1. A clear organisational structure with well defined, transparent and consistent lines of responsibility, effective processes to identify, manage, monitor and report the risks to which it is or might be exposed.
2. Adequate internal control mechanisms.
3. Sound administrative, accounting procedures, and IT systems and controls.

The Board believes that sound corporate governance practices contribute to managing the Group effectively and to achieving our strategic and operational goals and objectives. Not only has it helped establish the Bank's credibility and bolster our corporate reputation, it has also enhanced our shareholder value, provided assurance to investors, strengthened customers' trust in our businesses and improved the overall RHB Banking Group's competitive positioning.

The Board's oversight of risk and control is facilitated through delegation of certain responsibilities to Committees of the Board, the principal Committees being the Group Audit Committee, Group Risk Management Committee

and Group Nominating and Human Resource Committee.

Given the Group's vision to be a Leading Multinational Financial Services Group' as well as the five new customer-centric core values with the acronym P.R.I.D.E. (i.e. Professional, Respect, Integrity, Dynamic and Excellence), the Board also considers the tenets of transparency, accountability, integrity and corporate performance as the prerequisites of a responsible corporate entity.

To ensure the highest standards of integrity, business ethics and professionalism are upheld across our organisation, we have adopted best market practices to establish accountability and transparency within the Bank and Group. RHB Banking Group's corporate governance structure is principally based on the following:

- (i) Malaysian Code on Corporate Governance 2012 (the Code);
- (ii) Bank Negara Malaysia's (BNM) Guidelines on Corporate Governance for Licensed Institutions (BNM's CG Guidelines);
- (iii) Bursa Malaysia Securities Berhad's (Bursa Securities) Main Market Listing Requirements (MMLR) and Corporate Governance Guide (CG Code); and
- (iv) Minority Shareholders Watchdog Group (MSWG) Corporate Governance Best Practices.

While stringent corporate governance practices and internal controls are already in place, we believe there is always room for improvement and are always exploring new avenues and measures to enhance the Bank's and Group's system of governance. In doing so, the Board makes a significant effort to understand and manage stakeholders' expectations. Such understanding is essential to

ensure that our position and reputation as a financial institution is held in good stead. Moreover, this understanding enables us to fulfil the evolving needs of our stakeholders and supports the Group's efforts to compete in the global arena.

As a testament to our strong commitment and practice of good corporate governance, RHB Banking Group was the proud recipient of numerous awards:

### EASY BY RHB

- CIO Asean Awards 2011 – One of the Most Outstanding CIOs in the Asean Region 2011
- Celent Model Bank Award 2012 – Model Bank of the Year Award

### BUSINESS BANKING

- Credit Guarantee Corporation Malaysia Berhad – Top SMI Award 2011
- SMI Association of Malaysia – Sahabat Negara Award 2012

### RETAIL BANKING

- Trailblazer Award 2012 – Product Excellence in Co-Brand Credit Cards Category
- Visa Malaysia Bank Awards – Highest Payment Volume Growth, Visa Platinum Credit Card
- Visa Malaysia Bank Awards – Highest Payment Volume Growth, Visa Debit Card

### RHB INVESTMENT BANK BERHAD

- Project Finance International Awards – Asia Pacific Project Bond of the Year
- Islamic Finance News Awards Deals of the Year – Malaysian Deal of the Year
- Alpha Southeast Asia Deals & Solutions Awards – Most Innovative Islamic Finance Deal of the Year in Southeast Asia

- Alpha Southeast Asia Deals & Solutions Awards – Best Dual-Listed IPO of the Year in Southeast Asia
- Alpha Southeast Asia Deals & Solutions Awards – Best IPO Deal of the Year in Southeast Asia; & Best Deal of the Year in Southeast Asia for Minority Shareholders
- Alpha Southeast Asia Deals & Solutions Awards – Best Project Financing Deal of the Year in Southeast Asia
- Alpha Southeast Asia Deals & Solutions Awards – Best Islamic Financial Deal of the Year in Southeast Asia

#### OSK INVESTMENT BANK BERHAD

- Alpha Southeast Asia Best Financial Institution Awards – Best Mid-cap Corporate Finance House in Malaysia
- Alpha Southeast Asia Best Financial Institution Awards – Best Mid-cap Corporate Finance House in Singapore
- Alpha Southeast Asia Deals & Solutions Awards – Most Innovative Islamic Finance Deal of the Year in Southeast Asia
- Alpha Southeast Asia Deals & Solutions Awards – Best Dual-Listed IPO of the Year in Southeast Asia
- Alpha Southeast Asia Deals & Solutions Awards – Best IPO Deal of the Year in Southeast Asia; & Best Deal of the Year in Southeast Asia for Minority Shareholders

#### RHB RESEARCH INSTITUTE SDN BHD

- Asiamoney Brokers' Poll 2012 – 2<sup>nd</sup> Best Strategy
- Asiamoney Brokers' Poll 2012 – 3<sup>rd</sup> Best Macroeconomics
- Asiamoney Brokers' Poll 2012 – 3<sup>rd</sup> Best Overall Country Research
- Asiamoney Brokers' Poll 2012 – 4<sup>th</sup> Best Analyst for Malaysia: Lim Chee Sing

- 2012 Financial Times and StarMine Analyst Awards for Asia – No. 2 Overall Stock Picker
- FactSet The Wall Street Journals 2012 Asia's Best Analyst Survey – 1<sup>st</sup> Position for Oil & Gas
- FactSet The Wall Street Journals 2012 Asia's Best Analyst Survey – 3<sup>rd</sup> Position for Food & Beverage

#### OSK RESEARCH SDN BHD

- Asiamoney Brokers Poll 2012

##### Malaysia

- Best Research Coverage for Small Caps
- 3<sup>rd</sup> Best Local Brokerage
- 3<sup>rd</sup> Most Improved Brokerage Over the Last 12 Months
- 3<sup>rd</sup> Most Independent Research Brokerage

##### Singapore

- Best Research Coverage for Small Caps
- Best Research Coverage for Consumer Services
- Most Improved Brokerage Over the Last 12 Months
- 2<sup>nd</sup> Most Independent Research Brokerage
- 3<sup>rd</sup> Best for Overall Country Research

- StarMine Analyst Awards

##### Asia

- Best Telecommunications Stock Picker
- 2<sup>nd</sup> Best Consumer Stock Picker
- 2<sup>nd</sup> Best Healthcare Stock Picker
- 3<sup>rd</sup> Best Overall Stock Picker

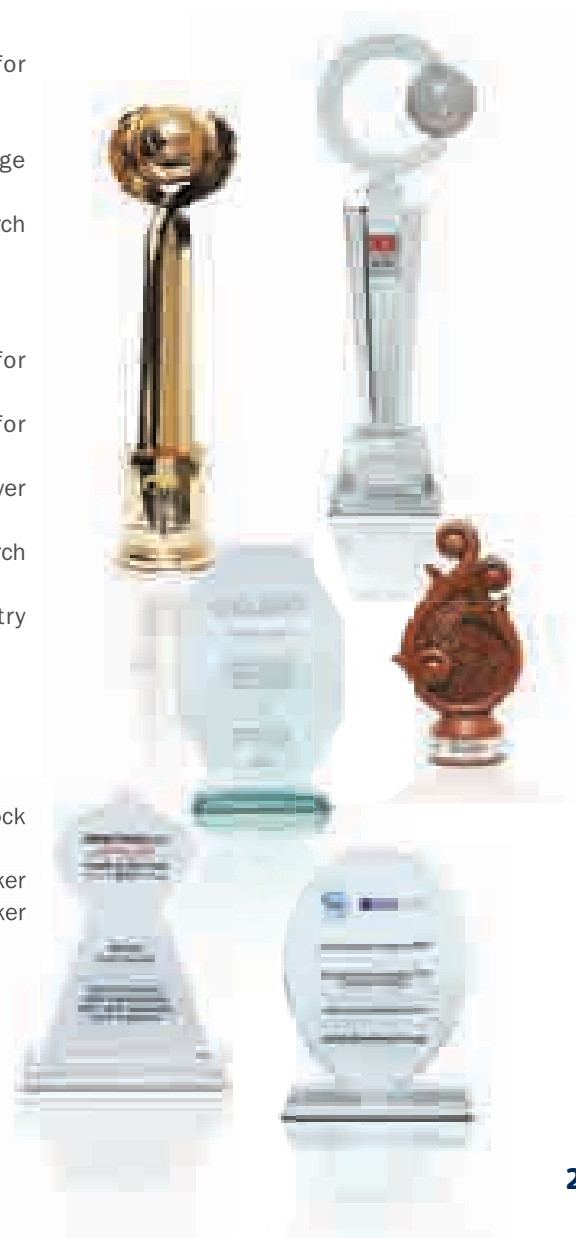
##### Singapore

- 3<sup>rd</sup> Most Productive Broker

- Wall Street Journal Asia's Best Analyst – 2<sup>nd</sup> Best Analyst in Malaysia: Alvin Tai Siew Shen

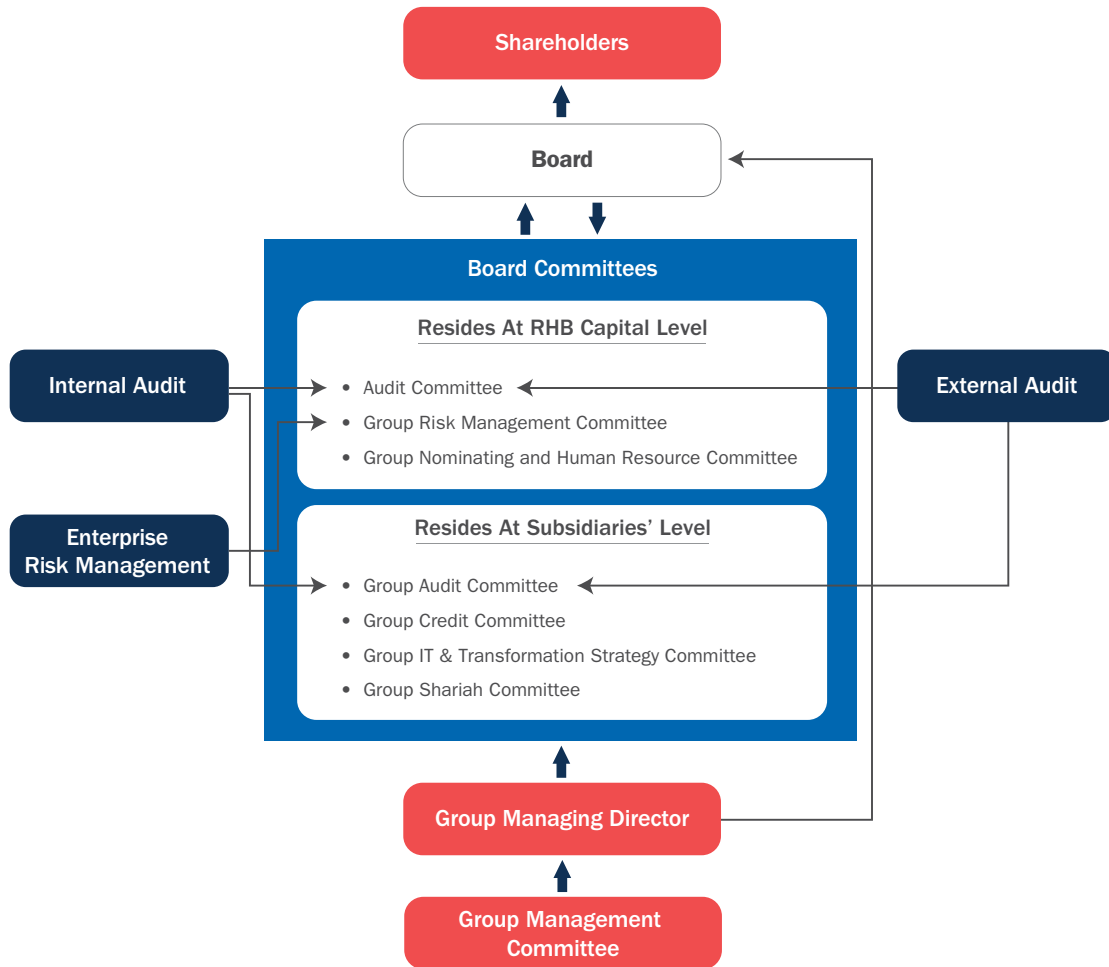
#### OSK-UOB INVESTMENT MANAGEMENT BERHAD

- The Edge-Lipper Malaysian Unit Trust Fund Awards – OSK-UOB Kidsave Fund, Best Mixed Asset MYR Balanced Fund (10 Years)



## GOVERNANCE MODEL

RHB Banking Group's Governance Model conforms to the relevant regulatory requirements as well as best market practices. The Governance Model is continuously reviewed by the Board to ensure it remains relevant and is able to meet future challenges.



## BOARD OF DIRECTORS

### Board Composition and Balance

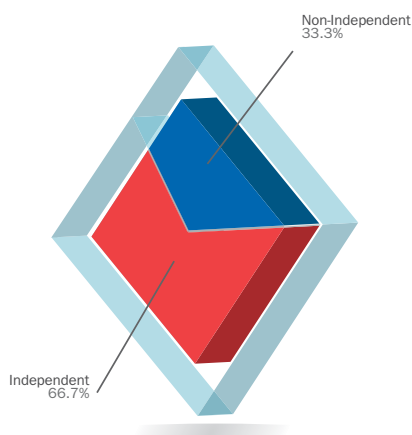
The Board believes that to be effective it needs to operate independent of the management. Each of the Non-Executive Directors has confirmed that they have been throughout the year and continue to be, independent of the management of the Group and free from any business/other relationship that could materially affect the exercise of their independent judgement.

Currently, the Board has nine (9) Members, with a Non-Independent Non-Executive Chairman, six (6) Independent Non-Executive Directors (INEDs), a Non-Independent Non-Executive Director and the Managing Director (MD). The structure and composition of the Board comply with the Code and BNM's CG Guidelines. The number of Independent

Directors exceeds the requirement that one-third of Board Members be independent as set out in the Code and BNM's CG Guidelines. The presence of the six (6) INEDs ensures there is an effective check and balance in the functioning of the Board. These INEDs fulfil the criteria of independence as defined in the Code and BNM's CG

Guidelines. They are not involved in the day-to-day management of the Bank, nor do they participate in any business dealings of the Bank. This ascertains that they remain free of any conflict of interest and can undertake their roles and responsibilities as INEDs in an effective manner.

### Composition of Board



Recognising the importance of boardroom diversity and considering that gender diversity is also one of the important attributes of a well-functioning Board and an essential measure of good governance, a policy on boardroom and gender diversity is being established for RHB Banking Group in 2013. As an effort to strive towards the targeted goal of 30% female participation on board by 2016 (as stated in the Corporate Governance Blueprint 2011), the Group will continue its effort in sourcing and identifying suitable female candidates for appointment as Directors of the Group.

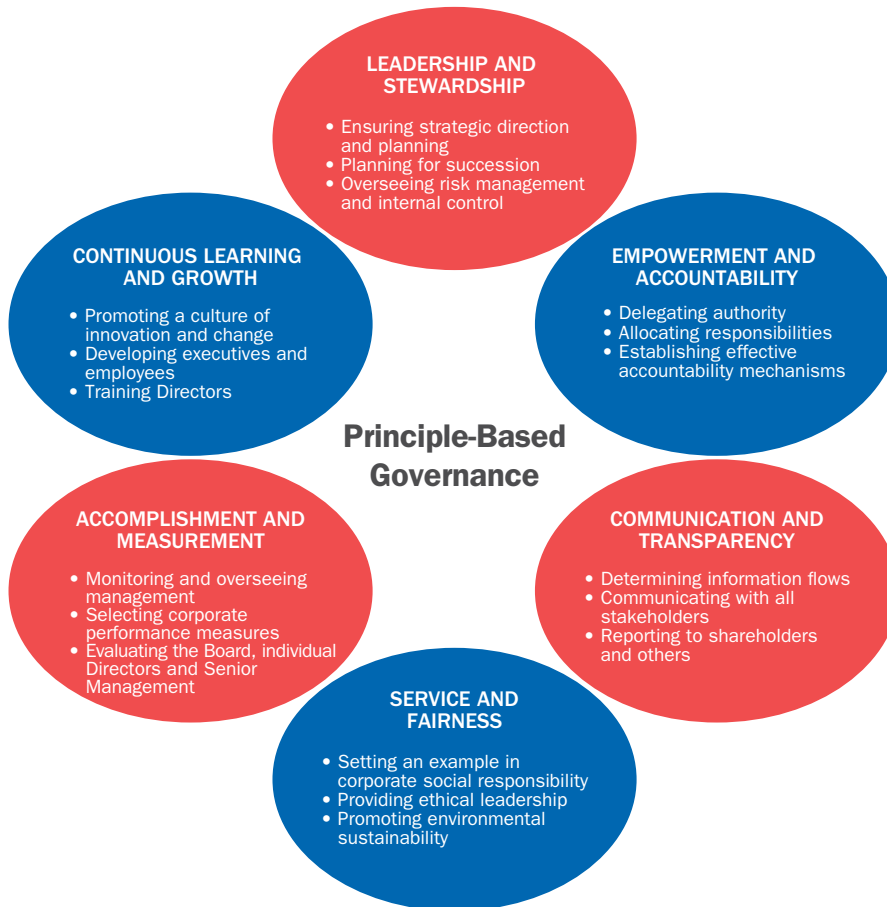
### Directors' Qualification and Experience

As one of the leading financial services group, the Board recognises that its Members must have the appropriate mix of skills as well as the necessary knowledge, experience and commitment to effectively contribute towards the growth and expansion of the Group as a whole. Furthermore, being on the Board of a bank, Board Members are required to be responsive to the constantly changing global financial landscape. The composition of the Board as well as the Boards of its major subsidiaries and the Group's Board Committees is reviewed regularly by the Group Nominating and Human Resource Committee to ensure that appropriate balance is maintained and that there is an adequate mix of skills and experience to govern the business effectively.

The effectiveness of the Bank depends on ensuring the right balance of Directors with banking or financial services experience and broader commercial experience. The Bank benefits from the diverse range of skills, knowledge and experience acquired by the non-executive Directors from their work experience and as Directors of other companies, both national and international (including banking, property development, oil and gas, telecommunications, airline, consumer products, manufacturing, and consultancy). Collectively, the Board possesses skills and experience in a wide range of areas relevant to banking, business development, finance, accounting/audit, risk, IT and transformation management and general management skills. A brief profile of each member of the Board outlining their qualifications, experience and skills is presented on pages 10 to 18 of this Annual Report.

### Duties and Responsibilities of the Board

The Board adopts the following six basic principles to form a good governance Board:



The Board is responsible for governing the business and affairs of the Bank and for exercising all such powers pursuant to the Articles of Association of the Bank. The Members of the Board are expected to perform their duties with integrity, honesty and professionalism within the ambit of the law to serve the interest of the Bank's shareholder and stakeholders, and committed to ensuring that the highest corporate governance standards are adhered to. The overall principal responsibilities of the Board are as follows:

- providing strategic leadership to the Bank and the Group;
- reviewing, approving and monitoring the implementation of the Group's strategic business plans and policies;
- ensuring the Bank and Group maintain an effective system of internal controls and are able to identify and manage principal risks resulting in efficiency in operations and a stable financial environment;
- acting as a guardian of the Group's corporate values and ethical principles in parallel with the goal to enhance shareholders' value;
- monitoring as well as evaluating the performance of the Management to ensure that the performance criteria remains dynamic;
- ensuring the formulation of a succession plan for the Group for long-term business continuity; and
- ensuring the Bank and Group maintain an effective investor relations programme or shareholder communication policy.



### Commitment to Responsible Environment, Social and Governance (ESG) Principles

The Board acknowledges that a sustainable approach to investing has a positive impact on the value of investments and is vital for the interests of long-term investors. The Board is committed to considering ESG issues in our decision making, and to ensuring that our business and the entities that we control are responsible corporate entities. The Group has established a Corporate Responsibility (CR) strategic framework in 2007, that supports and creates value to the Group's business, operations and brand, and ensures positive contribution to our customers, employees and society at large.

The following are some of the key steps that the Board undertakes to embed sustainability in the Group:



### **Roles of the Chairman, Managing Director, Non-Executive Director and Senior Independent Non-Executive Director**

#### **Chairman**

It is widely recognised that the roles of the Chairman and the Managing Director must be clearly demarcated. The Chairman's role is to facilitate the functioning of the Board independently of Management and to maintain and enhance the quality of our corporate governance. The Chairman is responsible for leading the Board and ensuring it performs in an effective manner.

The Chairman, YBhg Tan Sri Azlan Zainol, presides over Board and General Meetings of the Bank. He manages the affairs of the Board, with a view to ensuring that the Board functions effectively and meets its obligations and responsibilities, and leads the Board in the execution of its responsibilities to the shareholder. He ensures that Members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper decision making of the Board and the Bank. Additionally, the Chairman has to ensure that General Meetings are conducted efficiently and in accordance with the requirement of the Companies Act 1965, and that shareholder has adequate opportunity to air its views and obtain answers to its queries.

In furtherance thereto, the Chairman also has these responsibilities:

- to provide effective leadership in the determination of the Bank and the Group's strategy and in the achievement of the Bank and the Group's objectives;

- to work with the Company Secretary to schedule Board and Committee meetings and ensure that Directors receive accurate, timely and clear information, in particular on the Bank's and Group's performance and issues arising, to enable the Board to make sound decisions, conduct effective monitoring and provide sound advice in achieving the Bank's and Group's objectives;
- to ensure that Board Committees are properly established and composed, with appropriate terms of reference;
- to ensure that all important agenda are appropriately discussed by the Board;
- to ensure the independence of the Board in discharging its duties. This includes encouraging Non-Executive Directors of the Board to meet regularly to deliberate on matters of concern and ensure that the Board engages independent advisors where required (subject to the proper approval process);
- to ensure that the Board and individual Directors fully exercise their responsibilities and adhere to applicable laws, regulations, rules, directives, policies and guidelines;
- to consider and address the developmental needs of individual Directors and the Board as a whole to maintain the necessary depth and breadth of knowledge and skills to enhance the effectiveness of the Board;
- to promote effective relationships and open communication between the Board and the Senior Management in relation to corporate governance and corporate performance;
- to enhance the Bank's and Group's public standing and image; and
- to ensure effective relationships are maintained with all major stakeholders.

The Chairman, YBhg Tan Sri Azlan Zainol, has over 29 years' experience in the financial sector. He is a Fellow of the Institute of Chartered Accountants in England & Wales, Member of the Malaysian Institute of Accountants and Member of the Malaysian Institute of Certified Public Accountants. YBhg Tan Sri Azlan Zainol was appointed as the Chairman of RHB Bank on 29 July 2005 and he exercises independent and broad judgement, provide independent opinion and constructive views on the Management's proposal.

#### **Managing Director (MD)**

The MD, Encik Johari Abdul Muid, who has extensive financial experience and knowledge (including treasury and investment management), is responsible for the day-to-day management of the business and operations of the Bank and in ensuring the successful implementation of policies and directions as formulated by the Board. The distinct and separate duties and responsibilities of the MD and the Chairman ensure the balance of power and authority in relation to the establishment of a fully effective Board.

The MD's integral role is to implement the policies and decisions of the Board, oversee the operations as well as coordinate the development and execution of the Group's corporate strategies. In addition thereto, he is also responsible for the following tasks:

- manage the business and operations and to put in place the policies and strategies adopted by the Board;
- ensuring that the financial results are accurate and not misleading as well as ensuring that the financial management practices of the Bank and the Group are carried out with the highest standards of integrity and transparency for the benefit of all stakeholders;

- ensuring that the business and affairs of the Bank and the Group are carried out in an ethical manner and in full compliance with the relevant laws and regulations;
- overseeing the internal control systems and the risk management processes and ensuring these are appropriate and effective;
- ensuring succession planning and talent management programs are in place in the interest of human capital development;
- maintaining effective relationship between the Management, the Board and other stakeholders; and
- developing and maintaining strong communication programmes and dialogue with the stakeholders.

In carrying out his tasks, the MD is supported by a Management Committee (Manco) which comprises the MD as the Chairman and other Senior Management of the Bank. The Manco is governed by its terms of reference and has several objectives, among others to monitor and review the Bank's performance and formulate as well as discuss policies, strategies and activities of the Bank and in relevant circumstances, for recommendation to the Board of the Bank.

### **Non-Executive Directors (NEDs)**

The roles of the NEDs are wide and varied. They provide considerable depth of knowledge collectively gained from their experience in a variety of public and private companies and other enterprises. The Board has determined that each current NEDs, with the exception of YBhg Tan Sri Azlan Zainol and YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa, are independent within the meaning of the regulatory provisions. The Independent Directors provide unbiased and independent views in ensuring that the strategies proposed

by the Management are fully deliberated on and take into account the interests of minority shareholders, employees, customers and the many communities in which the Group conducts its business. The Bank values and benefits from their judgement and the quality of their contributions to the deliberations of the Board and its Committees through their character, objectivity and integrity. The independence of the Independent Directors is reviewed on an annual assessment and benchmarked against best practices and regulatory provisions. The independent directors are required to provide their confirmations on their compliance with the criteria and definition of 'independent director', as stipulated under Clause 2.26 and Clause 2.27 of BNM's CG Guidelines and Revised BNM/GP1-i, respectively.

In discharging their responsibilities, the Independent Directors engage with the Management as well as internal and external auditors, and participate in Board Committees within the Group. This is particularly so in the case of Tuan Haji Khairuddin Ahmad who is the Chairman of the Group Risk Management Committee of RHB Capital Berhad (RHB Capital) and a Member of the Group Credit Committee; Mr Ong Seng Pheow who is the Chairman of the Group Audit Committee and a Member of the Group IT & Transformation Strategy Committee; Mr Choong Tuck Oon who is the Chairman of the Group IT & Transformation Strategy Committee as well as a Member of the Group Nominating and Human Resource Committee and Group Risk Management Committee of RHB Capital; YBhg Dato' Mohd Ali Mohd Tahir who is a Member of the Group Audit Committee and Group IT & Transformation Strategy Committee;

Encik Abdul Aziz Peru Mohamed who is a Member of the Group Credit Committee; and YBhg Dato' Mohamed Khadar Merican who is the Chairman of the Group Credit Committee and a Member of the Group Nominating and Human Resource Committee of RHB Capital.

YBhg Tan Sri Azlan Zainol, who has more than 29 years of experience in the financial sector, has been an effective Non-Independent Non-Executive Chairman of RHB Bank (representing Employees Provident Fund Board). He was appointed onto the Board on 27 July 2005. He exercises independent and broad judgement as well as provides independent opinions and constructive views on Management proposals.

YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa was, appointed as a Non-Independent Non-Executive Director of RHB Bank (representing OSK Holdings Berhad) on 20 November 2012. He actively participates in the deliberation of the Board and shares his views and opinions from the shareholder's perspective.

### **Senior Independent Non-Executive Director (SINED)**

The Board has appointed Tuan Haji Khairuddin Ahmad as the SINED, to whom concerns pertaining to the Group may be conveyed by shareholder and the public.

Tuan Haji Khairuddin Ahmad has been an INED of RHB Bank since 18 March 2008 and was appointed as its SINED since 1 March 2011. Tuan Haji Khairuddin Ahmad began his career in the banking industry and was previously with Citibank N.A., Southern Bank Berhad, Bank of Commerce Berhad and Arab Malaysian Finance Berhad.

## ▶ Corporate Governance Statement

The SINED has the following additional responsibilities:

- to be available to shareholder if they have concerns relating to matters where contact through the normal channels of the Chairman or MD has failed to resolve issues, or for which such contact is inappropriate; and
- to maintain contact as required with the shareholder to have a balanced understanding of their issues and concerns.

All concerns relating to the Group can be channelled to the SINED's email address, *khairuddin.ahmad@rhb.com.my*.

### Board Charter

The Board Charter regulates how the Board and the individual members of the Board discharge their responsibilities according to the principles of good governance. The Board Charter aims to ensure that the Board members understand their duties and responsibilities as well as the laws, regulations and best practices governing their conduct. The Group recognises the importance of clearly defining the boundaries between the Board and Management. The Group has developed Board Charters for relevant entities, which set out the key corporate governance principles adopted by the Boards and ethos of the Group. The responsibilities of Boards and Chairperson are clearly defined therein. The Board Charters are also aimed to clearly stipulate the mandate of each party to find the right balance between support and check-and-balance as well as to avoid Boards over-focusing on operational details, which are the responsibilities of Management.

Within these broad boundaries, each Board, based on the context of the company, has also discussed, set and agreed upon with Management the annual balanced scorecard and key performance indicators that need to be executed and achieved by Management. The performance and progress thereof will then be reviewed by Boards from time to time. In addition, the Group has also established relevant guidelines in setting forth the matters/directions that need to be approved or sought from Boards, e.g. Group Approving Authority Matrix.

The Board Charters shall be reviewed by the Boards at relevant intervals as the Boards deem appropriate. The existing Board Charter of RHB Bank is being reviewed and will be published on the website upon finalisation.

### Code Of Ethics And Business Conduct

The Board has adopted a Code of Ethics and Business Conduct for Directors (Code of Ethics). The Code of Ethics was formulated to enhance the standard of corporate governance and promote ethical conduct of Directors with a view to achieving the following objectives:

- to establish a uniform ethical standard for Directors emphasising conduct free from conflicts of interest; and
- to uphold the spirit of corporate responsibility and accountability in line with the governing laws, regulations and guidelines.

The Code of Ethics forms part of the Board Charter which is currently being reviewed. The same will be published on the website upon finalisation.

The Group has in place a Group Code of Ethics and Conduct that is applicable to all its employees to ensure a high standard of ethical and professional conduct is upheld by all its employees in the performance of their duties and responsibilities. The Code establishes the standards that govern the way employees deal with each other, our shareholders, customers, suppliers, competitors and communities. Within this framework, employees are expected to exercise good judgment and be accountable for their actions. Compliance with the Code is part of the terms and conditions of employment of every employee of the Group.

### Board Meetings And Access To Information

Board Meetings for the ensuing financial year are scheduled in advance before the end of the current financial year so that the Directors are able to plan ahead and accommodate the next year's Board Meetings into their respective meeting schedules.

The Board meets on a monthly basis to discuss business strategy, financial performance, potential strategic acquisition and alliances, matters pertaining to compliance and governance, as well as report on matters deliberated by Board Committees and their recommendations thereto. The Board also reviews regular management reports and information on corporate and business issues to assess performance against business targets and objectives. Special meetings are held where any direction or decision are required expeditiously from the Board between the scheduled meetings. Scheduled Board meetings are structured with a pre-set agenda.

As part of the integrated risk management initiatives, the Board is informed of the decisions and salient issues deliberated by the Board Committees and main Management Committees through minutes of these Committees. At each Meeting, the Board also receives updates from the respective Chairmen/representatives of the Group Audit Committee and Group Risk Management Committee on matters that have been deliberated at both Committees' Meetings, as well as on matters that require attention. This practice also applies for the rest of the entities of the Group.

To facilitate productive and meaningful deliberations, the proceedings of the Board Meetings are conducted in accordance with a structured agenda. The structured agenda together with comprehensive management reports are furnished to the Directors at least seven days prior to the scheduled Board Meeting date. This is to allow the Members of the Board to digest the issues at hand, seek clarification from the Management or the Company Secretary if required, and formulate opinions on matters to be deliberated at the meetings. Confidential papers or urgent proposals are presented and tabled at the Board Meetings as other business under the Agenda upon the consent of the Chairman being obtained.

The RHB Banking Group is firmly committed to embedding technological innovation throughout the length and breadth of our organisation, especially those elements that strengthen productivity, bolster stakeholder relationships and protect our environment. We are proud to be one of the first organisations in Malaysia to embark on the use of iPads and eBooks at Board/ Board Committee Meetings. This initiative also forms part of the Group's on-going Boardroom Modernisation Project. The

benefits of circulating encrypted Board and Board Committee papers electronically and the use of iPads in place of paper have resulted in better mobility, faster movements of the documents, cost and time savings, greater convenience, better security and a positive impact on the environment. The RHB Banking Group firmly believes that technology is integral to the Group's business growth and as such is committed to leveraging technological innovation to elevate the competitive edge of the Group in all aspects.

Directors who are unable to attend the Board Meeting physically are allowed to participate in the deliberations and discussions via telephone or video-conferencing. All deliberations at Board Meetings, including dissenting views, are duly minuted as records of proceedings. Relevant Board's decisions are communicated to the Management within two working days from the Board's approval to enable Board decisions and directions to be executed on a timely basis. The draft minutes are circulated to the Directors and Management concerned for their review and comments before the final minutes are tabled for confirmation at the next Board Meeting. Management takes immediate action on all matters arising from the Board Meeting and updates the Board on the status of these matters at the next Board Meeting (where possible) or if deemed urgent via circulation of memorandum.

Over and above the issue of independence, each Director has a continuing responsibility to determine whether he/she has a potential/actual conflict of interest in relation to any material matter which comes before the Board. Such a situation may arise from external associations, interests or personal relationship. The Directors have a duty to declare immediately to the Board should they be interested in any

transaction to be entered into directly and indirectly by the Bank and Group. An interested Director is required to abstain from deliberations and decisions of the Board on the transaction.

Each Member of the Board is required to apply independent judgement to decision making in their capacity as a Director. Where urgency prevails and if appropriate, decisions are also taken by way of a Directors' Circular Resolution in accordance with the Bank's Articles of Association.

The Board is able to seek clarification and advice as well as request for information on matters pertaining to the Group from the Senior Management and the Company Secretary. Should the need arise, the Directors may also seek independent professional advice, at the Bank's expense, when deemed necessary for the proper discharge of their duties.

The Group has in place the "Standard Procedures for Directors to Have Access to Independent Advice" which lays down the procedures for Directors to seek internal and/or external professional independent advice. The objectives of these guidelines among others are as follows:

- to ensure consistency throughout the RHB Banking Group on the procedures for Directors of the Group to have access to independent professional advice; and
- to enable Directors to have an enhanced perception of issues within the Group by allowing them to obtain independent opinion/advice/consultation from leading professionals in the relevant areas.

The adoption of the above guidelines is in line with the various regulatory requirements and best practices.

### Expected Time Commitment

Directors are expected to set aside adequate time for their oversight of matters relating to the Bank and the Group. A policy regarding expected time commitment of the directors is being formulated and established. For the financial year ended 31 December 2012, all directors have complied with the required minimum Board Meetings attendance of 75% under the BNM's revised guidelines. The Group Nominating and Human Resource Committee will review annually each Director's attendance record and degree of participation at meetings.

The Board convened fourteen (14) meetings for the financial year ended 31 December 2012. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings is set out below:

Name of Director	No. of Meetings Attended	Total Percentage of Attendance (%)
YBhg Tan Sri Azlan Zainol	14/14	100
Tuan Haji Khairuddin Ahmad	14/14	100
Mr Ong Seng Pheow	13/14	93
Mr Choong Tuck Oon	14/14	100
YBhg Dato' Mohd Ali Mohd Tahir	12/14	86
Encik Abdul Aziz Peru Mohamed	14/14	100
YBhg Dato' Mohamed Khadar Merican	14/14	100
YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa <sup>1*</sup>	2/2	100
Encik Johari Abdul Muid	14/14	100

**Notes:**

<sup>1</sup> Appointed as a Non-Independent Non-Executive Director on 20 November 2012.

\* Based on the number of Board meetings attended since his appointment to the Board.

### Appointments And Re-election To The Board

RHB Bank, is governed by BNM's CG Guidelines in relation to the appointment of new Directors and the re-appointment of its existing Directors upon the expiry of their respective tenures of office as approved by BNM.

While the Board is responsible for the appointment of new Directors, the Group Nominating and Human Resource Committee (Group NHRC) is delegated with the role of reviewing and assessing the appointments/re-appointments of Directors.

### Fit and Proper

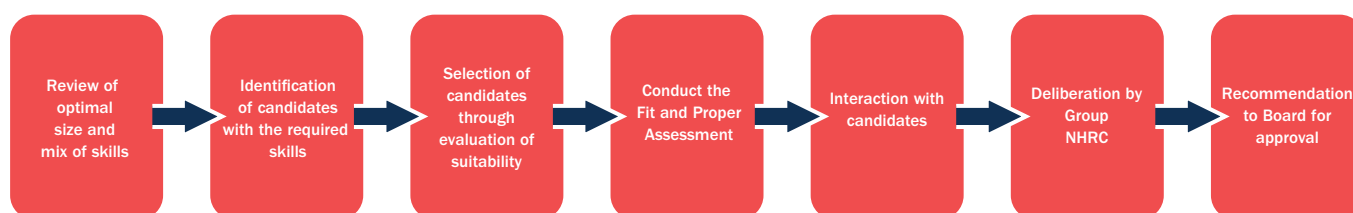
RHB Banking Group has an effective and robust framework in place to ensure that individuals appointed to relevant senior positions within the Group have the appropriate fitness and propriety to properly discharge their prudential responsibilities on appointment and during the course of their appointment. It involves assessment being carried out for each Director and relevant senior executives.

For the appointment of new Directors, a thorough and comprehensive fit and proper assessment (i.e. background, skills, knowledge and experience) of the nominee is undertaken by the Group NHRC in accordance with the Policy and

Guidelines on Fit and Proper for Key Responsible Persons of RHB Banking Group (Fit and Proper Policy), through a transparent nomination process before a recommendation is made to the Board for approval. These assessments are carried out against a benchmark of documented competencies which have been prepared for each role, and also involve declaration being completed by each individual as well as the obtaining of evidence of material qualification and the carrying out of checks such as criminal record, bankruptcy and regulatory disqualification checks, among others. These assessments are reviewed thereafter on an annual basis. The Fit and Proper Policy outlines the following criteria for assessment of the suitability of the candidate for appointment:

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

## Nomination Framework



As for the re-appointment of existing Directors, the Group NHRC refers to the results of the individual assessments conducted via the Board Effectiveness Evaluation besides their ongoing experience during their formal/informal interactions with the Directors. The application for the appointment/re-appointment of Directors will be submitted to BNM for consideration once the same is approved by the Board.

The Group has in place its internal guidelines on the Tenure of Appointment and Re-appointment of INEDs (Internal Guidelines) with the objective of preserving the independence of INEDs. The Board believes it should reflect a balance between experience and learning on the one hand, and the need for renewal and fresh perspectives on the other. Directors are expected to serve up to a maximum of 10 years, assuming they receive satisfactory annual performance assessments, are annually re-elected by the shareholders, and meet the other requirements of the corporate governance requirements. In view of the current challenges in searching for suitably qualified and experienced INEDs (especially from the banking industry) in the market, the Group decided to

maintain the two-year term of appointment or re-appointment of INEDs with a maximum service tenure of 10 years for a transition period of 1 year. The maximum service tenure of 9 years recommended in the Code will be adopted in 2014. However, the allowance for extension/re-designation will still not be adopted. The Board verily believes that the transitory approach is appropriate to address the immediate needs of the Group and the decision of not adopting the extension of tenure/re-designation will ensure the spirit of governance is adopted in its true context notwithstanding the test of time.

Pursuant to the Internal Guidelines, INEDs over seventy years of age will also not be eligible for appointment or re-appointment on the Board and shall retire at the next Annual General Meeting of the company concerned.

Article 100 of the Bank's Articles of Association provides that at least one-third of the Board is subject to retirement by rotation at each Annual General Meeting. Retiring Directors can offer themselves for re-election. Directors who are appointed during the financial year are subject to re-election by shareholder

at the next Annual General Meeting held following their appointment.

## Succession Planning

Succession planning and talent development are always the key priority of the RHB Banking Group in maintaining its sustainability and further enhancing its competitive market positioning as well as striving towards the Group's regional expansion goal. The Group has in place programmes by which candidates with potential are identified, developed and nurtured to fill senior positions. Such development programmes are monitored regularly to ensure that they are relevant and effective in grooming the next generation of RHB management.

In accordance with our framework, the Group has embarked on a 360 degree internal leadership competency assessment. Such assessment is to verify successors' suitability and identify their development gaps in the area of leadership and subsequently to enrol them into the Group's structured Talent Development Programme. The results of the said assessment have been deliberated in detail by the Group NHRC and appropriate action plans are

being developed in addressing the identified gaps.

### Board Performance Evaluation

The Board has since 2006 undertaken the Board Effectiveness Evaluation (BEE) exercise on the Board and Board Committees with the objective of assessing the effectiveness of the Board and Board Committees as a whole, as well as the individual Directors. The BEE is designed to maintain cohesion of the Board, and to improve the Board's effectiveness as well as draw the Board's attention to key areas that need to be addressed.

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

#### Part A: Board Effectiveness Assessment

1. Board Responsibilities
2. Board Processes
3. Board Administration Tools
4. Board Composition
5. Board Conduct
6. Board Interaction and Communication
7. Chairman Evaluation
8. Chief Executive Officer Evaluation

#### Part B: Board of Directors – Self/Peer Assessment

1. Board Dynamics and Participation
2. Integrity and Independence
3. Technical Competencies
4. Recognition

#### Part C: Board Committees Assessment

1. Committee Evaluation
  - a. Structure and Processes
  - b. Accountability and Responsibilities
2. Individual Committee Members' Self/Peer Assessment Questions on attributes and quality aspects relating to:

- a. Participation levels and contribution
- b. Technical competencies

The BEE is based on a combination of self and peer assessment performed via a customised questionnaire. To ensure integrity and independence of the appraisal process, Messrs PricewaterhouseCoopers Advisory Services Sdn Bhd (PwCAS) was engaged to collate and tabulate the results of the evaluation. This approach is in line with market best practices in ensuring the assessment is conducted independently from any internal influence. The BEE also includes interviews with Directors and Senior Management by PwCAS which are conducted in an in-depth manner to encompass areas which fall outside the realm of the written assessment. PwCAS will discuss the detailed BEE results with the Chairman of the Board as well as the Chairman of the Group NHRC. A summarised report will be presented to the Group NHRC as well as the Board of the Bank to enable the Board to identify areas for improvement. The Board will then analyse the gaps and put in place appropriate measures to ensure the overall effectiveness of the Boards within RHB Banking Group.

### Training And Development

All newly appointed Directors are required to attend an induction programme organised by the Management of the Group, to provide the Directors with in-depth information of the industry as well as an overview of the business operations of the Group. During the induction programme, the relevant Management will brief the newly appointed Directors on the functions and areas of responsibility of their respective divisions. This enables Directors to familiarise themselves with the operations and organisational

structure of the Group. It also provides them with a platform to establish effective channels of communication and interaction with Management.

Each new Director receives a comprehensive Director's induction kit to assist them in building a detailed understanding of the Group's operations, the longer term direction and the statutory obligations.

The Directors continuously participate in various seminars, conferences and training programmes and in-house workshops to keep themselves abreast of the relevant regulatory framework, financial sector issues as well as current and future market developments.

The training and development of Directors are spelled out in the Group's Standard Procedures on Directors' In-house Orientation and Continuing Education Programme for the RHB Banking Group, the objectives of which are as follows:

- to ensure consistency throughout the RHB Banking Group in developing an in-house orientation and continuing education programme for its Directors to familiarise themselves with the industry and the Bank/Group; and
- to provide Directors with a better understanding of the nature of business, corporate strategy, risks of the business, financial overview, risk management strategy, legal requirements, duties, responsibilities and rights from the legal viewpoint, moral and ethical obligations as well as good corporate governance in the ever-changing economic climate.



The NEDs of the Bank and the Group also attend local and/or overseas training programmes organised by credible training organisations under the Board High Performance Programme (BHPP). This programme is intended to equip the Directors with the necessary knowledge and tools to effectively discharge their duties and responsibilities as well as provide the Directors with global business perspectives and skills that would engender organisational excellence.

The Company Secretary facilitates the organisation of internal training programmes and Directors' attendance of external programmes, and keeps a complete record of the training received and attended by the Directors.

Conferences, seminars and training programmes attended by each Director of the Bank in 2012 encompassed various topics, including the following:

Directors	Training Programmes
YBhg Tan Sri Azlan Zainol	Managing Banking Operations And Innovation
	The Framework Of Shariah Compliance And Governance
	Internal Capital Adequacy Assessment Process (ICAAP) Directors Workshop
	Training Session No. 2 Of ICAAP
	ICLIF Strategic Development Programme
	Training Session No. 3 Of ICAAP
Tuan Haji Khairuddin Ahmad	Competition Act
	ICAAP Directors Workshop
	Training Session No. 3 Of ICAAP
Mr Ong Seng Pheow	Competition Act
	FIDE Elective Programme: Risk Management Committee
	The Framework Of Shariah Compliance And Governance
	ICAAP Directors Workshop
	Training Session No. 2 Of ICAAP
	ICLIF Strategic Development Programme
	Training Session No. 3 Of ICAAP
Mr Choong Tuck Oon	FIDE Elective Programme: Private Equity Programme
	Competition Act
	The Framework Of Shariah Compliance And Governance
	ICAAP Directors Workshop
	Training Session No. 3 Of ICAAP

Directors	Training Programmes
YBhg Dato' Mohd Ali Mohd Tahir	FIDE Core 2012: Module A
	FIDE Elective Programme: Banking Insights
	FIDE Elective Programme: Board IT Governance
	ICAAP Directors Workshop
	Training Session No. 2 Of ICAAP
	Training Session No. 3 Of ICAAP
Encik Abdul Aziz Peru Mohamed	FIDE Core 2012: Module B
	The Framework Of Shariah Compliance And Governance
	ICAAP Directors Workshop
	'Flex – Business Re-Imagined' By Mike Walsh
	ICLIF Strategic Development Programme
	ICAAP Directors Workshop
YBhg Dato' Mohamed Khadar Merican	FIDE Elective Programme: Private Equity Programme
	Competition Act
	Managing Banking Operations And Innovation
	The Framework Of Shariah Compliance And Governance
	ICAAP Directors Workshop
	Training Session No. 2 Of ICAAP
	ICLIF Strategic Development Programme
	ICAAP organised by Bank Negara Malaysia (BNM)
Training Session No. 3 Of ICAAP	
YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa	Training Session No. 3 Of ICAAP
Encik Johari Abdul Muid	ICAAP organised by BNM

## Board Professionalism

### Directorships in Other Companies

In ensuring that Directors' commitment, resources and time are more focused to enable them to discharge their duties effectively, the Group will be establishing a process whereby the Directors are required to notify the Group NHRC before accepting any new directorship in other companies. The notification should include information on the nature of the new appointment (executive or otherwise), number of meetings to attend (for example, quarterly meeting), complexity of organisation and degree of participation in any sub-committee of the said organisation. The appointment shall only take effect thereafter.

## Insider Trading

In accordance with the MMLR of Bursa Securities and the relevant provisions of the Capital Markets & Services Act 2007, Directors, key Management personnel and principal officers of RHB Banking Group are prohibited from trading in securities or any kind of property based on price sensitive information and knowledge which have not been publicly announced unless the procedures relating to dealing in securities during the closed period in accordance with paragraph 14.08 of the MMLR have been complied with. Notices on the closed period for trading in RHB Capital securities are circulated to Directors, key Management personnel and principal officers of RHB Banking Group who are deemed to be privy to any price sensitive information and knowledge, in advance of whenever the closed period is applicable.

## Directors' and Officers' (D&O) Insurance

Directors and officers of RHB Banking Group are covered against liabilities arising from holding office as Directors, by virtue of the D&O insurance coverage. The insurance does not, however, provide coverage in the event that a Director or a Member of management is proven to have acted fraudulently or dishonestly. The Directors contribute towards the premium payment under this policy.

## COMPANY SECRETARY

The Company Secretary serves and advises the Board on matters relating to the affairs of the Board and ensures that Board meetings are properly convened and an accurate and proper record of the proceedings and minutes of the meetings are kept. The Company Secretary assists the Chairman and

Directors in the conduct of meetings and their governance obligations and responsibilities as Directors of the Bank. The Company Secretary also facilitates the communication of key decisions and policies between the Board, Board Committees and the Senior Management.

Apart from performing the duties and responsibilities of a named Secretary to the Board, the Company Secretary also undertakes the following roles:

- ensures that the Board is kept well informed/updated on legal/regulatory requirements that affects the duties and responsibilities of Directors;
- ensures that the relevant companies within the Group comply with its statutory obligations under relevant laws and regulations;
- manages Board and shareholder processes group-wide;
- provides guidance to Directors and Senior Management on various corporate administration matters;
- assists in managing shareholder relations and resolving their enquiries;
- manages relationship with the external share registrar; and
- acts as a custodian of the Group's statutory records.

## GROUP BOARD COMMITTEES

To enable the Board to devote more time for strategic and critical matters, the Board has delegated specific responsibilities to the following Board Committees, residing either at the Bank or at RHB Capital level:

### At RHB Capital Level

- ◆ **Group Nominating and Human Resource Committee (i.e. the consolidated committee of the Group Nominating Committee and the**

### Group Remuneration and Human Resource Committee)

- All of its members are Independent NEDs; and
- Its main objective is to support the Boards in providing oversight and direction on Human Resource matters and operations, and to recommend to the Boards for approval, the remuneration and human resource strategies, policies and frameworks.

### ◆ Group Risk Management Committee

- All of its members are Independent NEDs; and
- Its main objective is to provide oversight and governance of risks at the Group.

### At RHB Bank Level

#### ◆ Group Audit Committee

- All of its members are Independent NEDs; and
- Its main objective is to provide independent oversight of the financial reporting and internal control system and ensure checks and balances for entities within RHB Banking Group, excluding RHB Capital.

#### ◆ Group Credit Committee

- All of its members are Independent NEDs; and
- Its main objective is to affirm, veto or impose additional conditions on all credits/futures broking and debts and equity underwriting applications for amounts above the defined thresholds of the Central Credit Committee, as well as to oversee the management of impaired loans/assets and monitor the recovery of impaired loans/assets.

## Corporate Governance Statement

### ◆ Group IT & Transformation Strategy Committee

- Comprises Board members of the Group; and
- Its principal responsibility is to provide guidance on the Group's planning and/or execution of programmes and initiatives within the realm of information technology and strategic transformation management.

The functions and terms of references of the Group Board Committees are clearly defined and comply with the relevant governing laws, regulations and guidelines among others the Code and BNM's CG Guidelines. The members of the Group Board Committees comprise the Directors of the Bank and that of the operating entities within the Group to ensure a fair representation across the entities in pursuing the interests of the entities concerned.

The relevant minutes/extract minutes of meetings of all Group Board Committees/Group Audit Committee are tabled before the respective Boards for notation. On matters reserved for the Board and where Board Committees have no authority to make decisions, proposals will be submitted for Board's consideration.

### Below are the Group Board Committees that reside at RHB Capital level:

#### Group Nominating And Human Resource Committee

The Group Nominating Committee and the Group Remuneration and Human Resource Committee have been consolidated on 30 August 2012 (Consolidation), and is now known as Group Nominating and Human Resource Committee (Group NHRC). It solely comprises INEDs. Meetings of the Group NHRC are held as and when required but the Group NHRC often meets on a monthly basis. The Group Nominating Committee met seven times while the Group Remuneration and Human Resource Committee met eight times during financial year 2012, prior to the Consolidation. After the Consolidation, the Group NHRC met four times during the financial year 2012. The composition of the Committee and the attendance of the members at meetings held in 2012 are as follows:

Name of Directors	Attendance at Meetings		
	Prior to the Consolidation		After the Consolidation
	Group Nominating Committee	Group Remuneration and Human Resource Committee	Group NHRC
YBhg Datuk Haji Faisal Siraj (Chairman)	7/7 (100%)	8/8 (100%)	4/4 (100%)
YBhg Dato' Mohamed Khadar Merican	6/7 (86%)	7/8 (88%)	4/4 (100%)
YBhg Dato' Saw Choo Boon	7/7 (100%)	8/8 (100%)	3/4 (75%)
YBhg Dato' Teo Chiang Liang	6/7 (86%)	7/8 (88%)	3/4 (75%)
Mr Choong Tuck Oon	6/7 (86%)	7/8 (88%)	4/4 (100%)
Tuan Haji Md Ja'far Abdul Carrim	7/7 (100%)	8/8 (100%)	4/4 (100%)

The salient terms of reference of the Group NHRC with regard to its nomination roles are as follows:

- Establish a documented procedure for the appointment of directors, board committee members, Group Shariah Committee (Group SC) and key senior management officers.
- Establish and recommend for Board approval, minimum requirements for directors, Group SC and key senior management officers.

- Establish and recommend for Board approval, the optimal size and mix of skills to ensure efficient operation of the Boards/Board Committees/ Group SC.
- Review on a periodic basis, the policy on boardroom and gender diversity.
- Assess and recommend for Board approval, new and reappointed nominees for directorship, board committee members, Group SC and key senior management officers.
- Establish and recommend for Board approval, the expectations on time commitment for the board members and protocols for accepting new directorships.
- Establish and recommend for Board approval, a mechanism for the formal assessment of the performance of Boards as a whole, Board Committees, Group SC, each Director and key senior management officers.
- Review performance assessment results and recommend to the Board, the removal of any director, Group SC or key senior management officer found to be ineffective, errant and negligent in the discharge or responsibilities.
- Ensure directors, board committee members and Group SC receives an appropriate induction and continuous training programs for closure of skill gaps and keeping abreast with latest developments.
- Establish and recommend for Board approval, the criteria to assess independence of independent directors.

- Assess annually the independence of independent directors and that the directors and officers of the Group meet the identified independence criteria and are not disqualified under relevant regulations.
- Review and recommend for Board approval, any significant change in the organisation structure of the Group or/and the major operating subsidiaries.
- Whenever key expatriates at the Group are employed, to ensure there is in place a process for the transfer of expertise and skills from the expats to the staff of the Group.
- To recommend to the Board, a policy regarding the period of service for the Executive and Non-Executive Directors.
- Perform any other functions as defined by the Board.

The terms of reference of the Group NHRC with regard to its remuneration roles are as follows:

- Ensure the establishment of formal and transparent procedures for developing Remuneration and HR policies, strategies and framework for directors, Group SC, key senior management officers (which entails Group MD, Chief Executive Officer/ Managing Directors (CEO/MD), and Direct Reports of the Group MD and CEO/MD in major entities (save for Chief Internal Auditor) and any persons as may be decided by the Committee) and staff.
- Recommend remuneration strategies, policies and framework and specific remuneration packages for directors,

board committee members, Group SC and key senior management officers, which should be (where relevant):

- Market competitive and in support of the Group's culture, vision, objectives and strategy.
- Reflective of the responsibilities and commitment required.
- Sufficient to attract and retain quality people but yet not excessive.
- Performance driven with sufficient emphasis on long term development of the Group to avoid excessive short-term risk-taking.
- The framework should cover all aspects of remuneration including directors' fees, salaries, allowances, bonuses, option and benefit-in-kind.
- Ensure Human Resource strategies, policies and frameworks are in place for all the building blocks of a quality Human Resource management system (e.g. succession planning, talent and leadership development, training, etc.) to support the Group in achieving its objectives.
- Review and assess the effectiveness of the Human Resource Division in supporting the Group.
- Review and recommend for Board approval, any significant change in the organisation structure of the Group or/and the major operating subsidiaries.
- Perform any other functions as defined by the Board.

## ▶ Corporate Governance Statement

### Group Risk Management Committee

The Group Risk Management Committee (Group RMC) comprises solely INEDs. The Group RMC met eighteen times during financial year 2012. The composition of the Group RMC and the attendance of the members at meetings held in 2012 are as follows:

Name of Directors	No. of Meetings Attended
Tuan Haji Khairuddin Ahmad (Chairman)	18/18 (100%)
Mr Patrick Chin Yoke Chung	16/18 (89%)
Tuan Haji Md Ja'far Abdul Carrim	18/18 (100%)
Mr Choong Tuck Oon	16/18 (89%)
YBhg Dato' Saw Choo Boon	15/18 (83%)

The salient terms of reference of the Group RMC are as follows:

- to provide oversight and governance of risks at the Group;
- to oversee Senior Management's activities in managing credit, market, liquidity, operational, legal and other risk and to ensure that the risk management process of each entity in the Group is in place and functioning;
- to promote the management of the Group's risk in accordance with a risk-return performance management framework; and
- to deliberate and make recommendations to the Board of Directors of each relevant entity within the Group in respect of risk management matters of the respective entities.

### Below are the Group Board Committees that reside at RHB Bank level:

#### Group Audit Committee

The Group Audit Committee (Group AC) comprises NEDs, all of whom are independent.

The Group AC meets regularly with the internal auditors. The Group AC together with the Senior Management of the respective companies in the Group meet with the external auditors in reviewing the Bank's and the Group's financial reporting, the nature, scope and results of audit reviews and the effectiveness of the system of internal controls. During the financial year, a total of twenty (20) Group AC meetings were held.

The Group AC also meets twice a year with the external auditors without the presence of the Management in compliance with the terms of reference.

The composition of the Group AC and the attendance of the Members thereof together with the terms of reference and activities of the Group AC during the financial year are set out in the Group AC Report at pages 47 to 51 of this Annual Report.

### Group Credit Committee

The Group Credit Committee (GCC) comprises four (4) Independent Non-Executive Directors of whom one (1) is the Chairman. During the financial year ended 31 December 2012, a total of thirty nine (39) meetings were held and the details of attendance of each member at the GCC Meetings held during the financial year ended 31 December 2012 are as follows:

Name of Directors	No. of Meetings Attended
YBhg Dato' Mohamed Khadar Merican (Chairman)	34/39 (87%)
Tuan Haji Khairuddin Ahmad	38/39 (97%)
Encik Abdul Aziz Peru Mohamed	38/39 (97%)
Mr Patrick Chin Yoke Chung	32/39 (82%)

The salient terms of reference of the GCC are as follows:

- To affirm, veto or impose additional conditions on all credit, stock/futures broking and debt and equity underwriting applications for amounts above the defined thresholds of the Central Credit Committee.
- To oversee the management of impaired loans/assets as well as monitor the recovery of impaired loans/assets to enhance the Committee's oversight of the loan/asset recovery functions.
- To oversee the performance of rescheduled and restructured accounts to minimise credit loss and maximise the recovery of such accounts.
- To endorse and recommend write-offs to the respective Boards for approval.
- To ensure that credits and underwriting approved by the Central Credit Committee adhere to the Group Credit Policy, stock/futures broking credit policy and the Underwriting Policy, Guidelines and Procedures of RHB Bank Berhad, RHB Bank (L) Ltd, RHB Investment Bank Berhad and RHB Islamic Bank Berhad.
- To endorse all policy loans/financing and loans/financing required by Bank Negara Malaysia to be referred to the respective Boards for approval.

### Group IT & Transformation Strategy Committee

The Group IT & Transformation Strategy Committee (GI&TSC) comprises three (3) Independent Non-Executive Directors of whom one (1) is the Chairman, the Group Managing Director and the Managing Director of RHB Bank. During the financial year ended 31 December 2012, a total of eleven (11) meetings were held and the details of attendance of each member at the GI&TSC Meetings held during the financial year ended 31 December 2012 are as follows:

Name of Directors	No. of Meetings Attended
Mr Choong Tuck Oon (Chairman)	11/11 (100%)
Mr Ong Seng Pheow	11/11 (100%)
YBhg Dato' Mohd Ali Mohd Tahir	11/11 (100%)
Encik Johari Abdul Muid	8/11 (73%)
Mr Kellee Kam Chee Khiong	7/11 (64%)

## ► Corporate Governance Statement

The salient terms of reference of the GI&TSC are as follows:

- To review the Group's overall IT strategic plan and system architecture for recommendation to the Board of Directors (Board).
- To review and recommend to the Board, strategic and major projects proposed by Strategic Business Group (SBG)/Strategic Functional Group (SFG).
- To review Group IT policies for recommendation to Board.
- To discuss current developments and updates in the IT industry affecting the Group, as and when needed.
- To review the progress of on going programs/initiatives monitored by the Transformation Management Office (TMO) and endorse the status update of these programs/initiatives for the relevant Board's information.
- To discuss/guide the TMO on the next course of action on overcoming major issues hindering the success of current transformation programs/initiatives.

### Group Shariah Committee

Apart from the above Board Committees, the Group has also established its Group Shariah Committee (Group SC), which is housed at RHB Islamic Bank Berhad. The Group SC comprises qualified local and foreign Shariah scholars who act as Shariah advisors to the Group.

The salient terms of reference of the Group SC are as follows:

- to act as an independent advisory body to the Boards and management of the RHB Banking Group in ensuring that the Islamic business and

operations of the Group is in compliance with Shariah principles at all times;

- to ensure effective working arrangements are established between the GSC and the Shariah Advisory Council (SAC) of BNM as well as that of Securities Commission; and
- to ensure the establishment of appropriate procedures in leading to the prompt compliance with the Shariah principles for the Group.

### Other Management Committees

Apart from the above Board Committees, the Group has established Management Committees to assist the Board and Management in managing the Group's businesses, activities and operations. Among the major Management Committees are:

- Group Management Committee
- Group Assets and Liabilities Committee
- Central Credit Committee
- Group Business Continuity Management Steering Committee
- Management Committees at the relevant subsidiary-level
- Management Audit Committees at the relevant subsidiary-level
- Executive Management Committees at the Regional Operations-level

### DIRECTORS' REMUNERATION

In setting the remuneration of the NEDs, RHB Banking Group has established a common reference (incorporating the NEDs' Remuneration Framework) at levels which will enable the Group to effectively attract and retain Directors with the relevant experience and expertise required for the stewardship of the Group. For the NEDs, the level of remuneration reflects the level of responsibilities undertaken by the particular NED concerned within the Bank and the Group. The

remuneration strategy takes into consideration the remuneration level of Directors within the industry and is reviewed at least once every two years.

This reference is also aimed at applying the overall guiding principles in respect of the remuneration of NEDs in ensuring that the remuneration levels are commensurate with the responsibilities, risks and time commitment of Boards/Board Committees, based on the adopted tiered system.

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

#### i) Annual Fees

The NEDs are entitled to annual Directors' fees. The annual Directors' fees are subject to shareholder's approval at the Annual General Meeting of the Bank.

#### ii) Allowances

NEDs are also entitled to meeting attendance allowances when they attend any Board/Board Committee meetings. In addition, NEDs who sit on Board Committees are entitled to receive Board Committee allowances which shall be paid on an annual basis at the end of each financial year.

#### iii) Benefits-In-Kind

Benefits accorded to the Chairmen of the Group, consisting of the provision of a Company car, driver and petrol allowance.

The Group has also established a remuneration framework for key Senior Management. The remuneration strategy dictates that they be paid in a competitive manner through an integrated pay and benefit structure which rewards corporate and individual performance in line with contributions to the organisation. The MD is not paid



a Director's fee nor is he entitled to receive any meeting attendance allowance for any of the Board and Board Committee meetings that he attends. His remuneration, which includes among others salary, bonus and benefits-in-kind, is solely derived from the Bank.

In order to remain competitive and consistent with the culture, objective and strategy of the Group, the remuneration framework of the NEDs are reviewed periodically to ensure that they remain competitive with the market.

Further details on the aggregate remuneration of the Directors of the Bank (comprising remuneration received and/or receivable from the Bank and its subsidiaries during the financial year 2012) are disclosed under Note 29 of the Notes to the Financial Statements in this Annual Report.

## **COMMUNICATION WITH SHAREHOLDERS AND INVESTORS**

### **Stakeholder Communications**

The RHB Banking Group is committed to, and takes pride for being able to communicate effectively with our shareholders and investors to ensure that they are informed of all material business matters affecting the Group. As part of good corporate governance practices, the Group is also committed to uphold transparency and accountability with all stakeholders apart from ensuring regulatory reporting requirements are met.

The Group places strong emphasis on clear, comprehensive, timely and equitable dissemination of information on the Group's business activities, the milestones achieved, the developments that have taken place and our financial performance. Financial information is

supplied continuously in annual reports, quarterly results, press releases as well as announcements to Bursa Securities.

All shareholder information is available electronically as soon as they are announced and published. For ease of reference, all relevant information on corporate and financial developments is posted on the Investor Relations section of the Group's corporate website at [www.rhb.com.my](http://www.rhb.com.my).

### **Investor Relations**

The RHB Banking Group recognises the importance of developing a healthy relationship with the investment community. With the view of creating shareholder value and keeping communication channels open between the Group and the investment community, the Investor Relations team planned and implemented a comprehensive engagement programme in 2012. The Group engages proactively and regularly with the investment community to share the Group's strategy and vision and to discuss on the overall operations, business and financial performance, whilst ensuring timely and fair dissemination of information.

The key spokespersons and representatives for Investor Relations of the Bank are the Managing Director and Head of Investor Relations who engage with research analysts and institutional investors directly.

### **Meetings and Tele-conferences**

The RHB Banking Group continues to attract strong interest from both the domestic and international investment community. Management regularly holds one-on-one meetings and teleconferences with analysts, fund managers and shareholder.

### **Conferences and Roadshows**

The Group's commitment to Investor Relations is not limited to participation of conferences and roadshows at the domestic front, but extends beyond Malaysian borders.

In 2012, the Group attended the annual Invest Malaysia Conference in Kuala Lumpur (May) and Hong Kong (November), the OSK Asean & Hong Kong Corporate Day in Singapore (June) and the Credit Suisse Asean + India Conference in Singapore (August). The Group also undertook a non-deal roadshow in June 2012 covering Singapore and London following our announcement of the OSK Investment Bank Berhad transaction.

These events provide an excellent opportunity to maintain regular contact with shareholder, to reach potential investors and to build rapport with international investors.

### **INTERNAL CONTROL**

The Board is responsible for reviewing the adequacy and effectiveness of the Group's system of risk management and internal control. The size and complexity of the Group's operations necessitate the managing of a wide and diverse spectrum of risks. The risk management and control framework established in the Group includes an ongoing process for identifying, evaluating, managing and reporting of significant risks that may affect the achievement of the Group's business objectives and strategies.

The Board considers that the Group's risk management framework and system of internal control maintained by the Management, and which was in place throughout the financial year and up to and as of the date of this report, are operating adequately and effectively to safeguard the shareholder's investment and the Group's assets.

## ► Corporate Governance Statement

An overview of the Bank and the Group's systems of internal control is contained in the Statement on Risk Management & Internal Control set out on pages 43 to 46 of this Annual Report.

### Relationship with External Auditors

The Board maintains a formal and transparent professional relationship with the External Auditors via the Group AC. The role of the Group AC in relation to the External Auditors is disclosed in the Group AC Report set out on pages 47 to 51 of this Annual Report.

RHB Banking Group has established the Group Policy on Non-Audit Fees Paid/Payable to External Auditors (Policy). The Group AC undertakes to review the non-audit services rendered by the External Auditors and the related fees prior to approval of non-audit service by the External Auditors. A non-audit fees report is also presented to the Group AC quarterly. This is to ensure that the independence of the External Auditors is not compromised and its compliance with the Policy and the terms of all relevant professional and regulatory requirements when rendering the audit and non-audit services to the Group. The External Auditors are also required to declare their independence for all non-audit engagements undertaken.

### Internal Audit Function

The Group Internal Audit (GIA), which is guided by the Group Internal Audit Charter, performs regular reviews and reports on the adequacy and effectiveness of the Group's risk management, internal control and governance processes. The results of the audits conducted by GIA are reported to the Group AC/AC of RHB Capital. The follow-up actions and the review of the status of actions taken as per the auditors' recommendations are carried out by the respective

Management Audit Committees (chaired by the MD of the entity) established at the key operating subsidiaries within the Group. The group internal auditors also work closely with the external auditors to resolve any control issues as raised by them to ensure that all issues are duly acted upon by the management. Further details of the activities of the GIA function are set out in the Statement on Risk Management & Internal Control of this Annual Report.

### Risk Management

The Group recognises the importance of a sound system of risk management and internal control to ensure good corporate governance and safeguard shareholder's investments as well as the Group's assets. The system of risk management and internal control that we have in place facilitates and drives our business operations and enables us to manage our Group in an effective and efficient manner with sound financial reporting as well as compliance with relevant laws and regulations, and internal procedures.

An overview of the Bank and the Group's systems of risk management is contained in the Statement on Risk Management & Internal Control set out on pages 43 to 46 of this Annual Report.

### Related Party Transactions

The Group has put in place a Policy on Related Party Transaction Review Process which serves as a guide for reviewing and reporting of all related party transactions. All related party transactions are reviewed by Group Legal before any submission is made to the Group AC for deliberation.

Details of these transactions are set out under Notes 36 to the Financial Statements on pages 152 to 157 of this Annual Report.

### Group Whistle Blower Policy

The Group has also put in place a Group Whistle Blower Policy in strengthening its governance practice. The policy provides employees with an avenue to report on suspected fraud, corruption, dishonest practices or other similar circumstances. This policy is to encourage the reporting of such matters in good faith, with the confidentiality of the person making such reports being protected from reprisal, in the best possible manner. For the current year under review, six complaints pursuant to the Group Whistle Blower Policy were received and investigated and pursued accordingly based on the requirement of the Policy.

All reports or complaints shall be filed with the Designated Recipient as specified in the Group Whistle Blower Policy.

The Group Whistle Blower Policy is available on the Group's internal portal for reference by the staff across the Group.

### COMPLIANCE WITH THE CODE

The Board is satisfied that the Bank and Group have applied the principles and recommendations outlined in the Code as at 31 December 2012.

RHB Banking Group has mapped its current corporate governance practices with the Code and identified relevant gaps thereto. The Board is pleased to report that the Group is generally in compliance with the Code.

This Statement of Corporate Governance was approved by the Board of Directors on 27 March 2013.

## INTRODUCTION

The Board of Directors (Board) recognises the importance of a sound system of risk management and internal control to ensure good corporate governance and to safeguard shareholders' investments as well as RHB Bank Berhad (the Bank) Group's assets. The system of risk management and internal control that we have in place facilitates our business operations and enables us to manage our Group in an effective and efficient manner with sound financial reporting as well as compliance with relevant laws and regulations, and internal procedures.

Set out below is the Board's Statement on Internal Control, which has been prepared in accordance with the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

## RESPONSIBILITY

The Board acknowledges its responsibility for reviewing the adequacy and effectiveness of the Bank's system of risk management and internal control. The responsibilities of the Board for the governance of risks and controls include, amongst others, reviewing the risk management framework, processes, tasks and assessing whether they provide reasonable assurance that risks are managed within the Bank's defined risk appetite and tolerance.

Management continuously assists the Board in the implementation of approved policies and procedures on risk management and control for application and adherence across the Bank as well as ensuring that such policies and procedures are being continuously reviewed in order to meet the changing financial landscape.

The risk management and control framework established in the Bank to manage risk includes an ongoing process for identifying, evaluating, managing and reporting of significant risks that may affect the achievement of the Bank's business objectives and strategies. This covers the period throughout the financial year under review and up to the date of approval of this report.

Management is accountable to the Board for implementing and monitoring the system of risk management and internal control and for providing assurance to the Board that it has done so. In this regard, the Board acknowledged that it has received assurance from the Managing Director and Group Chief Financial Officer as well as the Director, Group Risk Management that the Bank's risk management and internal control system is operating adequately and effectively.

## RISK MANAGEMENT AND CONTROL FRAMEWORK

A sound framework of risk management and internal control is fundamental to good corporate governance. The key elements implemented by the Board and Management for maintaining a sound system of risk management and internal control encompass the following:

### ◆ Risk Management Framework

The risk management process seeks to identify, measure, monitor and control risk. It also seeks to ensure that risk exposures are adequately managed and that the expected returns compensate for the risks taken, given that the risks within the industry we operate in continually change and evolve. This process is regularly reviewed by the Board

through its Group Risk Management Committee which ensures the proper management of risks and takes the appropriate measures to mitigate any identified weaknesses in the control environment.

The Group Risk Management Committee provides oversight of the Group's overall risk management. In discharging its overall duties and responsibilities, the Group Risk Management Committee is supported by the Group Risk Management function which monitors and evaluates the effectiveness of the Group's risk management system and operations on an ongoing basis.

Amongst the other committees set up in the Group to manage specific areas of risk are the Group Assets & Liabilities Management Committee, Central Credit Committee, Group Credit Committee, Group IT and Transformation Strategy Committee, and Group Capital and Strategic Risk Management Committee.

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

To support and promote accountability and ownership of risk management, a Risk and Control Self-Assessment framework has been implemented at all key operating entities in the Group as part of the risk management process. These entities are required to identify as well as document the controls and processes for managing the risks arising from their business activities as well as assess the effectiveness thereof.

## ► Statement on Risk Management & Internal Control

RHB Bank Berhad has fully migrated to the Internal Ratings-based (IRB) approach for credit risk under the Risk-Weighted Capital Adequacy Framework. The IRB approach enhances our Bank's ability to meet the challenges posed by the rapidly changing business environment, as the Basel II framework is designed to be a catalyst for more advanced risk management techniques, enterprise-wide culture of risk management with improved corporate governance and public disclosure.

The Group has also embarked on implementing the Internal Capital Adequacy Assessment Process (ICAAP) with the objective to forge a strong alignment between risk and capital. Capital adequacy shall be assessed in relation to the Group's risk profiles, and strategies will be put in place to maintain appropriate capital levels. An ICAAP framework has been formulated for implementation across the Group to ensure that all material risks are identified, measured and reported, and adequate capital levels consistent with the risk profiles including capital buffers are maintained to support the Group's current and projected demand for capital under existing and stressed conditions.

### ◆ Internal Audit Function

Group Internal Audit performs regular reviews of the Bank's operational processes and system of internal controls. Group Internal Audit adopts a risk-based approach in determining the auditable units and frequency of audits. The annual audit plan is reviewed and approved by the Group Audit Committee (Group AC).

The results of the audits conducted by Group Internal Audit are reported to the Group AC. Follow-up action

and the review of the status of action taken as per the auditors' recommendations are carried out by Management via the Management Audit Committee (chaired by the Managing Director) whose members comprise senior management. The minutes of meetings of the Management Audit Committee are tabled to the Group AC for notation.

The Group AC holds regular meetings to deliberate on findings and recommendations for improvement highlighted by both the internal and external auditors as well as regulatory authorities on the state of the Bank's internal control system. The minutes of meetings of the Group AC are subsequently tabled to the Board for notation.

Further details of the activities undertaken by the Group AC are set out in the Group AC report.

### ◆ Group Compliance Framework

Compliance risk in RHB Banking Group is defined as the risk of impairment to the Group's business model, reputation and financial condition from failure to meet laws and regulations, internal policies and procedures.

Compliance management is the collective responsibility of the Board, senior management and every employee of the Group. It is expected that each individual promotes self-regulation and be accountable for his/her own activities and maintains ethical principles and behaviour in everything that he/she does.

The Group's state of compliance with laws, regulations and internal policies and procedures are reported to Group Risk Management Committee and Board on a monthly basis. In addition, the Group has in place an incident escalation and reporting process wherein any

incident affecting the reputation of the Group is escalated to the senior management and respective Boards within 24 hours of the incident occurring. This escalation process ensures oversight and guidance is provided by the Board in managing reputational risk.

The Compliance unit in collaboration with the businesses and operating units, continuously assesses and recommends improvements to compliance by carrying out root cause analysis on incidences of non-compliance, negligence and fraud (all of which are reported on a daily basis).

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

### ◆ Shariah Compliance

In line with the Guidelines on the Shariah Governance Framework for the Islamic Financial Institutions issued by Bank Negara Malaysia, Group Shariah Committee will ensure that the Group's Islamic-based business and operations comply with the Shariah principles at all times.

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

To mitigate Shariah compliance risk, various researches and briefings as well as awareness and learning programmes were conducted throughout the year to ensure compliance with the Shariah principles.

#### ◆ **Board Committees**

Specific responsibilities have been delegated to the relevant Board committees, all of which have written terms of references. These committees have the oversight authority to examine and/or consider all matters within their scope of responsibilities and make recommendations to the Board for approval, if such is required.

The following are the Group Board Committees that reside at RHB Bank Berhad:

- Group Credit Committee;
- Group Audit Committee; and
- Group IT and Transformation Strategy Committee.

The Group Board Committees currently residing at RHB Capital Berhad are as follows:

- Group Nominating and Human Resource Committee;
- Group Risk Management Committee; and
- Audit Committee of RHB Capital Berhad

#### ◆ **Group Management Committee**

The Management Committee (MC) comprises key management personnel of the Bank and is chaired by the Managing Director. The MC provides a forum for the Bank's Senior Management to discuss and deliberate on strategic matters that impact the Bank's vision and strategic direction as well as operational matters, business synergies and brand value. The MC meets regularly and special meetings are convened to discuss urgent issues.

#### ◆ **Authority Limits**

Delegation of authority including authorisation limits at various levels of Management in the Group are documented and designed to ensure accountability and responsibility.

#### ◆ **Internal Policies and Procedures**

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

#### ◆ **Budgeting Process**

A detailed budgeting process is established requiring all key operating companies in the Group to prepare budgets and business plans annually for approval by the Boards. The Group's budget and business plans as well as strategic initiatives are discussed by the Group's senior management and the Board at an annual business planning and budgetary session.

A reporting system on actual performance against approved budgets is in place and significant variances are followed up by the Management and reported to the Board.

#### ◆ **Performance Review**

Regular and comprehensive information is shared by the Management for monitoring of their performance against the strategic business plan approved by the Board, covering all key financial and operational indicators as well as key strategic initiatives undertaken by the Group during the year.

The MC and the Board receive and review the monthly accounts and financial information reports at their monthly or regular meetings.

#### ◆ **Human Capital Management**

The Group acknowledges that one of the key constituents of any internal control system is its people and that our system of risk management and internal control is dependent on the responsibility, integrity and judgement that people apply to their work.

Hence, the Group has in place policies and procedures that govern recruitment, appointment, performance management, talent management, succession planning, compensation and reward, learning and human capital development as well as policies and procedures that govern discipline, termination and dismissal.

The Group places emphasis on human capital development and talent management with the objective of ensuring that staff at all levels are adequately trained both from a technical perspective as well as equipped with management and leadership capabilities.

## ▶ Statement on Risk Management & Internal Control

### ◆ Group Code of Ethics and Conduct

The Group Code of Ethics and Conduct (the Code) sets out the standards of good and ethical banking practices, and aims to maintain confidence in the security and integrity of the Group's business practices.

It is a requirement that all employees of the Group understand and observe the Code and sign the Employee Declaration of Compliance Form upon joining the Group.

### ◆ Group Whistle Blower Policy

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

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

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

### ◆ Incident Management Framework

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

## ASSESSMENT OF RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

Reviewing the effectiveness of the risk management and internal control system is an essential part of the Board's responsibility. The Board has, through its Group Risk Management Committee and Group AC, assessed the adequacy and effectiveness of the Bank's risk management and internal control system. Based on the outcome of these reviews as well as the assurance it has received from Management, the Board is of the view that the Bank's risk management and internal control system is operating adequately and effectively for the financial year under review and up to the date of approval of this report.

## ACTIVITIES OF THE GROUP AUDIT COMMITTEE AND THE INTERNAL AUDIT FUNCTION DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

### Activities Of Group Audit Committee

The Group Audit Committee (Group AC) presently comprises five (5) Independent Non-Executive Directors of whom one (1) is the Chairman. During the financial year ended 31 December 2012 (year), a total of twenty (20) Group AC meetings were held and details of attendance of each member at the Group AC meetings held during the year are as follows:-

Composition of the Group AC	Attendance at Meetings
1. Ong Seng Pheow (Chairman/Independent Non-Executive Director)	20/20 (100%)
2. Dato' Othman Jusoh (Member/Independent Non-Executive Director)	20/20 (100%)
3. Tuan Haji Md Ja'far Abdul Carrim (Member/Independent Non-Executive Director)	20/20 (100%)
4. Dato' Saw Choo Boon (Member/Independent Non-Executive Director)	19/20 (95%)
5. Dato' Mohd Ali Mohd Tahir (Member/Independent Non-Executive Director)	19/20 (95%)

The main activities undertaken by the Group AC during the year are summarised as follows:-

- ◆ Reviewed the unaudited quarterly and half-year financial results and the annual audited financial statements of RHB Bank Berhad and the Group prior to their approval by the Board. It also considered the accounting standards applicable in the preparation of the consolidated financial statements;
- ◆ Reviewed the audit plan of the external auditors, the audit strategy and scope of work for the year, as well as the results of their annual audit;
- ◆ Reviewed with the external auditors, the results of their annual audit and audit committee report together with the management's response to their findings and recommendations;
- ◆ Met twice with the external auditors for discussion without the presence of the management;
- ◆ Reviewed the non-audit services rendered by the external auditors and the related fees;
- ◆ Evaluated the performance of the external auditors and made recommendations to the Board for their appointment and audit fees;
- ◆ Reviewed and approved the annual internal audit plan to ensure adequacy of scope and coverage of the identified auditable areas including staffing requirements;
- ◆ Reviewed the status of completion of the internal audit plan, the internal audit reports, audit recommendations made and management's response to these recommendations as well as actions taken to improve the system of internal controls and procedures;
- ◆ Reviewed the related party transactions entered into by RHB Bank Berhad and its subsidiaries;

- ◆ Reviewed the inspection and examination reports issued by the regulatory authorities and the appropriate remedial actions taken in respect of any findings to satisfy itself that all matters highlighted in these reports have been adequately and promptly addressed by management; and
- ◆ Tabled the minutes of each Group AC meeting to the Board for notation, and for further direction by the Board, where necessary.

During the year, the Group AC members have attended relevant training programmes, conferences and seminars on the following areas:-

(a) Banking and Finance

- Internal Capital Adequacy Assessment Process (ICAAP) Directors Workshop
- Training Session No. 2 of ICAAP
- Training Session No. 3 of ICAAP
- Financial Institutions Directors' Education (FIDE) Core Programme – Module A and B
- FIDE Elective Programme: Financial Statement Fundamentals What's in the Numbers
- FIDE Elective Programme: ICAAP
- FIDE Elective Programme: Corporate Finance
- FIDE Elective Programmes: Insurance Insights
- FIDE Elective Programme: Banking Insights
- Managing Banking Operations and Innovation
- Flex-Business Re-imagined
- ICAA-MICPA Audit Forum
- ICLIF Strategic Development Programme
- Competition Act

(b) Board and Corporate Governance

- FIDE Elective Programme: The Director's Legal Tool Kit
- FIDE Elective Programme: Risk Management Committee
- Risk Management Committee Programme – Bank
- The Framework of Shariah Compliance and Governance
- FIDE Elective Programme: Board IT Governance

**Internal Audit Function**

The Group has an in-house group internal audit function which is guided by its Group Internal Audit Charter and reports to the Group AC. Its primary role is to assist the Group AC to discharge its duties and responsibilities by independently reviewing and reporting on the adequacy and integrity of the Group's risk management, internal control and governance processes.

The Group AC approves the annual internal audit plan at the beginning of each financial year. The group internal auditors adopt a risk-based approach towards the planning and conduct of audits, which is consistent with the Group's framework in designing, implementing and monitoring its internal control system.

Upon completion of the audits, the group internal auditors have closely monitored the implementation progress of their audit recommendations in order to obtain assurance that all major risk and control concerns have been duly addressed by management. All audit reports on the results of work undertaken together with the recommended action plans and their implementation status were presented to the management and the Group AC.

The group internal auditors work closely with the external auditors to resolve any control issues as raised by them to ensure that significant issues are duly acted upon by the management.

**TERMS OF REFERENCE OF THE GROUP AUDIT COMMITTEE**

**Objectives**

1. To provide independent oversight over the management of the financial reporting and internal control system and ensuring checks and balances for entities within RHB Banking Group (the Group), namely RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad.
2. To review the financial condition and performance of the Group.
3. To assist the Boards (the Boards) of the respective entities in the discharge of their responsibilities by reviewing the effectiveness, adequacy and integrity of the Group's internal control systems and management information systems, including systems for risk management, governance processes and compliance with applicable laws, regulations, rules, directives and guidelines.
4. To reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit activities.
5. To provide, by way of regular meetings, a line of communication between the respective Boards and the external auditors.
6. To provide emphasis on the internal audit function by ensuring the objectivity and independence of the internal auditors and provide a forum for discussion that is among others independent of the management.



7. To review the quality of the audits conducted by the internal and external auditors.
  8. To enhance the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.
- Duties and Responsibilities**
1. The Group AC (the Committee) is directly accountable to the Boards of the respective entities and the Boards will continue to be accountable for all matters relating to their respective entities.
  2. To ensure that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives.
  3. To ensure independent review of risk management and capital management process relating to the Internal Capital Adequacy Assessment Process (ICAAP) for their integrity, objectivity and consistent application, is conducted.
  4. To review the effectiveness of internal controls and risk management processes, including the scope of the internal audit programme and the appropriateness of the risk assessment methodology employed to determine the frequency and scope of audits.
  5. To ensure that the reporting relationships of the internal audit staff do not impede the exercise of independent judgement by the internal auditors. In particular, the reports of internal auditors should not be subject to the clearance of the managing director/chief executive officer or any executive directors.
  6. To ensure that all findings and recommendations are resolved effectively and in a timely manner.
  7. To make appropriate public disclosure of the terms of reference and the activities of the Committee in the respective licensed entities' financial statements.
  8. To review the respective entities' quarterly results and year-end financial statements and to recommend the same to the respective Boards for approval whilst ensuring that they are prepared in a timely and accurate manner complying with all applicable accounting and regulatory requirements and are promptly published.
  9. To review regularly the adequacy of provisions made and to recommend the same to the respective Boards for approval.
  10. To review any related party transaction and conflict of interest situation that may arise within the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
  11. To review with the external and internal auditors whether the employees of the Group have given them appropriate assistance in discharging their duties.
  12. To review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.
  13. To review and approve the internal audit plan, audit charter and the budget for the audit plan.
  14. To ensure that internal audit staff receives necessary training to perform audit work. There shall be a programme of continuing education and training to enable the internal auditors to keep abreast of business trends and latest developments at both the institution and industry levels, as well as to enhance technical skills required to effectively support the audit function.
  15. To appraise the performance of the head of internal audit and to review the appraisals of senior staff members of the internal audit function.
  16. To approve any appointment or termination of the head of internal audit and senior staff members of the internal audit function and to review any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning, where necessary.
  17. To review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their management letter and discuss any matter that the external auditors may wish to raise in the absence of management, where necessary.
  18. To recommend to the respective Boards on the appointment and the annual reappointment of the external auditors and assessing their audit fee, after taking into consideration the independence

## ▶ Group Audit Committee Report

and objectivity of the external auditors and the cost effectiveness of their audit.

19. To discuss and review with the external auditors any proposal from them to resign as auditors.

20. To investigate reasons for any request made by management to dismiss the external auditors, or any resignation by the external auditors. The results of the investigation shall be disclosed to the respective full Board together with the recommendations on proposed actions to be taken.

21. To review the non-audit services rendered by the external auditors together with the related fees and thereafter approving or recommending the same to the respective Boards for approval (whichever relevant), in accordance with the Group Policy on Non-Audit Fees payable to the external auditors.

22. To review the co-ordination of audit activities between the external and internal auditors.

23. To review the effectiveness of the infrastructure for ensuring Shariah compliance.

24. To review inspection and examination reports issued by any regulatory authority and to ensure prompt and appropriate actions are taken in respect of any findings.

25. To review the following pertaining to RHB Insurance Berhad:-

(i) The Chairman's statement, interim financial reports and preliminary announcements;

(ii) Corporate governance disclosures made in the Directors' Report pursuant to the requirement in JPI/GPI 25: Prudential Framework of Corporate Governance for Insurers; and

(iii) All representation letters signed by management, and be satisfied that the information provided is complete and appropriate.

26. To ensure that RHB Insurance Berhad complies with Section 95 of the Insurance Act which requires the Company to publish its accounts within fourteen (14) days of the laying of its accounts at its annual general meeting.

27. To perform any other functions as authorised by the respective Boards.

### Authority

1. The Chairman of the Committee should engage on a continuous basis with Senior Management, such as the Managing Director/Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the Head of Internal Audit and the External Auditors in order to be kept informed of matters affecting the Group.

2. The Committee is authorised by the respective Boards to investigate any matter within its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to relevant information. It is also authorised to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the Committee.

3. The Committee shall have direct communication channels with the external and internal auditors.

4. The Committee is authorised by the respective Boards to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend meetings, if it considers this necessary.

### Meetings

1. Meetings shall be held at least four (4) times a year and the frequency of meetings shall reflect the wider and increased responsibilities assumed. Meetings shall convene with a minimum quorum of two-thirds of the members and the majority of members present shall be independent non-executive directors.

2. The Committee should not convene any meeting to discuss specific issues of a particular entity without the presence of the representative of the said entity.

3. The Head of Internal Audit shall be in attendance at meetings of the Committee. The Committee may invite the External Auditors, the Managing Director/Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, any other directors or members of the management and employees of the Group to be in attendance during meetings to assist in its deliberations.

4. At least twice a year, the Committee shall meet with the external auditors without the presence of the Management or any executive Board members and upon the request of the external auditors, the Chairman of the

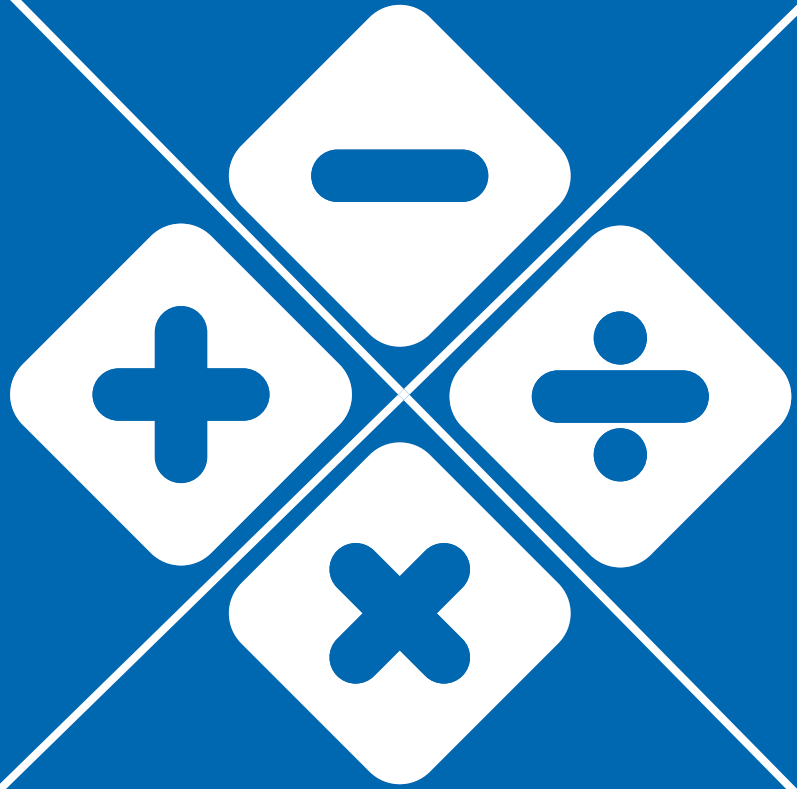
Committee shall convene a meeting to consider any matter which the external auditors believe should be brought to the attention of the respective Boards or shareholders.

5. The Company Secretary shall act as Secretary of the Committee and shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation, to Committee members within a reasonable timeframe prior to each meeting.
6. The Company Secretary shall also be responsible for keeping the minutes of meetings of the Committee, their timely circulation to Committee members and other members of the Boards, and following up on outstanding matters in relation to the meetings.
7. The Chairman of the Committee shall provide reports to the respective Boards on the deliberations of the Committee on a regular basis. In addition, the Chairman shall also present summary of all significant matters (highlighting the risks and implications) and resolutions made by the Committee at the Board meetings.
8. The minutes of each Committee meeting shall be tabled to the respective Boards. Thereafter, a copy of the minutes of the Committee meeting pertaining to RHB Investment Bank Berhad shall be submitted to Bursa Malaysia Securities Berhad within thirty (30) days from the date of the minutes having been adopted by the Board.

### Membership

1. The membership of the Committee, including the position of Chairman shall be approved by the respective Boards based on the recommendation made by the Group Nominating and Human Resource Committee.
2. The Committee shall comprise at least three (3) members and there should be a fair representative on the Committee, from each entity within the Group. All members of the Committee should be non-executive directors with majority of whom are independent.
3. The Chairman of the Committee shall be an independent non-executive director.
4. No Committee member shall be employed in an executive position in the Group, or otherwise have a relationship which in the opinion of the respective Boards will interfere with the exercise of independent judgement in carrying out the functions of the Committee. In addition, members of the Committee shall not be directly responsible for, or part of any committee involved in, the management functions within the Group.
5. No alternate director shall be appointed as a member of the Committee.
6. Disclosure of customers' information to the members of the Committee to be strictly on need to know basis and the members are to provide undertaking to preserve the confidentiality of the customers' information.

7. Collectively, the Committee shall have a wide range of necessary skills to undertake its duties and responsibilities and are expected to be familiar with the areas included in the scope of internal audit, including the area of risk management.
8. All members of the Committee shall be financially literate and at least one member shall be a member of an accounting association or body.
9. Details of the activities of Committee, the number of audit meetings held in a year, details of attendance of each member in respect of meetings, and the details of relevant training attended by each member should be documented in an informative way.
10. The term of office and performance of the Committee and each of its members must be reviewed by the respective Boards at least once every two (2) years.
11. If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the respective Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.



# Financial Statements

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## 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 2012.

### PRINCIPAL ACTIVITIES

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

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

### FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before taxation	2,396,548	2,164,986
Taxation	(590,813)	(533,004)
Net profit for the financial year	1,805,735	1,631,982

### DIVIDENDS

The dividends paid by the Bank since 31 December 2011 were as follows:

	RM'000
In respect of the financial year ended 31 December 2011: Final dividend of 7.03 sen less 25% tax paid on 7 June 2012	350,000
In respect of the financial year ended 31 December 2012: Interim dividend of 3.42 sen less 25% tax paid on 14 September 2012	170,000

At the forthcoming Annual General Meeting, a final gross dividend of 1.13 sen per share less 25% tax amounting to RM56,400,000 and single-tiered dividend of 2.74 sen per share amounting to RM181,600,000 in respect of the current financial year will be proposed for shareholder's approval. These financial statements do not reflect this final dividend which will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2013 when approved by the shareholder.

### 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 non-performing debts and financing, and satisfied themselves that all known bad debts and financing have been written off and adequate allowance had been made for non-performing debts and financing.

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

## **CURRENT ASSETS**

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

### **ITEMS OF AN UNUSUAL NATURE**

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

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

### **SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

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

### **DIRECTORS OF THE BANK**

The directors of the Bank in office since the date of the last report are:

Tan Sri Azlan Zainol  
Haji Khairuddin Ahmad  
Ong Seng Pheow  
Choong Tuck Oon  
Dato' Mohd Ali Mohd Tahir  
Abdul Aziz Peru Mohamed  
Dato' Mohamed Khadar Merican  
Tan Sri Ong Leong Huat @ Wong Joo Hwa (appointed on 20 November 2012)  
Johari Abdul Muid

In accordance with Article 100 of the Bank's Articles of Association, Tan Sri Azlan Zainol, Abdul Aziz Peru Mohamed and Ong Seng Pheow retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 104 of the Bank's Articles of Association, Tan Sri Ong Leong Huat @ Wong Joo Hwa retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Haji Khairuddin Ahmad will retire at the forthcoming Annual General Meeting and does not wish to offer himself for re-election.



## DIRECTORS' INTERESTS IN SECURITIES

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

	Number of ordinary shares of RM1.00 each			As at 31.12.2012
	As at 1.1.2012/ date of appointment	Bought	Sold	
<b>Holding Company (RHB Capital Berhad)</b>				
Haji Khairuddin Ahmad – Indirect	18,552*	1,695 <sup>#</sup>	–	<b>20,247</b>
Choong Tuck Oon – Direct	1,030	31 <sup>#</sup>	–	<b>1,061</b>
Dato' Mohamed Khadar Merican – Direct	61,503	1,257 <sup>#</sup>	–	<b>62,760</b>
Tan Sri Ong Leong Huat @ Wong Joo Hwa – Indirect	1,100*	–	–	–
	245,000,000 <sup>^</sup>	–	–	<b>245,001,100</b>

Note:

<sup>#</sup> The shares were acquired pursuant to the Dividend Reinvestment Plan.

\* The interest is held through family member.

<sup>^</sup> Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholdings in 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 29 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.

## **RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS**

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

It is the responsibility of the directors to ensure that the financial reporting of the Group and of the Bank present a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2012 and of the financial results and cash flows of the Group and of the Bank for the financial year ended 31 December 2012.

The financial statements are prepared on the going concern basis and the directors have ensured that proper accounting records are kept, applied the appropriate accounting policies on a consistent basis and made accounting estimates that are reasonable and fair so as to enable the preparation of the financial statements of the Group and of 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 of the Bank to be properly safeguarded for the prevention and detection of fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 250 of the financial statements.

## **CORPORATE GOVERNANCE STATEMENT**

### **Introduction**

The Board of Directors (Board) of RHB Bank Berhad (RHB Bank or the Bank) continuously supports the institution of relevant framework and designs in upholding the principles and best practices of corporate governance.

We set out below the abridged Corporate Governance Statement as required under Bank Negara Malaysia's (BNM) requirements. The full version of the Corporate Governance Statement will be included in the Annual Report.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### (A) BOARD OF DIRECTORS

#### Composition of the Board

The Board currently has nine (9) members, comprising a Non-Independent Non-Executive Chairman, a Non-Independent Non-Executive Director, six (6) Independent Non-Executive Directors and the Managing Director, details of which are as follows:

Name of Directors	Designation
Tan Sri Azlan Zainol	Non-Independent Non-Executive Chairman
Haji Khairuddin Ahmad	Senior Independent Non-Executive Director
Ong Seng Pheow	Independent Non-Executive Director
Choong Tuck Oon	Independent Non-Executive Director
Dato' Mohd Ali Mohd Tahir	Independent Non-Executive Director
Abdul Aziz Peru Mohamed	Independent Non-Executive Director
Dato' Mohamed Khadar Merican	Independent Non-Executive Director
Tan Sri Ong Leong Huat @ Wong Joo Hwa	Non-Independent Non-Executive Director
Johari Abdul Muid	Managing Director

Tan Sri Ong Leong Huat @ Wong Joo Hwa was appointed as the Non-Independent Non-Executive Director on 20 November 2012.

#### Duties and responsibilities of the Board

The Board is responsible for governing the business and affairs of the Bank and for exercising all such powers pursuant to the Articles of Association of the Bank. While carrying out their duties and responsibilities, the Board is committed to ensuring that the highest corporate governance standards are adhered to. The overall principle responsibilities of Board are as follows:

- providing strategic leadership to the Bank and the Group;
- reviewing, approving and monitoring the implementation of the Bank's and Group's strategic business plans and policies;
- ensuring the Bank and Group maintain an effective system of internal controls and is able to identify and manage principal risks resulting in efficiency in operations and a stable financial environment;
- acting as a guardian of the Bank's and Group's corporate values and ethical principles in parallel with the goal to enhance shareholders' value;
- monitoring as well as evaluating the performance of the Management to ensure that the performance criteria remains dynamic; and
- ensuring the formulation of a succession plan for the Bank and Group for long-term business continuity.

The Chairman presides over Board and General Meetings of the Bank. He ensures that the Board is well informed and effective; that Members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper decision making of the Board and the Bank. Additionally, the Chairman has to ensure that General Meetings are conducted efficiently and in accordance with the requirement of the Companies Act 1965, and that shareholder has adequate opportunity to air its views and obtain answers to its queries.

The Managing Director (MD) is responsible for the day-to-day management of the business and operations of the Bank and in ensuring the successful implementation of policies and directions as formulated by the Board. The distinct and separate duties and responsibilities of the MD and the Chairman ensure the balance of power and authority in relation to the establishment of a fully effective Board.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### (A) BOARD OF DIRECTORS (CONTINUED)

#### Duties and responsibilities of the Board (continued)

The MD's integral role is to implement the policies and decisions of the Board, oversee the operations as well as coordinate the development and implementation of business and corporate strategies. In addition thereto, he is also responsible for the following tasks:

- manage the business and operations and to put in place the policies and strategies adopted by the Board;
- ensuring that the financial results are accurate and not misleading as well as ensuring that the financial management practices of the Bank and the Group are carried out with the highest standards of integrity and transparency for the benefit of all stakeholders;
- ensuring that the business and affairs of the Bank and the Group are carried out in an ethical manner and in full compliance with the relevant laws and regulations;
- overseeing the internal control systems and the risk management processes and ensuring these are appropriate and effective;
- ensuring succession planning and talent management programs are in place in the interest of human capital development;
- maintaining effective relationship between the Management, the Board and other stakeholders; and
- developing and maintaining strong communication programmes and dialogue with the stakeholders.

In carrying out his tasks, the MD is supported by a Management Committee (Manco) which comprises the MD as the Chairman and other Senior Management of the Bank. The Manco is governed by its terms of reference and has several objectives, among others to monitor and review the Bank's performance and formulate as well as discuss policies, strategies and activities of the Bank and in relevant circumstances, for recommendation to the Board of the Bank.

#### Board Meetings

The Board meets on a monthly basis to discuss business strategy, financial performance, potential strategic acquisitions and alliances, matters pertaining to compliance and governance as well as reports on matters deliberated by Board Committees and their recommendations thereto. The Board also reviews regular management reports and information on corporate and business issues to assess performance against business targets and objectives. Special meetings are held where any direction or decisions are required expeditiously from the Board between the scheduled meetings. Scheduled Board meetings are structured with a pre-set agenda.

As part of the integrated risk management initiatives, the Board is informed of the decisions and salient issues deliberated by the Board Committees and main Management Committees through minutes of these Committees. At each Meeting, the Board also receives updates from the respective Chairmen/representatives of the Group Audit Committee and Group Risk Management Committee on matters that have been deliberated at both Committees' Meetings, as well as on matters that require attention. This practice also applies for the rest of the entities of the Group.

To facilitate productive and meaningful deliberations, the proceedings of the Board Meetings are conducted in accordance to a structured agenda. The structured agenda together with comprehensive management reports are furnished to the Directors at least 7 days prior to the scheduled Board Meeting date. This is to allow the Members of the Board to digest the issues at hand, seek clarification from the Management or the Company Secretary, if required and formulate opinions on matters to be deliberated at the meetings. Confidential papers or urgent proposals are presented and tabled at the Board Meetings under other business of the Agenda, upon consent of the Chairman being obtained.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### (A) BOARD OF DIRECTORS (CONTINUED)

#### Board Meetings (continued)

The Directors have a duty to declare immediately to the Board should they be interested in any transaction to be entered into directly and indirectly by the Bank and Group. An interested Director is required to abstain from deliberations and decisions of the Board on the transaction.

Each Member of the Board is required to apply independent judgement to decision making in their capacity as a Director. Where urgency prevails and if appropriate, decisions are also taken by way of a Directors' Circular Resolution in accordance with the Bank's Articles of Association.

The Board is able to seek clarifications and advice as well as request for information on matters pertaining to the Bank and Group from the Senior Management and the Company Secretary. Should the need arise, the Directors may also seek independent professional advice, at the Bank's expense, when deemed necessary for the proper discharge of their duties.

The Group has in place a "Standard Procedures for Directors to Have Access to Independent Advice" which lays down the procedures for Directors to seek internal and/or external professional independent advice. The objectives of these guidelines among others are as follows:

- to ensure consistency throughout the RHB Banking Group on the procedures for Directors of the Group to have access to independent professional advice; and
- to enable Directors to have an enhanced perception of issues within the Group by allowing them to obtain independent opinion/advice/consultation from leading professionals in the relevant areas.

The adoption of the above guidelines is in line with the various regulatory requirements and best practices.

The Board convened fourteen (14) meetings for financial year ended 31 December 2012. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings is set out below:

Name of Directors	Total Meetings Attended	Percentage of Attendance (%)
Tan Sri Azlan Zainol	14/14	100
Haji Khairuddin Ahmad	14/14	100
Ong Seng Pheow	13/14	93
Choong Tuck Oon	14/14	100
Dato' Mohd Ali Mohd Tahir	12/14	86
Abdul Aziz Peru Mohamed	14/14	100
Dato' Mohamed Khadar Merican	14/14	100
Tan Sri Ong Leong Huat @ Wong Joo Hwa (appointed on 20 November 2012)	2/2	100
Johari Abdul Muid	14/14	100

Pursuant to the BNM's Corporate Governance Guidelines, individual directors must attend at least 75% of the board meetings held in each financial year. For the year under review, all Directors complied with the attendance requirement as stipulated by BNM.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### (A) BOARD OF DIRECTORS (CONTINUED)

#### BOARD COMMITTEES

##### Group Audit Committee

The Group Audit Committee (Group AC) comprises five (5) Independent Non-Executive Directors of whom one (1) is the Chairman. During the financial year ended 31 December 2012, a total of twenty (20) meetings were held and the details of attendance of each member at the Group AC Meetings held during the financial year ended 31 December 2012 are as follows:

Name of Directors	Total Meetings Attended	Percentage of Attendance (%)
Ong Seng Pheow (Chairman)	20/20	100
Dato' Othman Jusoh	20/20	100
Dato' Mohd Ali Mohd Tahir	19/20	95
Haji Md Ja'far Abdul Carrim	20/20	100
Dato' Saw Choo Boon	19/20	95

The Group AC meets regularly to provide independent oversight over the management of the financial reporting and internal control system and ensure checks and balances for the relevant entities within RHB Banking Group. The Management, respective entities Head of Finance, group internal auditors as well as the external auditors are invited to these meetings as and when necessary.

To ensure the independence and objectivity of the external auditors, the Group AC meets with the external auditors without the presence of the Management at least twice a year.

##### Group Nominating and Human Resource Committee

The Group Nominating Committee (Group NC) and Group Remuneration and Human Resource Committee (Group RHRC) were consolidated into one (1) committee known as Group Nominating and Remuneration Committee Group NRC) with effect from 30 August 2012 in line with the Group's continuous effort to improve business efficacy and work efficiency. The Committee's name was further changed to Group Nominating and Human Resource Committee (Group NHRC) in December 2012.

The Group NHRC comprises six (6) Independent Non-Executive Directors of whom one (1) is the Chairman. From 30 August 2012 until 31 December 2012, a total of four (4) meetings were held and the details of attendance of each member at the Group NHRC Meetings held since 30 August 2012 are as follows:

Name of Directors	Total Meetings Attended	Percentage of Attendance (%)
Datuk Haji Faisal Siraj (Chairman)	4/4	100
Dato' Mohamed Khadar Merican	4/4	100
Dato' Saw Choo Boon	3/4	75
Dato' Teo Chiang Liang	3/4	75
Choong Tuck Oon	4/4	100
Haji Md Ja'far Abdul Carrim	4/4	100

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### (A) BOARD OF DIRECTORS (CONTINUED)

#### BOARD COMMITTEES (CONTINUED)

##### Group Nominating and Human Resource Committee (continued)

Prior to the consolidation of Group NC and Group RHRC, separate meetings were held for both Committees. The details of attendance of each member at each of the Committee Meetings held up to 30 August 2012 are as follows:

##### Group NC

Name of Directors	Total Meetings Attended	Percentage of Attendance (%)
Datuk Haji Faisal Siraj (Chairman)	7/7	100
Dato' Mohamed Khadar Merican	6/7	86
Dato' Saw Choo Boon	7/7	100
Dato' Teo Chiang Liang	6/7	86
Choong Tuck Oon	6/7	86
Haji Md Ja'far Abdul Carrim	7/7	100

##### Group RHRC

Name of Directors	Total Meetings Attended	Percentage of Attendance (%)
Datuk Haji Faisal Siraj (Chairman)	8/8	100
Dato' Mohamed Khadar Merican	7/8	88
Dato' Saw Choo Boon	8/8	100
Dato' Teo Chiang Liang	7/8	88
Choong Tuck Oon	7/8	88
Haji Md Ja'far Abdul Carrim	8/8	100

The Group NHRC combines both the Group NC and Group RHRC's roles and responsibilities in providing the Boards in the selection and assessment, and recommending to the Boards for approval, the appointment of directors, board committee members, Group Shariah Committee and key senior management officers (which entails Group Managing Director (Group MD), Chief Executive Officer (CEO)/Managing Director (MD), and Direct Reports of the Group MD and CEO/MD in major entities (save for Chief Internal Auditor) and any persons as may be decided by the Committee, and in providing oversight and direction on Human Resource (HR) matters and operations and to recommend to the Boards for approval, the remuneration and human resource strategies, policies and frameworks.

**CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

**(A) BOARD OF DIRECTORS (CONTINUED)**

**BOARD COMMITTEES (CONTINUED)**

**Group Risk Management Committee**

The Group Risk Management Committee (Group RMC) presently comprises five (5) Independent Non-Executive Directors of whom one (1) is the Chairman. During the financial year ended 31 December 2012, a total of eighteen (18) meetings were held and the details of attendance of each member at the Group RMC Meetings held during the financial year ended 31 December 2012 are as follows:

Name of Directors	Total Meetings Attended	Percentage of Attendance (%)
Haji Khairuddin Ahmad (Chairman)	18/18	100
Patrick Chin Yoke Chung	16/18	89
Haji Md Ja'far Abdul Carrim	18/18	100
Choong Tuck Oon	16/18	89
Dato' Saw Choo Boon	15/18	83

The Group RMC provides overall governance of risks for each of the key operating subsidiaries as formerly discharged by the individual RMCs i.e. RHB Capital Berhad, RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad.

**Group Credit Committee**

The Group Credit Committee (GCC) comprises four (4) Independent Non-Executive Directors of whom one (1) is the Chairman. During the financial year ended 31 December 2012, a total of thirty nine (39) meetings were held and the details of attendance of each member at the GCC Meetings held during the financial year ended 31 December 2012 are as follows:

Name of Directors	Total Meetings Attended	Percentage of Attendance (%)
Dato' Mohamed Khadar Merican (Chairman)	34/39	87
Haji Khairuddin Ahmad	38/39	97
Abdul Aziz Peru Mohamed	38/39	97
Patrick Chin Yoke Chung	32/39	82

The GCC's main functions are affirming, imposing additional covenants or vetoing credits of RHB Banking Group which were duly approved by the Central Credit Committee as well as overseeing the management of impaired loans/assets and monitor the recovery of impaired loans/assets to enhance the Committee's oversight of the loan/asset recovery functions.



## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### (A) BOARD OF DIRECTORS (CONTINUED)

#### BOARD COMMITTEES (CONTINUED)

##### Group IT & Transformation Strategy Committee

The Group IT & Transformation Strategy Committee (GI&TSC) comprises three (3) Independent Non-Executive Directors of whom one (1) is the Chairman, the Group Managing Director and the Managing Director of RHB Bank. During the financial year ended 31 December 2012, a total of eleven (11) meetings were held and the details of attendance of each member at the GI&TSC Meetings held during the financial year ended 31 December 2012 are as follows:

Name of Directors	Total Meetings Attended	Percentage of Attendance (%)
Choong Tuck Oon (Chairman)	11/11	100
Ong Seng Pheow	11/11	100
Dato' Mohd Ali Mohd Tahir	11/11	100
Johari Abdul Muid	8/11	73
Kellee Kam Chee Khiong	7/11	64

The principal responsibility of the GI&TSC is to provide guidance on the Group's planning and/or execution of programmes and initiatives within the realm of information technology and transformation management.

### (B) RISK MANAGEMENT FRAMEWORK

The RHB Banking Group has put in place a Group Risk Management Framework which governs the management of various types of risks in the banking group. The Framework operates on two interlocking layers. Firstly, it provides a holistic overview of the risk and control environment with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and balances in the organisation, as well as deficiencies in risk management culture. Secondly, it sets out the strategic progression of risk management towards becoming a value creation enterprise. This is effected through building up capabilities and infrastructure in risk management sophistication, and using the improvement in risk quantification to optimise risk-adjusted (or economic) returns.

The Framework enshrines five fundamental principles that drive the philosophy of risk management. They are:

- Risk governance from the Board of Directors;
- Clear understanding of risk management ownership;
- Institutionalisation of a risk focused organisation;
- Alignment of risk management to business strategies; and
- Optimisation of risk adjusted economic and financial returns

The Board of Directors ensures that an effective risk management strategy is in place and uniformly understood across the Bank. The structured framework supports the Board's oversight responsibilities. Risk management is a collective responsibility and cooperation of business and functional units, risk management functions, top management and the Board is an integral part of the risk management process.

The business and functional units have a clear segregation of duties with sufficient check and balance 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 established risk management framework.

## **CORPORATE GOVERNANCE STATEMENT (CONTINUED)**

### **(B) RISK MANAGEMENT FRAMEWORK (CONTINUED)**

The Banking Group's Assets and Liabilities Committee (ALCO) performs a critical role in the management of assets and liabilities. The ALCO meets regularly and is the forum where strategic and tactical decisions are made. Global and domestic economic data, market and related information and events are considered at the ALCO which enables the Banking Group to determine its course of actions.

For effective control of operations, defined management action triggers and risk limits are established and actively monitored. Breaches of limits are not allowed. Should exposures or transactions set off pre-established triggers, management will deliberate and determine on the course of actions required (whether remedial or otherwise) on a timely basis. Triggers and limits are based on the Bank's risk appetite and is determined by the appropriate risk measures and attendant stress testing exercises.

The financial risk management objectives and policies of the Bank are set out in Note 40 to the financial statements.

### **(C) INTERNAL AUDIT AND INTERNAL CONTROL ACTIVITIES**

The Group has an in-house group internal audit function which is guided by its Group Audit Charter and reports to the Group Audit Committee of RHB Bank Berhad. Its primary role is to assist the Group Audit Committee in the discharge of their duties and responsibilities by independently reviewing and reporting on the adequacy and effectiveness of the Group's risk management, internal control and governance processes.

The Group Internal Auditors perform regular reviews of the Bank's operational processes and system of internal controls. Auditable units of priority and frequency of review are determined by adopting a risk-based approach, and the annual internal audit plan is reviewed and approved by the Group Audit Committee. Results of the audits conducted by the Group Internal Auditors are reported to the Group Audit Committee while management follow-up and review of the status of actions taken on the auditors' recommendations are carried out via the Management Audit Committee which comprises senior management. The minutes of the Management Audit Committee meetings are tabled to the Group Audit Committee for notation.

The Group Audit Committee holds regular meetings to deliberate on findings and recommendations for improvement highlighted by both the internal and external auditors as well as regulatory authorities on the state of the Bank's internal control system. The minutes of the Group Audit Committee meetings are subsequently tabled to the Board for notation.

In addition to audit assignments, the Group Internal Audit is invited to participate, on a consultative basis, in the development of new products and systems, and information technology related initiatives as well as in the review of operational manuals and guidelines.

### **(D) MANAGEMENT REPORTS**

Annual business plans and financial budgets are prepared by the Bank's strategic business groups and operating subsidiaries and are reviewed and approved by the Board. The performance of business groups and operating subsidiaries are assessed and monitored against the approved budget and any significant variances are explained to the Board.

## CORPORATE GOVERNANCE STATEMENT (CONTINUED)

### (D) MANAGEMENT REPORTS (CONTINUED)

The Board also receives and reviews monthly financial accounts, financial information reports and monthly progress reports from management on a regular basis. In addition, matters such as key business strategies and business plans, major capital expenditure, material contracts, new operational guidelines and new policies and guidelines are approved by the Board prior to it being implemented. Furthermore, minutes of meeting of various Board Committees of the Bank and changes on regulatory requirements, are also tabled for the Board's notation.

### ULTIMATE HOLDING COMPANY

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

### BUSINESS REVIEW 2012

The year 2012 remained a challenging year for the banking sector as the global economy experienced slow growth and uncertainties during most part of the year. Despite the weaker global trade that affected the country's export; the Malaysian economy is expected to register a relatively robust Gross Domestic Product (GDP) growth of about 5% for 2012, largely supported by domestic demand as well as infrastructure and investment projects under the Economic Transformation Programme (ETP). Bank Negara Malaysia's stance on monetary policy continues to be accommodative and supportive of the economy. The Overnight Policy Rate (OPR) has been maintained at 3.00% throughout the year.

The Group continued to enhance its franchise as well as to accelerate growth in the markets it serves. To this end, the Group has focused on product development & innovation, strengthening and re-alignment of the sales & distribution channels, technological platforms improvements, building a robust risk management infrastructure & operating model, improving interactions at customer touch-points and key talent management.

The Bank launched its innovative brand 'Easy by RHB' in 2009 which remains a focus area for growth in the retail space. Easy has increased to 245 outlets with commendable assets growth as well as advancing its personal financing and ASB financing market share from 24.3% to 27.5% and 23.8% to 25.6% (as at November 2012) respectively. The Group has also gained international recognition through 'Easy by RHB' which was awarded "Model Bank of the Year for 2012" by Celent, a research and consulting firm based in the US, for its unique and innovative elements that are aimed at delivering the brand's promise of simplified banking.

Since its rebranding in April 2011, 'RHB Now', the fully integrated internet and mobile banking platform has further enhanced customer experience and provided convenient banking services to our customers. The business has shown growth in terms of the number of users and volume of transactions.

RHB had rolled-out another innovative initiative in 2012 branded as Bank@Work. This new initiative brings payroll account opening to a new level, where payroll employees can have their Current/Savings account with RHB Bank opened 'on-site, real-time' at their place of work via RHB's Straight-Through-Processing (STP). Bank@Work was presented with SGAM (Share/Guide Association Malaysia) *ICT Achievement Award 2012* for its innovative offering.

On the international business, RHB Singapore achieved many "firsts" or milestones in 2012. Following the launch of RHB Internet Banking in Singapore in early-2012, RHB Bank Berhad Singapore (RHBSG) became the first bank in Singapore to join the national two-factor authentication system to enhance the security of online transactions, in addition to the current SMS password system. The branch formed a dedicated Business Banking Department to better fulfill the needs of our growing base of SME clients and launched the BizPower suite of products catering especially for smaller SMEs.

### **BUSINESS REVIEW 2012 (CONTINUED)**

With the recent merger with OSK Investment Bank (OSKIB), RHBSG has capitalised on new synergies by combining the expertise of the two teams in debt capital market and financial advisory services and completed 6 deals in 2012.

In line with the rapid growth of Islamic finance in the domestic market, RHB Islamic Bank continued to focus on improving its leadership position in selected markets and product segments, and further enhancing the relationship with existing customers while developing new ones, as well as leveraging on the Group's infrastructure and distribution network. During the year under review, an additional RM200 million capital was injected, strengthening the Bank's capital position for further business expansion opportunities. RHB Islamic's total assets expanded by 13% to RM25.6 billion and achieved a pre-tax profit of RM208.6 million.

On 30 January 2013, RHB Bank had entered into an amended agreement with the Vendor to revise the proposed acquisition of PT Bank Mestika Dharma from up to 89% of the issued and paid-up share capital in Bank Mestika to 40%.

### **BUSINESS STRATEGY AND PROSPECT 2013**

The Malaysia's economy is expected to continue to perform well in 2013 with Gross Domestic Product (GDP) projected to grow at 5.6%. This expectation is premised on an improving exports and strong domestic demand on the back of improving global growth together with the impact of the various projects under the ETP. The Malaysian banking sector is expected to remain resilient, in line with the country's economic growth trajectory.

The completion of the acquisition of OSKIB has enhanced the Group's geographical footprint and capabilities with presence in seven countries across the ASEAN region and Hong Kong.

The Group continues to strengthen its leadership positions in targeted markets and product segments, building strong customer relationships as well as leveraging on the Group's infrastructure and multiple distribution networks for business growth.

Although the Group foresees a continued competitive operating environment in 2013, we are still well-positioned to drive our targeted business segments and geographies to becoming a leading multinational financial services group. Barring any unforeseen circumstances, the Group expects satisfactory results for the financial year 2013.

## RATINGS BY RATING AGENCIES

During the financial year, the Bank was rated by the following external rating agencies:

Agencies	Date Accorded	Ratings
RAM Rating Services Berhad (RAM)	November 2012	Long Term Financial Institution Rating – AA2 Short Term Financial Institution Rating – P1
Standard & Poor's	December 2012	Long Term Counterparty Credit Rating – BBB+ Short Term Counterparty Credit Rating – A-2 ASEAN-scale Long Term Rating – axA+ ASEAN-scale Short Term Rating – axA-1
Moody's Investors Service	May 2012	Long Term Bank Deposits Rating – A3 Short Term Bank Deposits Rating – P-2 Bank Financial Strength Rating – D

## DESCRIPTION OF THE RATINGS ACCORDED

### RAM Rating Services Berhad

#### Long term financial institution rating

AA A financial institution rated 'AA' has a strong capacity to meet its financial obligations. The financial institution is resilient against adverse changes in circumstances, economic conditions and/or operating environments.

A A financial institution rated 'A' has an adequate capacity to meet its financial obligations. The financial institution is more susceptible to adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.

For long term ratings, RAM applies subscripts 1, 2 or 3 in each rating category from 'AA' to 'C'. The subscript 1 indicates that the issue ranks at the higher end of its generic rating category; the subscript 2 indicates a mid-ranking; and the subscript 3 indicates that the issue ranks at the lower end of its generic rating category.

#### Short term financial institution rating

P1 A financial institution rated 'P1' has a strong capacity to meet its short term financial obligations. This is the highest short term financial institution rating assigned by RAM Ratings.

## DESCRIPTION OF THE RATINGS ACCORDED (CONTINUED)

### Standard and Poor's

#### Long term counterparty credit rating

BBB An obligation rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

The ratings from 'AA' to 'CCC' may be modified by the addition of a plus (+) or minus (-) sign to show the relative standing within the major rating categories.

#### Short term counterparty credit rating

A-2 An obligor rated 'A-2' has satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category.

#### ASEAN-scale Long Term Rating

axA An obligor rated 'axA' is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors. Still, the obligor has a moderately strong capacity to meet its financial commitments relative to that of other ASEAN (The Association of South-East Asian Nations) obligors.

The ratings from 'axAA' to 'axCCC' may be modified by the addition of a plus (+) or minus (-) sign to show relative strength within the rating category.

#### ASEAN-scale Short Term Rating

axA-1 A short term obligation rated in the highest category on Standard & Poor's ASEAN regional scale. The obligor's capacity to meet its commitments on the obligation, relative to other ASEAN obligors, is strong.

The rating may be modified by the addition of a plus (+) or minus (-) sign to show relative strength within the rating category.

## DESCRIPTION OF THE RATINGS ACCORDED (CONTINUED)

### Moody's Investors Service

#### Long term bank deposits rating

A Obligations rated 'A' are considered upper-medium grade and are subject to low credit risk.

Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from 'Aa' through the modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

#### Short term bank deposits rating

P-2 Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short term debt obligations.

#### Bank financial strength rating

D Banks rated 'D' display modest intrinsic financial strength, potentially requiring some outside support at times. Such institutions may be limited by one or more of the following factors: a weak business franchise, financial fundamentals that are deficient in one or more respects; or an unpredictable and unstable operating environment.

Where appropriate, a '+' modifier will be appended to ratings below the 'A' category and a '-' modifier will be appended to ratings above the 'E' category to distinguish those banks that fall in the higher and lower ends, respectively, of the generic rating category.

## AUDITORS

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

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

**TAN SRI AZLAN ZAINOL**  
CHAIRMAN

**JOHARI ABDUL MUID**  
MANAGING DIRECTOR

Kuala Lumpur  
28 February 2013

# Statements Of Financial Position

As At 31 December 2012

Note	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>ASSETS</b>						
2	22,557,727	18,392,186	12,981,081	19,022,404	12,344,141	11,093,561
Cash and short term funds Securities purchased under resale agreements						
3	676,858	142,291	276,407	676,858	142,291	276,407
Deposits and placements with banks and other financial institutions						
4	3,549,648	937,828	824,071	3,780,228	2,200,238	1,539,648
Financial assets held-for- trading						
5	1,549,863	1,303,419	348,511	1,110,482	869,888	129,583
Financial investments						
6	10,026,311	8,015,085	9,933,578	8,456,556	6,339,146	8,143,221
Financial investments held-to- available-for-sale						
7	17,801,251	13,475,167	10,674,245	15,645,993	12,021,999	9,558,312
Loans, advances and financing maturity						
8	107,465,886	95,317,875	81,515,787	89,275,815	80,593,659	71,169,425
Other assets						
9	391,400	306,546	195,687	708,812	676,671	204,452
Derivative assets						
10	250,917	226,980	298,389	271,029	263,605	298,148
Statutory deposits						
11	3,589,364	3,168,309	426,304	2,916,509	2,561,754	321,064
Tax recoverable						
12	14	127,265	27	-	114,013	-
Deferred tax assets						
13	8,455	11,298	264,629	-	-	209,502
Investment in subsidiaries						
14	-	-	-	1,272,972	1,072,972	822,972
Property, plant and equipment						
Goodwill and other intangible assets						
<b>TOTAL ASSETS</b>	<b>1,124,349</b>	<b>1,115,893</b>	<b>1,107,118</b>	<b>1,017,722</b>	<b>1,009,637</b>	<b>1,002,744</b>
	<b>169,655,087</b>	<b>143,216,131</b>	<b>119,443,891</b>	<b>144,661,155</b>	<b>120,731,463</b>	<b>105,212,297</b>

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



Note	Group				Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	
<b>LIABILITIES AND EQUITY</b>							
15	131,309,626	113,638,280	92,402,813	111,557,605	94,349,181	80,567,577	
Deposits from customers Deposits and placements of banks and other financial institutions							
16	11,935,887	7,996,621	7,680,309	9,459,328	5,809,666	6,158,453	
Bills and acceptances payable	3,732,067	3,764,155	3,536,140	3,710,455	3,750,382	3,524,016	
17	953,404	993,207	1,003,049	775,703	925,776	868,827	
Other liabilities	273,197	237,004	240,161	273,559	234,522	238,984	
9							
Derivative liabilities							
Recourse obligation on loans sold to Cagamas Berhad	2,445,361	1,161,814	818,503	982,840	1,161,814	818,503	
Taxation	125,663	3,704	167,338	98,525	–	163,133	
11	50,907	55,845	6	50,903	55,841	–	
Deferred tax liabilities	632,778	759,020	819,362	632,778	759,020	819,362	
18	4,020,919	3,269,678	3,018,157	4,020,919	3,269,678	3,018,157	
Long term borrowings	606,086	605,570	605,407	606,086	605,570	605,407	
19							
Subordinated obligations	1,536,674	–	–	1,536,674	–	–	
20							
Hybrid Tier-I Capital Securities							
21							
Senior Debt Securities							
<b>TOTAL LIABILITIES</b>	<b>157,622,569</b>	<b>132,484,898</b>	<b>110,291,245</b>	<b>133,705,375</b>	<b>110,921,450</b>	<b>96,782,419</b>	
22	3,318,085	3,318,085	3,318,085	3,318,085	3,318,085	3,318,085	
Share capital	8,714,433	7,413,148	5,834,561	7,637,695	6,491,928	5,111,793	
23							
Reserves							
<b>TOTAL EQUITY</b>	<b>12,032,518</b>	<b>10,731,233</b>	<b>9,152,646</b>	<b>10,955,780</b>	<b>9,810,013</b>	<b>8,429,878</b>	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>169,655,087</b>	<b>143,216,131</b>	<b>119,443,891</b>	<b>144,661,155</b>	<b>120,731,463</b>	<b>105,212,297</b>	
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>77,905,294</b>	<b>73,107,365</b>	<b>69,101,806</b>	<b>76,345,104</b>	<b>70,878,993</b>	<b>66,370,586</b>	

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

## Income Statements

For The Financial Year Ended 31 December 2012

	Note	Group		Bank	
		31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Interest income	24	<b>5,988,376</b>	5,461,506	<b>5,956,963</b>	5,424,180
Interest expense	25	<b>(2,930,362)</b>	(2,494,277)	<b>(2,918,059)</b>	(2,482,111)
Net interest income		<b>3,058,014</b>	2,967,229	<b>3,038,904</b>	2,942,069
Other operating income	26	<b>943,948</b>	795,928	<b>932,883</b>	854,521
Net income from Islamic Banking business	27	<b>4,001,962</b> <b>487,171</b>	3,763,157 438,756	<b>3,971,787</b> –	3,796,590 –
Other operating expenses	28	<b>4,489,133</b> <b>(1,952,194)</b>	4,201,913 (1,701,038)	<b>3,971,787</b> <b>(1,757,284)</b>	3,796,590 (1,541,472)
Operating profit before allowances		<b>2,536,939</b>	2,500,875	<b>2,214,503</b>	2,255,118
Allowance for impairment on loans, advances and financing	30	<b>(147,249)</b>	(143,015)	<b>(56,375)</b>	(140,562)
Impairment write-back/(losses) on other assets	31	<b>6,858</b>	(48,000)	<b>6,858</b>	(48,000)
Profit before taxation		<b>2,396,548</b>	2,309,860	<b>2,164,986</b>	2,066,556
Taxation	32	<b>(590,813)</b>	(564,798)	<b>(533,004)</b>	(509,294)
Net profit for the financial year		<b>1,805,735</b>	1,745,062	<b>1,631,982</b>	1,557,262
Earnings per share (sen) – Basic/diluted	33	<b>27.21</b>	26.30	<b>24.59</b>	23.47

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 2012

Note	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Net profit for the financial year	<b>1,805,735</b>	1,745,062	<b>1,631,982</b>	1,557,262
Other comprehensive income/(loss):				
Currency translation differences	<b>(10,295)</b>	18,457	<b>4,809</b>	6,818
Financial investments available-for-sale (AFS):				
– Unrealised net gain on revaluation	<b>107,645</b>	134,170	<b>90,390</b>	115,739
– Net transfer to income statements on disposal or impairment	<b>(73,262)</b>	(63,256)	<b>(51,755)</b>	(43,789)
Income tax relating to components of other comprehensive income	34 <b>(8,538)</b>	(17,939)	<b>(9,659)</b>	(17,988)
Other comprehensive income for the financial year, net of tax	<b>15,550</b>	71,432	<b>33,785</b>	60,780
Total comprehensive income for the financial year	<b>1,821,285</b>	1,816,494	<b>1,665,767</b>	1,618,042

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 2012

Group	Note	Attributable to equity holders of the Bank						Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Translation reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2012		3,318,085	8,563	3,358,704	(61,408)	196,177	3,736,207	10,556,328
- As previously reported	45	-	-	-	19	-	174,886	174,905
- Effect on full adoption of MFRS 139								
- As restated		3,318,085	8,563	3,358,704	(61,389)	196,177	3,911,093	10,731,233
Net profit for the financial year		-	-	-	-	-	1,805,735	1,805,735
Other comprehensive income/(loss) for the financial year:								
Currency translation differences		-	-	-	(10,295)	-	-	(10,295)
Financial investments AFS:								
- Unrealised net gain on revaluation		-	-	-	-	107,645	-	107,645
- Net transfer to income statements on disposal or impairment		-	-	-	-	(73,262)	-	(73,262)
Income tax relating to components of other comprehensive income	34	-	-	-	-	(8,538)	-	(8,538)
Total comprehensive (loss)/income for the financial year		-	-	-	(10,295)	25,845	1,805,735	1,821,285
Ordinary dividends	35	-	-	-	-	-	(520,000)	(520,000)
Transfer to statutory reserves		-	-	477,792	-	-	(477,792)	-
<b>Balance as at 31 December 2012</b>		<b>3,318,085</b>	<b>8,563</b>	<b>3,836,496</b>	<b>(71,684)</b>	<b>222,022</b>	<b>4,719,036</b>	<b>12,032,518</b>

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

Group	Note	Attributable to equity holders of the Bank						Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Translation reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
		3,318,085	8,563	2,946,064	(79,815)	143,202	2,827,885	9,163,984
	45	-	-	-	(31)	-	(11,307)	(11,338)
		3,318,085	8,563	2,946,064	(79,846)	143,202	2,816,578	9,152,646
		-	-	-	-	-	1,745,062	1,745,062
		-	-	-	18,457	-	-	18,457
		-	-	-	-	134,170	-	134,170
		-	-	-	-	(63,256)	-	(63,256)
	34	-	-	-	-	(17,939)	-	(17,939)
		-	-	-	18,457	52,975	1,745,062	1,816,494
	35	-	-	-	-	-	(237,907)	(237,907)
		-	-	412,640	-	-	(412,640)	-
		3,318,085	8,563	3,358,704	(61,389)	196,177	3,911,093	10,731,233

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



Note	Share capital RM'000	Non-distributable				Distributable		Total RM'000
		Share premium RM'000	Statutory reserves RM'000	Translation reserves RM'000	AFS reserves RM'000	Retained profits RM'000		
Bank								
Balance as at 1 January 2011								
- As previously reported	3,318,085	8,563	2,714,580	396	134,995	2,220,855	8,397,474	
- Effect on full adoption of MFRS 139	-	-	-	-	-	32,404	32,404	
- As restated	3,318,085	8,563	2,714,580	396	134,995	2,253,259	8,429,878	
Net profit for the financial year	-	-	-	-	-	1,557,262	1,557,262	
Other comprehensive income/(loss) for the financial year:								
Currency translation differences	-	-	-	6,818	-	-	-	6,818
Financial investments AFS:								
- Unrealised net gain on revaluation	-	-	-	-	115,739	-	-	115,739
- Net transfer to income statements on disposal or impairment	-	-	-	-	(43,789)	-	-	(43,789)
Income tax relating to components of other comprehensive income	-	-	-	-	(17,988)	-	-	(17,988)
Total comprehensive income for the financial year	-	-	-	6,818	53,962	1,557,262	1,618,042	
Ordinary dividends	-	-	-	-	-	(237,907)	(237,907)	
Transfer to statutory reserves	-	-	355,562	-	-	(355,562)	-	
Balance as at 31 December 2011	3,318,085	8,563	3,070,142	7,214	188,957	3,217,052	9,810,013	

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 2012

	Group	
	31.12.2012 RM'000	31.12.2011 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	<b>2,396,548</b>	2,309,860
Adjustments for:		
Property, plant and equipment:		
– depreciation	<b>80,122</b>	56,134
– gain on disposal	<b>(1,004)</b>	(4,826)
– written off	<b>2</b>	27
Amortisation of computer software license	<b>28,949</b>	32,412
Allowance for impairment loss – foreclosed properties	<b>–</b>	19
Write-back of allowance for impairment loss – foreclosed properties	<b>(21)</b>	(153)
Write-back of allowance for impairment loss – sundry debtors	<b>(3,064)</b>	–
Financial investments AFS:		
– net gain on sale	<b>(73,263)</b>	(63,256)
– interest income	<b>(260,345)</b>	(296,527)
– investment income	<b>(68,304)</b>	(75,265)
– dividend income	<b>(5,527)</b>	(11,190)
– allowance for impairment loss	<b>7,300</b>	50,113
– write-back of allowance for impairment loss	<b>(7,275)</b>	(2,863)
Financial investments held-to-maturity:		
– net gain from early redemption	<b>(3,308)</b>	(214)
– interest income	<b>(509,947)</b>	(435,426)
– investment income	<b>(63,750)</b>	(48,201)
– allowance for impairment loss	<b>5,333</b>	5,484
– write-back of allowance for impairment loss	<b>(9,131)</b>	(4,600)
Allowance for losses on loans and financing	<b>387,399</b>	254,029
Amortisation of premium/(accretion of discount)	<b>29,089</b>	18,117
Amortisation of discount for Hybrid Tier-I Capital Securities	<b>269</b>	247
Amortisation/accretion of discounts for borrowings and subordinated obligations	<b>888</b>	–
Unrealised (gain)/loss on revaluation of derivatives	<b>(21,615)</b>	65,903
Net gain on fair value hedges	<b>(11,003)</b>	–
Unrealised exchange loss/(gain)	<b>12,741</b>	(10,997)
Operating profit before working capital changes	<b>1,911,083</b>	1,838,827

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



	Group	
	31.12.2012 RM'000	31.12.2011 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)</b>		
(Increase)/decrease in operating assets:		
Securities purchased under resale agreements	<b>(530,823)</b>	140,182
Deposits and placements with banks and other financial institutions	<b>(2,611,813)</b>	(113,752)
Financial assets held-for-trading	<b>(239,194)</b>	(952,468)
Loans, advances and financing	<b>(12,421,445)</b>	(13,992,897)
Other assets	<b>(81,089)</b>	(96,687)
Statutory deposits	<b>(416,593)</b>	(2,738,973)
	<b>(16,300,957)</b>	(17,754,595)
Increase/(decrease) in operating liabilities:		
Deposits from customers	<b>17,521,232</b>	21,135,798
Deposits and placements of banks and other financial institutions	<b>3,925,901</b>	289,872
Bills and acceptances payable	<b>(32,373)</b>	227,748
Other liabilities	<b>(42,769)</b>	(14,046)
Recourse obligation on loans sold to Cagamas Berhad	<b>1,283,547</b>	343,311
	<b>22,655,538</b>	21,982,683
Cash generated from operations	<b>8,265,664</b>	6,066,915
Taxation paid	<b>(352,022)</b>	(564,106)
Net cash generated from operating activities	<b>7,913,642</b>	5,502,809

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 2012**

	Note	Group	
		31.12.2012 RM'000	31.12.2011 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(71,431)</b>	(129,339)
Purchase of computer software license		<b>(38,741)</b>	(43,211)
Proceeds from disposal of property, plant and equipment		<b>10,428</b>	5,182
Financial investments AFS:			
– net (purchase)/sale		<b>(1,859,617)</b>	1,941,364
– interest received		<b>247,418</b>	332,351
– investment income received		<b>68,952</b>	73,895
– dividend income		<b>5,509</b>	11,172
Financial investments held-to-maturity:			
– net purchase		<b>(4,268,897)</b>	(2,714,230)
– interest received		<b>486,469</b>	412,900
– investment income received		<b>60,290</b>	44,878
Net cash used in investing activities		<b>(5,359,620)</b>	(65,038)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of RM subordinated obligations		<b>2,047,706</b>	250,000
Proceeds from issuance of USD senior debt securities		<b>1,535,591</b>	–
Repayment from issuance of RM subordinated obligations		<b>(1,300,000)</b>	–
Repayment of long term borrowings		<b>(99,563)</b>	(79,891)
Dividends paid to shareholder		<b>(520,000)</b>	(237,907)
Net cash generated from/(used in) financing activities		<b>1,663,734</b>	(67,798)
Net increase in cash and cash equivalents		<b>4,217,756</b>	5,369,973
Effects of exchange rate differences		<b>(52,215)</b>	41,132
Cash and cash equivalents brought forward		<b>18,392,186</b>	12,981,081
Cash and cash equivalents carried forward		<b>22,557,727</b>	18,392,186
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>			
Cash and short-term funds	2	<b>22,557,727</b>	18,392,186

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

	Bank	
	31.12.2012 RM'000	31.12.2011 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	<b>2,164,986</b>	2,066,556
Adjustments for:		
Property, plant and equipment:		
– depreciation	<b>73,402</b>	51,020
– gain on disposal	<b>(997)</b>	(4,826)
– written off	<b>2</b>	27
Amortisation of computer software license	<b>28,629</b>	32,335
Allowance for impairment loss – foreclosed properties	<b>–</b>	19
Write-back of allowance for impairment loss – foreclosed properties	<b>(21)</b>	(153)
Write-back of allowance for impairment loss – sundry debtors	<b>(3,064)</b>	–
Financial investments AFS:		
– net gain on sale	<b>(51,755)</b>	(43,789)
– interest income	<b>(258,559)</b>	(296,527)
– dividend income	<b>(5,525)</b>	(11,186)
– allowance for impairment loss	<b>7,300</b>	50,113
– write-back of allowance for impairment loss	<b>(7,275)</b>	(2,863)
Financial investments held-to-maturity:		
– net gain from early redemption	<b>(1,823)</b>	(214)
– interest income	<b>(505,294)</b>	(432,704)
– allowance for impairment loss	<b>5,333</b>	5,484
– write-back of allowance for impairment loss	<b>(9,131)</b>	(4,600)
Allowance for losses on loans and financing	<b>289,365</b>	262,545
Amortisation of premium/(accretion of discount)	<b>33,458</b>	27,546
Amortisation of discount for Hybrid Tier-I Capital Securities	<b>269</b>	247
Amortisation/accretion of discounts for borrowings and subordinated obligations	<b>888</b>	–
Dividend income from subsidiary companies	<b>(9,363)</b>	–
Unrealised (gain)/loss on revaluation of derivatives	<b>(6,623)</b>	18,542
Net gain on fair value hedges	<b>(3,498)</b>	–
Unrealised exchange loss/(gain)	<b>12,741</b>	(10,997)
Operating profit before working capital changes	<b>1,753,445</b>	1,706,575

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 2012**

	<b>Bank</b>	
	<b>31.12.2012</b> RM'000	<b>31.12.2011</b> RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)</b>		
(Increase)/decrease in operating assets:		
Securities purchased under resale agreements	<b>(530,823)</b>	140,182
Deposits and placements with banks and other financial institutions	<b>(1,579,990)</b>	(660,590)
Financial assets held-for-trading	<b>(233,344)</b>	(737,865)
Loans, advances and financing	<b>(8,860,697)</b>	(9,623,557)
Other assets	<b>(28,379)</b>	(448,873)
Statutory deposits	<b>(350,293)</b>	(2,237,658)
	<b>(11,583,526)</b>	(13,568,361)
Increase/(decrease) in operating liabilities:		
Deposits from customers	<b>17,058,310</b>	13,681,935
Deposits and placements of banks and other financial institutions	<b>3,636,297</b>	(375,227)
Bills and acceptances payable	<b>(40,212)</b>	226,099
Other liabilities	<b>(152,659)</b>	53,059
Recourse obligation on loans sold to Cagamas Berhad	<b>(178,974)</b>	343,311
	<b>20,322,762</b>	13,929,177
Cash generated from operations	<b>10,492,681</b>	2,067,391
Taxation paid	<b>(334,833)</b>	(538,746)
Net cash generated from operating activities	<b>10,157,848</b>	1,528,645

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

	Note	Bank	
		31.12.2012 RM'000	31.12.2011 RM'000
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Purchase of property, plant and equipment		<b>(65,282)</b>	(127,219)
Purchase of computer software license		<b>(38,040)</b>	(41,262)
Proceeds from disposal of property, plant and equipment		<b>10,421</b>	5,182
Financial investments AFS:			
– net (purchase)/sale		<b>(1,980,354)</b>	1,811,254
– interest received		<b>246,447</b>	332,351
– dividend income		<b>5,507</b>	11,168
Financial investments held-to-maturity:			
– net purchase		<b>(3,580,367)</b>	(2,393,858)
– interest received		<b>483,191</b>	410,178
Dividend income from subsidiary companies		<b>9,363</b>	–
Purchase of additional shares in a subsidiary		<b>(200,000)</b>	(250,000)
Net cash used in investing activities		<b>(5,109,114)</b>	(242,206)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Proceeds from issuance of RM subordinated obligations		<b>2,047,706</b>	250,000
Proceeds from issuance of USD senior debt securities		<b>1,535,591</b>	–
Repayment from issuance of RM subordinated obligations		<b>(1,300,000)</b>	–
Repayment of long term borrowings		<b>(99,563)</b>	(79,891)
Dividends paid to shareholder		<b>(520,000)</b>	(237,907)
Net cash generated from/(used in) financing activities		<b>1,663,734</b>	(67,798)
Net increase in cash and cash equivalents		<b>6,712,468</b>	1,218,641
Effects of exchange rate differences		<b>(34,205)</b>	31,939
Cash and cash equivalents brought forward		<b>12,344,141</b>	11,093,561
Cash and cash equivalents carried forward		<b>19,022,404</b>	12,344,141
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>			
Cash and short-term funds	2	<b>19,022,404</b>	12,344,141

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 2012

### 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 financial statements and transition from financial reporting standards to Malaysian financial reporting standards

The Malaysian Accounting Standards Board (MASB) announced on 19 November 2011 that Malaysian reporting entities are required to comply with the new International Financial Reporting Standards (IFRS) compliant framework, Malaysian Financial Reporting Standards (MFRS) for financial year commencing on or after 1 January 2012.

The financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the provisions of the Companies Act, 1965.

The financial statements of the Group and the Bank for the financial year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 'First-time adoption of MFRS'.

Subject to certain transition elections disclosed in Note 44 to the financial statements, the Group and the Bank have consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 January 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for 2011 in these financial statements have been restated to give effect to these changes. Note 44 discloses the impact of the transition to MFRS on the Group and the Bank's reported financial position, financial performance and cash flows.

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

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

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

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (1) Basis of preparation of financial statements and transition from financial reporting standards to Malaysian financial reporting standards (continued)

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

The relevant new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and the Bank's financial year beginning on or after 1 January 2012 are as follows:

- MFRS 1 "First-time adoption of MFRS"
- MFRS 139 "Financial instruments: Recognition and measurement"
- Revised MFRS 124 "Related party disclosures"
- Amendment to MFRS 112 "Income taxes"
- Amendment to MFRS 1 "First-time adoption on fixed dates and hyperinflation"
- Amendment to MFRS 7 "Financial instruments: Disclosures on transfers of financial assets"
- Amendment to MFRS 101 "Presentation of items of other comprehensive income"
- IC Interpretation 19 "Extinguishing financial liabilities with equity instruments"

The adoption of the above accounting standards, amendments to published accounting standards and interpretations to existing accounting standards does not give rise to any material financial impact to the Group and the Bank, except for the adoption of MFRS 139 as set out in Note 45.

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

The Group and the Bank will apply the new standards, amendments to standards and interpretations to existing standards in the following period:

##### (i) Financial year beginning on/after 1 January 2013

MFRS 10 Consolidated financial statements (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".

MFRS 12 Disclosures of interests in other entities (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

## A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

### (1) Basis of preparation of financial statements and transition from financial reporting standards to Malaysian financial reporting standards (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) Financial year beginning on/after 1 January 2013 (continued)

MFRS 13 Fair value measurement (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 “Financial instruments: Disclosures”, but apply to all assets and liabilities measured at fair value, not just financial ones.

The revised MFRS 127 Separate financial statements (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

Amendment to MFRS 101 Presentation of items of other comprehensive income (effective from 1 July 2012) requires entities to separate items presented in ‘other comprehensive income’ (OCI) in the statements of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

Amendment to MFRS 7 Financial instruments: Disclosures (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statements of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

##### (ii) Financial year beginning on/after 1 January 2014

Amendment to MFRS 132 Financial instruments: Presentation (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of ‘currently has a legally enforceable right of set-off’ that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

##### (iii) Financial year beginning on/after 1 January 2015

MFRS 9 Financial instruments – classification and measurement of financial assets and financial liabilities (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity’s business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.



## **A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(1) Basis of preparation of financial statements and transition from financial reporting standards to Malaysian financial reporting standards (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) Financial year beginning on/after 1 January 2015 (continued)**

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss (FVTPL). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in other comprehensive income (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The adoption of the new standards, amendments to published standards are not expected to have a material impact on the financial results of the Group and the Bank except that the Group and the Bank are in the process of reviewing the requirements of MFRS 9 and expects this process to be completed prior to the effective date on 1 January 2015.

### **(2) Basis of consolidation**

#### **(a) Subsidiaries**

Subsidiaries are those corporations or other entities in which the Bank has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another 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.

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

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

Acquisition-related costs are expensed as incurred.

## **A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(2) Basis of consolidation (continued)**

#### **(a) Subsidiaries (continued)**

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 profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 either in profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, 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 in the case of a bargain purchase, the gain is recognised in profit or loss. Refer to accounting policy Note 4 on goodwill.

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests 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.

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

The acquired entity's results, assets and liabilities are consolidated from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the period before the transaction occurred. The corresponding amounts for the previous year are not restated.

#### **(b) Transaction with non-controlling interests**

The Group applies a policy of treating transactions with non-controlling interests, where such transaction occurred after control has already been obtained and they do not result in loss of control, as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to non-controlling interests, the differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

## **A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(2) Basis of consolidation (continued)**

#### **(c) Changes in ownership interests**

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value at the date control, joint control or significant influence ceased, with the change in carrying amount recognised in profit or loss.

This fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

### **(3) Investment in subsidiaries**

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

On disposal of investment in subsidiaries, the difference between disposal proceeds and the carrying amount of the investments are recognised in profit or loss.

### **(4) Goodwill and other intangible assets**

#### **(a) Goodwill**

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's share of the net fair value of the identifiable net assets at the date of acquisition.

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 (CGU) 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.

#### **(b) Other intangibles assets – Computer software licences**

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software licences are subsequently carried at cost less accumulated amortisation and impairment losses. These costs are amortised over the estimated useful lives of 5 years to 10 years.

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

## **A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(4) Goodwill and other intangible assets (continued)**

#### **(b) Other intangibles assets – Computer software licences (continued)**

Refer to accounting policy Note 21 on impairment of non-financial assets. Gain and losses arising from derecognition of computer software licences assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss when the asset is de-recognised.

### **(5) Financial assets**

#### **(a) Classification**

The Group and the Bank classify their financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were required. Management determines the classification at initial recognition.

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

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

##### **(ii) Loan and receivables**

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

##### **(iii) Financial investments held-to-maturity**

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

##### **(iv) Financial investments available-for-sale**

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

#### **(b) Recognition and initial measurement**

Regular purchases and sales of financial assets are recognised on the settlement date, the date that an asset is delivered to or by the Group and the Bank.

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 off in profit or loss.

## **A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(5) Financial assets (continued)**

#### **(c) Subsequent measurement – gains and losses**

Financial investments available-for-sale and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial investments held-to-maturity 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 profit or loss in the period in which the changes arise.

Changes in the fair value of financial investments available-for-sale are recognised in other comprehensive income, except for impairment losses (refer to accounting policy Note 19) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, 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 available-for-sale are recognised separately in profit or loss. Interest on financial investments available-for-sale calculated using the effective interest method is recognised in profit or loss. Dividend income on available-for-sale equity instruments is recognised in non-interest income in profit or loss when the Group's right to receive payments is established.

#### **(d) De-recognition**

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

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

When financial investments available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

#### **(e) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously.

#### **(f) Determination on fair value**

The fair value of financial instruments traded in active markets are based on quoted market prices at the end of the reporting date. The quoted market prices used for financial assets held by the Group are the current bid prices. If the market for a financial assets is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, net book value, option pricing models refined to reflect the issuer's specific circumstances.

**A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(6) Repurchase agreements**

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

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

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

**(7) Property, plant and equipment and depreciation**

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised as expense in profit or loss 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 3½%
Renovations	7.5% to 10%
Office equipment and furniture	7.5% to 20%
Computer equipment and software	14% to 33½%
Motor vehicles	20% to 25%

\* The remaining period of the lease ranges from 7 to 881 years.

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

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

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

## **A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(8) Derivative financial instruments and hedge accounting**

Derivatives are initially recognised at fair value on the date on which a derivative contracts are entered into and are subsequently remeasured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash 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.

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

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

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

#### **(a) Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, 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 profit or loss over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained earnings until the disposal of the equity security.

#### **(b) Cash flow hedge**

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

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

**A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(8) Derivative financial instruments and hedge accounting (continued)**

**(b) Cash flow hedge (continued)**

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

**(c) 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 profit or loss.

**(9) Financial liabilities**

The Group's and the Bank's holding in financial liabilities is in financial liabilities at fair value through profit or loss (including financial liabilities held-for-trading and those that are designated at fair value) and financial liabilities at amortised cost. All financial liabilities are de-recognised when extinguished.

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

Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss and are subsequently re-measured at their fair values. Changes in fair values of financial liabilities at fair value through profit or loss are recognised in profit and loss in the period in which the changes arise.

Financial liabilities at fair value through profit or loss are financial liabilities held-for-trading. 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 8).

**(b) Other 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, bills and acceptances payable, recourse obligation on loans sold to Cagamas Berhad 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 the profit or loss over the period of the borrowings using the effective interest method.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowings measured at amortised cost are long terms and short terms borrowings from financial institution, subordinated obligations, senior debt securities and Hybrid Tier-I capital securities.



## **A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(10) Recourse obligation on loans sold to Cagamas Berhad (Cagamas)**

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

### **(11) Leases – Where the group is lessee**

#### **(a) Operating lease**

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

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

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

#### **(b) Finance lease**

Leases of assets where the Group and the Bank assume substantially all the risks and rewards of ownership of the assets are classified as finance leases. The assets are capitalised under property, plant and equipment and subject to depreciation consistent with that of depreciable assets which are owned. The assets and the corresponding lease obligations are recorded at the lower of present value of the minimum lease payments and the fair value of the leased assets at the beginning of the lease term. Each lease payment is allocated between the liability and finance charges using effective yield basis. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance charges is charged to the profit or loss 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.

### **(12) Leases – Where the group is lessor**

#### **(a) Operating lease**

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

#### **(b) Finance lease**

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

## **A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(13) Provisions**

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

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

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

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

### **(14) Financial guarantee contracts**

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

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

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

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

### **(15) Contingent liabilities and contingent assets**

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

## **A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(15) Contingent liabilities and contingent assets (continued)**

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

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

### **(16) Share capital**

#### **(a) Classification**

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

#### **(b) Share issue cost**

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

#### **(c) Dividend distribution**

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

### **(17) Cash and cash equivalents**

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

### **(18) Revenue recognition**

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

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

## **A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(18) Revenue recognition (continued)**

- (e) Income from Islamic Banking business is recognised on accruals basis in accordance with the principles of Shariah.
- (f) Dividends from all investments are recognised when the shareholders' right to receive payment is established. This applies even if they are paid out of the pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

### **(19) Impairment of financial assets**

#### **(a) Assets carried at amortised cost**

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

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

- Significant financial difficulty of the issuer or obligor; or
- A breach of contract, such as a default or delinquency in interest or principal payments; or
- 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; or
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation; or
- 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 of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or a 'held-to-maturity investment' have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

If, in a subsequent 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 profit or loss.

## **A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(19) Impairment of financial assets (continued)**

#### **(a) Assets carried at amortised cost (continued)**

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

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

#### **(i) Individually 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.

#### **Change in accounting policy**

Previously, the Group and the Bank applied the Amendment to FRS 139 'Financial Instruments: Recognition and measurement', which included an additional transitional arrangement for financial sectors, whereby Bank Negara Malaysia (BNM) prescribed the use of an alternative basis for collective assessment of impairments on loans, advances and financing. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

## **A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(19) Impairment of financial assets (continued)**

#### **(a) Assets carried at amortised cost (continued)**

##### **(ii) Collective impairment allowance (continued)**

###### **Change in accounting policy (continued)**

With effect from 1 January 2012, BNM removed the transitional provision for banking institutions on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

Previously, when a collectively assessed loan, advance and financing is deemed impaired, the Group and the Bank have reversed out the interest income recognised in profit or loss and set off against the interest receivable in the statement of financial position.

Upon the adoption of MFRS 139, with effect from 1 January 2012, once a collectively assessed loan, advance and financing has been written down as a result of an impairment loss, interest income is thereafter recognised using the original effective interest rate in the profit or loss.

The financial impact arising on the adoption of MFRS 139 are set out in Note 45 to the financial statements.

#### **(b) Assets classified as available-for-sale**

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

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

In the case of equity securities classified as available-for-sale, 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 available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

### **(20) Employee benefits**

#### **(a) Short-term employee benefits**

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

## **A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(20) Employee benefits (continued)**

#### **(a) Short-term employee benefits (continued)**

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 the profit or loss in the period to which they relate. Once the contributions have been paid, the Group and the Bank have no further legal or constructive obligations.

#### **(c) Termination benefits**

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

### **(21) Impairment of non-financial assets**

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

The recoverable amount is the higher of a non-financial assets' fair value less costs to sell and value in use. For the purpose of assessing impairment, non-financial assets are grouped at the lowest levels for which there is separately identifiable cash flow/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 profit or loss. Impairment losses on goodwill are not reversed. In respect of other non-financial assets, any subsequent increase in recoverable amount is recognised in the profit or loss.

### **(22) Current and deferred income taxes**

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

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

## **A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(22) Current and deferred income taxes (continued)**

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

Deferred tax is recognised on temporary differences arising on investments in subsidiaries except where the timing of the reversal of the temporary difference 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.

### **(23) Currency conversion and translation**

#### **(a) Functional and presentation currency**

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

#### **(b) Transactions and balances**

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

For translation differences on financial assets and liabilities held at fair value through profit or loss and available-for-sale financial assets, refer to Note 5(c).

#### **(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 statement 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 statement 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.



## **A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

### **(23) Currency conversion and translation (continued)**

#### **(c) Group companies (continued)**

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

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

### **(24) Segment reporting**

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

## **B CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

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

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

### **Goodwill impairment**

Goodwill is tested at least annually for impairment. Testing of goodwill for impairment involves a significant amount of estimation. This includes the identification of independent cash generating units and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Estimating the value in use requires the Group and the Bank to make an estimate of the expected future cash flow from the cash-generating unit. Determining both the expected pre-tax cash flows and the risk adjusted discount rate appropriate to the operating unit also require the exercise of judgement.

The estimation of pre-tax cash flows is sensitive to the periods for which detailed forecasts are available and assumptions regarding the long-term sustainable cash flows. The detailed disclosures on the assessment of impairment of goodwill is disclosed in Note 14 to the financial statements.

# Notes To The Financial Statements

## For The Financial Year Ended 31 December 2012

### 1 GENERAL INFORMATION

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

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

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

The address of the registered office of the Bank is Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur.

### 2 CASH AND SHORT-TERM FUNDS

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Cash and balances with banks and other financial institutions	<b>1,517,504</b>	1,293,733	903,494	<b>1,326,061</b>	1,210,914	816,836
Money at call and deposit placements maturing within one month	<b>21,040,223</b>	17,098,453	12,077,587	<b>17,696,343</b>	11,133,227	10,276,725
	<b>22,557,727</b>	18,392,186	12,981,081	<b>19,022,404</b>	12,344,141	11,093,561

### 3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Licensed banks/Islamic banks	<b>1,611,229</b>	837,810	824,071	<b>3,780,228</b>	2,100,220	1,539,648
Licensed investment banks	–	100,018	–	–	100,018	–
Bank Negara Malaysia	<b>1,203,564</b>	–	–	–	–	–
Other financial institutions	<b>734,855</b>	–	–	–	–	–
	<b>3,549,648</b>	937,828	824,071	<b>3,780,228</b>	2,200,238	1,539,648

#### 4 FINANCIAL ASSETS HELD-FOR-TRADING

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>At fair value</b>						
<u>Money market instruments:</u>						
Khazanah bonds	–	53,767	–	–	–	–
Malaysian Government Securities	<b>222,202</b>	–	–	<b>222,202</b>	–	–
Malaysian Government Treasury Bills	<b>52,869</b>	–	–	<b>52,869</b>	–	–
Malaysian Government Investment Issues	<b>151,583</b>	144,220	10,066	–	92,908	–
Bank Negara Malaysia Monetary Notes	<b>598,073</b>	808,374	173,815	<b>598,073</b>	501,461	–
Cagamas bonds	<b>250,324</b>	–	–	–	–	–
Thailand Government bonds	–	–	10,216	–	–	10,216
Singapore Government Treasury Bills	<b>227,634</b>	275,519	119,367	<b>227,634</b>	275,519	119,367
Wakala Global Sukuk	<b>7,144</b>	16,495	–	–	–	–
<u>Unquoted securities:</u>						
<b>In Malaysia</b>						
Private debt securities	<b>40,034</b>	5,044	35,047	<b>9,704</b>	–	–
	<b>1,549,863</b>	1,303,419	348,511	<b>1,110,482</b>	869,888	129,583

In 2008, the Group and the Bank reclassified a portion of their financial assets held-for-trading (HFT) into financial investments available-for-sale (AFS) and financial investments held-to-maturity (HTM). The reclassification have been accounted for in accordance with BNM's circular on Reclassification of securities under specific circumstances dated 17 October 2008, which is effective from 1 July 2008 until 31 December 2009.

The effect of reclassification on the income statement for the period from the date of reclassification to 31 December 2012 and the gains and losses relating to these assets recorded in income statement for the year ended 31 December 2012 were as follow:

	Carrying amount			Fair value		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Group</b>						
Reclassified from HFT to AFS:						
– Debt securities	–	226,135	1,127,590	–	222,901	1,101,145
Reclassified from HFT to HTM:						
– Debt securities	<b>18,425</b>	19,063	26,038	<b>19,724</b>	20,643	27,350
	<b>18,425</b>	245,198	1,153,628	<b>19,724</b>	243,544	1,128,495

4 FINANCIAL ASSETS HELD-FOR-TRADING (CONTINUED)

	Carrying amount			Fair value		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Bank</b>						
Reclassified from HFT to AFS:						
– Debt securities	–	216,037	1,117,495	–	212,765	1,090,973
Reclassified from HFT to HTM:						
– Debt securities	–	–	7,672	–	–	7,672
	–	216,037	1,125,167	–	212,765	1,098,645

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Fair value gain/(loss) that would have been recognised if the financial assets HFT had not been reclassified	<b>1,299</b>	(1,654)	–	(3,272)

## 5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>At fair value</b>						
<u>Money market instruments:</u>						
Malaysian Government Securities	459,574	974,018	3,199,222	459,574	974,018	3,199,222
Malaysian Government Investment Issues	1,896,122	1,965,660	2,306,237	1,409,751	1,096,153	1,066,701
Cagamas bonds and Cagamas Mudharabah bonds	91,802	82,056	591,416	41,469	82,056	591,416
Khazanah bonds	36,016	–	–	–	–	–
Negotiable instruments of deposits	–	–	108,163	–	–	108,163
Singapore Government Treasury Bills	25,032	73,155	26,258	25,032	73,155	26,258
Singapore Government Securities	135,081	232,275	128,444	135,081	232,275	128,444
Thailand Government bonds	106,295	85,870	112,140	106,295	85,870	112,140
1 Malaysia Sukuk	277,514	291,592	86,032	277,514	291,592	86,032
Bankers' acceptances & Islamic accepted notes	–	–	93,868	–	–	–
Wakala Global Sukuk	95,029	115,164	–	78,159	91,654	–
Sukuk Perumahan Kerajaan (SPK)	101,363	–	–	101,363	–	–
<u>Quoted securities:</u>						
<b>In Malaysia</b>						
Corporate loan stocks	7,853	14,178	14,126	7,853	14,178	14,126
Shares	2,639	3,759	4,287	18	1,526	1,213
<b>Outside Malaysia</b>						
Shares	30	23	17	–	–	–
<u>Unquoted Securities:</u>						
<b>In Malaysia</b>						
Corporate loan stocks	104,055	107,213	108,972	104,055	107,213	108,972
Shares	353,604	384,879	342,046	353,029	384,304	341,471
Private debt securities	6,334,181	3,679,907	2,800,982	5,357,242	2,899,816	2,347,695
<b>Outside Malaysia</b>						
Private debt securities	121	5,336	11,368	121	5,336	11,368
	<b>10,026,311</b>	8,015,085	9,933,578	<b>8,456,556</b>	6,339,146	8,143,221

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>At amortised cost</b>						
<u>Money market instruments:</u>						
Malaysian Government Securities	2,415,844	2,768,820	2,948,345	2,415,844	2,768,820	2,948,345
Malaysian Government Investment Issues	5,499,829	2,991,758	1,371,160	4,756,426	2,195,778	781,992
Cagamas bonds and Cagamas Mudharabah bonds	2,340,203	1,912,108	773,644	2,065,120	1,718,332	589,750
Khazanah bonds	66,290	63,418	52,632	57,632	55,071	52,632
Negotiable instruments of deposits	2,126,329	1,005,545	1,103,432	1,704,244	1,005,545	1,103,432
Singapore Government Securities	126,795	123,462	120,730	126,795	123,462	120,730
Thailand Government Securities	264,010	240,210	223,230	264,010	240,210	223,230
Singapore Government Treasury Bills	–	–	9,549	–	–	9,549
Bankers' acceptances	339,215	169,823	–	339,215	169,823	–
Sukuk (Brunei) Incorporation	57,594	53,682	23,873	57,594	53,682	23,873
Wakala Global Sukuk	212,524	203,078	–	212,524	203,078	–
<u>Unquoted Securities:</u>						
<b>In Malaysia</b>						
Bonds	860	860	860	860	860	860
Prasarana bonds	753,687	950,221	1,760,514	738,455	950,221	1,760,514
Private debt securities	3,643,514	3,040,347	2,276,470	2,971,142	2,604,345	1,952,119
Corporate loan stocks	55,196	56,283	81,108	55,196	56,283	81,108
<b>Outside Malaysia</b>						
Private debt securities	18,425	19,063	18,520	–	–	–
Structured notes	–	–	32,564	–	–	32,564
	<b>17,920,315</b>	13,598,678	10,796,631	<b>15,765,057</b>	12,145,510	9,680,698
Accumulated impairment losses	(119,064)	(123,511)	(122,386)	(119,064)	(123,511)	(122,386)
	<b>17,801,251</b>	13,475,167	10,674,245	<b>15,645,993</b>	12,021,999	9,558,312

Movement in allowance for impairment losses:

	Group and Bank	
	31.12.2012 RM'000	31.12.2011 RM'000
Balance as at the beginning of the financial year	123,511	122,386
(Write back)/allowance made	(3,798)	884
Transfer to impairment of investment securities – AFS	(315)	–
Exchange difference	(334)	241
Balance as at the end of the financial year	<b>119,064</b>	123,511

## 7 LOANS, ADVANCES AND FINANCING

### i) By type

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>At amortised cost</b>						
Overdrafts	5,895,676	5,713,718	6,109,661	5,744,150	5,593,490	5,992,842
Term loans/financing:						
– housing loans/financing	21,706,306	20,083,314	18,328,572	18,234,938	17,330,447	15,941,566
– syndicated term loans financing	2,521,254	2,603,854	2,055,287	1,116,217	1,055,936	836,509
– hire purchase receivables	12,581,965	12,958,064	10,967,557	8,164,582	9,408,209	9,333,654
– lease receivables	75,650	116,243	146,399	–	–	–
– other term loans/financing	51,468,205	43,395,654	33,847,622	44,864,944	37,452,718	29,920,104
Bills receivable	1,574,283	1,645,017	1,507,021	1,553,186	1,603,549	1,418,203
Trust receipts	469,017	383,406	345,620	447,718	363,698	327,626
Claims on customers under acceptance credits	5,257,979	4,757,731	4,643,119	4,426,753	4,256,414	4,140,598
Staff loans/financing	283,790	315,049	348,309	275,664	304,926	336,817
Credit card receivables	1,926,639	1,783,094	1,648,863	1,805,739	1,735,189	1,648,333
Revolving credit	5,872,938	3,939,832	4,238,275	4,468,642	3,488,829	3,493,257
Floor stocking	1,229	1,553	1,570	1,229	1,553	1,570
Gross loans, advances and financing	109,634,931	97,696,529	84,187,875	91,103,762	82,594,958	73,391,079
Fair value changes arising from fair value hedge	6,252	–	–	3,111	–	–
	109,641,183	97,696,529	84,187,875	91,106,873	82,594,958	73,391,079
Allowance for impaired loans and financing:						
– individual impairment allowance	(780,069)	(812,502)	(854,899)	(648,256)	(666,218)	(682,522)
– collective impairment allowance	(1,395,228)	(1,566,152)	(1,817,189)	(1,182,802)	(1,335,081)	(1,539,132)
Net loans, advances and financing	107,465,886	95,317,875	81,515,787	89,275,815	80,593,659	71,169,425

Included in loans, advances and financing are housing loans, hire purchase receivables and other term loans/financing sold to Cagamas with recourse for the Group and the Bank are RM2,371,017,000 (31.12.2011: RM967,714,000; 1.1.2011: RM660,910,000) and RM935,725,000 (31.12.2011: RM967,714,000; 1.1.2011: RM660,910,000) respectively.

## 7 LOANS, ADVANCES AND FINANCING (CONTINUED)

### ii) By type of customer

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Domestic non-bank financial institutions: – others	<b>1,502,696</b>	937,008	315,831	<b>932,349</b>	876,634	271,672
Domestic business enterprises: – small medium enterprises	<b>11,516,755</b>	11,539,573	11,063,211	<b>10,829,598</b>	10,565,842	10,220,484
– others	<b>30,690,914</b>	24,290,931	22,534,659	<b>26,165,958</b>	20,867,034	18,701,847
Government and statutory bodies	<b>10,989,382</b>	11,148,102	9,210,030	<b>7,675,110</b>	7,684,750	7,688,341
Individuals	<b>47,646,933</b>	43,936,776	36,534,404	<b>39,391,631</b>	37,777,867	32,697,224
Other domestic entities	<b>10,240</b>	10,674	8,325	<b>9,948</b>	10,401	7,898
Foreign entities: – Malaysian operations	<b>1,100,222</b>	1,276,943	878,614	<b>431,614</b>	429,837	380,803
– Singapore operations	<b>5,663,138</b>	4,211,647	3,191,218	<b>5,183,555</b>	4,069,495	3,003,248
– Thailand operations	<b>427,765</b>	232,363	297,308	<b>397,113</b>	200,586	266,403
– Brunei operations	<b>86,886</b>	112,512	154,275	<b>86,886</b>	112,512	153,159
	<b>109,634,931</b>	97,696,529	84,187,875	<b>91,103,762</b>	82,594,958	73,391,079

### iii) By geographical distribution

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
In Malaysia	<b>103,457,142</b>	93,140,007	80,545,074	<b>85,436,208</b>	78,212,365	69,968,269
Outside Malaysia: – Singapore operations	<b>5,663,138</b>	4,211,647	3,191,218	<b>5,183,555</b>	4,069,495	3,003,248
– Thailand operations	<b>427,765</b>	232,363	297,308	<b>397,113</b>	200,586	266,403
– Brunei operations	<b>86,886</b>	112,512	154,275	<b>86,886</b>	112,512	153,159
	<b>109,634,931</b>	97,696,529	84,187,875	<b>91,103,762</b>	82,594,958	73,391,079



## 7 LOANS, ADVANCES AND FINANCING (CONTINUED)

### iv) By interest/profit rate sensitivity

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Fixed rate:						
– housing loans/financing	<b>1,357,141</b>	1,612,129	1,524,513	<b>424,038</b>	528,231	280,144
– hire purchase receivables	<b>12,581,965</b>	12,958,064	10,967,084	<b>8,164,582</b>	9,408,209	9,333,180
– other fixed rate loans/ financing	<b>18,478,859</b>	16,484,251	14,162,960	<b>12,572,881</b>	12,225,485	10,999,426
Variable rate:						
– BLR/BFR plus	<b>42,071,452</b>	38,793,599	32,892,316	<b>37,858,542</b>	35,052,263	30,276,498
– cost-plus	<b>30,303,564</b>	23,424,963	20,301,927	<b>28,511,823</b>	22,155,824	19,189,559
– other variable rates	<b>4,841,950</b>	4,423,523	4,339,075	<b>3,571,896</b>	3,224,946	3,312,272
	<b>109,634,931</b>	97,696,529	84,187,875	<b>91,103,762</b>	82,594,958	73,391,079

### v) By purpose

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Purchase of securities	<b>8,734,077</b>	6,940,839	3,960,310	<b>8,734,077</b>	6,932,229	3,948,039
Purchase of transport vehicles	<b>11,447,613</b>	11,742,912	9,575,631	<b>6,696,785</b>	7,954,725	7,793,820
Purchase of landed property:						
– residential	<b>22,129,684</b>	20,602,726	18,925,870	<b>18,787,249</b>	17,814,375	16,472,817
– non-residential	<b>5,667,482</b>	5,282,037	4,768,354	<b>5,563,444</b>	5,212,814	4,688,335
Purchase of property, plant and equipment other than land and building	<b>3,249,719</b>	3,241,052	3,338,395	<b>2,591,684</b>	2,342,611	2,312,743
Personal use	<b>5,757,574</b>	4,960,882	3,544,058	<b>5,109,733</b>	4,726,227	3,529,834
Credit card	<b>1,926,639</b>	1,783,094	1,648,863	<b>1,805,739</b>	1,735,189	1,648,333
Purchase of consumer durables	<b>37,282</b>	43,750	54,645	<b>37,265</b>	43,700	54,565
Construction	<b>3,637,272</b>	3,024,994	2,594,313	<b>2,417,490</b>	2,171,092	1,742,232
Working capital	<b>26,600,092</b>	20,662,687	21,097,100	<b>23,295,898</b>	18,254,075	18,821,839
Merger and acquisition	<b>3,620,752</b>	4,200,239	2,432,562	<b>3,466,447</b>	4,040,367	2,432,562
Other purposes	<b>16,826,745</b>	15,211,317	12,247,774	<b>12,597,951</b>	11,367,554	9,945,960
	<b>109,634,931</b>	97,696,529	84,187,875	<b>91,103,762</b>	82,594,958	73,391,079

## 7 LOANS, ADVANCES AND FINANCING (CONTINUED)

### vi) By remaining contractual maturities

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Maturity within one year	<b>38,452,209</b>	31,126,937	29,099,126	<b>35,253,687</b>	29,072,705	26,839,830
One year to three years	<b>8,950,484</b>	6,148,152	4,692,722	<b>7,323,538</b>	4,854,080	3,608,248
Three years to five years	<b>8,849,168</b>	10,384,562	10,027,711	<b>6,052,470</b>	8,367,494	8,671,749
Over five years	<b>53,383,070</b>	50,036,878	40,368,316	<b>42,474,067</b>	40,300,679	34,271,252
	<b>109,634,931</b>	97,696,529	84,187,875	<b>91,103,762</b>	82,594,958	73,391,079

### vii) Impaired loans, advances and financing

#### a) Movement in impaired loans, advances and financing

	Note	Group		Bank	
		31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Balance as at the beginning of financial year					
– As previously reported		<b>3,350,486</b>	3,671,258	<b>2,727,004</b>	2,927,024
– Effect on full adoption of MFRS 139	45	<b>142,845</b>	176,364	<b>125,304</b>	145,862
– As restated		<b>3,493,331</b>	3,847,622	<b>2,852,308</b>	3,072,886
Classified as impaired during the financial year		<b>3,939,826</b>	3,711,481	<b>3,555,656</b>	3,423,180
Reclassified as non-impaired during the financial year		<b>(2,746,511)</b>	(2,856,750)	<b>(2,467,737)</b>	(2,615,177)
Amount recovered		<b>(784,370)</b>	(609,011)	<b>(668,059)</b>	(486,693)
Amount written off		<b>(811,276)</b>	(604,812)	<b>(673,157)</b>	(543,725)
Exchange difference		<b>(910)</b>	4,801	<b>1,822</b>	1,837
Balance as at the end of financial year		<b>3,090,090</b>	3,493,331	<b>2,600,833</b>	2,852,308

## 7 LOANS, ADVANCES AND FINANCING (CONTINUED)

### vii) Impaired loans, advances and financing (continued)

#### b) By purpose

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Purchase of securities	<b>87,767</b>	90,883	84,192	<b>87,767</b>	90,883	84,192
Purchase of transport vehicles	<b>260,414</b>	267,936	250,879	<b>134,770</b>	169,405	157,586
Purchase of landed property:						
– residential	<b>965,098</b>	1,085,031	1,262,419	<b>835,257</b>	913,226	1,035,316
– non-residential	<b>158,072</b>	211,948	258,690	<b>143,014</b>	198,069	231,386
Purchase of property, plant and equipment other than land and building	<b>66,981</b>	146,184	206,369	<b>51,112</b>	73,811	123,801
Personal use	<b>137,178</b>	125,496	126,095	<b>133,481</b>	120,105	120,896
Credit card	<b>39,379</b>	43,394	56,840	<b>35,927</b>	43,237	56,840
Purchase of consumer durables	<b>2,058</b>	2,154	3,356	<b>2,058</b>	2,154	3,356
Construction	<b>160,266</b>	244,774	175,969	<b>158,978</b>	243,366	174,139
Working capital	<b>1,126,095</b>	1,249,521	1,410,669	<b>960,988</b>	973,845	1,076,668
Other purposes	<b>86,782</b>	26,010	12,144	<b>57,481</b>	24,207	8,706
	<b>3,090,090</b>	3,493,331	3,847,622	<b>2,600,833</b>	2,852,308	3,072,886

#### c) By geographical distribution

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
In Malaysia	<b>2,990,526</b>	3,396,765	3,692,007	<b>2,501,269</b>	2,755,742	2,949,347
Outside Malaysia:						
– Singapore operations	<b>69,055</b>	66,581	127,892	<b>69,055</b>	66,581	95,816
– Thailand operations	<b>21,905</b>	22,440	22,371	<b>21,905</b>	22,440	22,371
– Brunei operations	<b>8,604</b>	7,545	5,352	<b>8,604</b>	7,545	5,352
	<b>3,090,090</b>	3,493,331	3,847,622	<b>2,600,833</b>	2,852,308	3,072,886

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

vii) Impaired loans, advances and financing (continued)

d) Movement in allowance for impaired loans, advances and financing

	Note	Group		Bank	
		31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
<b>Individual impairment allowance</b>					
Balance as at the beginning of financial year		<b>812,502</b>	854,899	<b>666,218</b>	682,522
Net allowance made during the year		<b>267,941</b>	110,414	<b>171,471</b>	93,774
Reclassification (to)/from collective impairment		<b>(10,895)</b>	1,786	<b>(9,972)</b>	1,786
Amount written off		<b>(288,378)</b>	(155,552)	<b>(179,670)</b>	(112,611)
Transfer to impairment of investment securities		<b>(643)</b>	–	<b>(643)</b>	–
Exchange difference		<b>(458)</b>	955	<b>852</b>	747
Balance as at the end of financial year		<b>780,069</b>	812,502	<b>648,256</b>	666,218
<b>Collective impairment allowance</b>					
Balance as at the beginning of financial year					
– As previously reported		<b>1,657,809</b>	1,625,609	<b>1,433,823</b>	1,437,137
– Effect on full adoption of MFRS 139	45	<b>(91,657)</b>	191,580	<b>(98,742)</b>	101,995
– As restated		<b>1,566,152</b>	1,817,189	<b>1,335,081</b>	1,539,132
Net allowance made during the year		<b>119,458</b>	143,615	<b>117,894</b>	168,771
Reclassification from/(to) individual impairment		<b>10,895</b>	(1,786)	<b>9,972</b>	(1,786)
Amount written off		<b>(300,584)</b>	(394,391)	<b>(280,690)</b>	(371,857)
Exchange difference		<b>(693)</b>	1,525	<b>545</b>	821
Balance as at the end of financial year		<b>1,395,228</b>	1,566,152	<b>1,182,802</b>	1,335,081

## 8 OTHER ASSETS

Note	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Other receivables	<b>303,073</b>	216,389	134,170	<b>237,381</b>	131,015	93,719
Deposits	<b>35,908</b>	33,197	19,072	<b>34,405</b>	31,701	18,201
Prepayments	<b>32,534</b>	30,743	19,415	<b>32,228</b>	29,761	18,709
Amount due from holding company (i)	<b>5,643</b>	1,388	1,024	<b>5,643</b>	1,388	1,024
Amounts due from subsidiaries (i)	–	–	–	<b>384,913</b>	457,977	50,793
Amounts due from related companies (i)	<b>14,242</b>	24,829	22,006	<b>14,242</b>	24,829	22,006
	<b>391,400</b>	306,546	195,687	<b>708,812</b>	676,671	204,452

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

## 9 DERIVATIVES ASSETS/(LIABILITIES)

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

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

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Derivative assets						
– trading derivatives	<b>250,917</b>	226,980	298,389	<b>271,029</b>	263,605	298,148
Derivative liabilities						
– trading derivatives	<b>(263,288)</b>	(237,004)	(240,161)	<b>(263,650)</b>	(234,522)	(238,984)
– fair value hedging derivatives	<b>(9,909)</b>	–	–	<b>(9,909)</b>	–	–
	<b>(273,197)</b>	(237,004)	(240,161)	<b>(273,559)</b>	(234,522)	(238,984)
	<b>(22,280)</b>	(10,024)	58,228	<b>(2,530)</b>	29,083	59,164

9 DERIVATIVES ASSETS/(LIABILITIES) (CONTINUED)

	Group			Bank		
	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
<b>31.12.2012</b>						
<u>Trading derivatives:</u>						
Foreign exchange related contracts:						
– forwards/swaps	9,082,591	42,762	(69,168)	8,797,362	42,762	(69,168)
– options	101,189	119	(97)	101,189	119	(97)
– cross currency interest rate swaps	5,605,359	92,075	(53,254)	5,605,359	92,075	(53,254)
Interest rate related contracts:						
– swaps	20,616,847	115,961	(140,769)	23,898,499	136,073	(141,131)
<u>Fair value hedging derivatives:</u>						
Interest rate related contracts:						
– swaps	1,860,000	–	(9,909)	1,860,000	–	(9,909)
		250,917	(273,197)		271,029	(273,559)

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 swap to hedge against interest rate risk of specific identified fixed rate long term loans, advances and financing. Included in the other operating income (Note 26) is the net gains and losses arising from fair value hedges for the financial year as follows:

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Gain on hedging instruments	4,752	–	387	–
Loss on hedged items attributable to the hedged risk	(3,278)	–	(121)	–
	1,474	–	266	–

## 9 DERIVATIVES ASSETS/(LIABILITIES) (CONTINUED)

	Group			Bank		
	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
<b>31.12.2011</b>						
Trading derivatives:						
Foreign exchange related contracts:						
– forwards/swaps	13,763,434	87,912	(65,341)	13,603,559	87,912	(65,341)
– options	123,118	276	(230)	123,118	276	(229)
– cross currency interest rate swaps	1,439,860	19,078	(16,518)	1,439,860	19,078	(16,518)
Interest rate related contracts:						
– swaps	17,812,064	119,714	(154,915)	20,431,084	156,339	(152,434)
		226,980	(237,004)		263,605	(234,522)

	Group			Bank		
	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
<b>1.1.2011</b>						
Trading derivatives:						
Foreign exchange related contracts:						
– forwards/swaps	14,015,055	159,624	(148,040)	14,016,586	159,624	(148,040)
– options	190,715	797	(760)	190,715	797	(760)
– cross currency interest rate swaps	1,245,502	12,860	(11,121)	1,245,502	12,860	(11,121)
Interest rate related contracts:						
– swaps	12,047,782	125,108	(80,240)	12,697,782	124,867	(79,063)
Commodity contracts:						
– forwards	17,628	–	–	17,628	–	–
		298,389	(240,161)		298,148	(238,984)

## 10 STATUTORY DEPOSITS

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Statutory deposits with BNM	<b>3,372,325</b>	2,998,605	288,140	<b>2,699,570</b>	2,392,150	183,000
Statutory deposits with Monetary Authority of Singapore	<b>204,410</b>	159,015	128,178	<b>204,410</b>	159,015	128,178
Statutory deposits with Ministry of Finance, Brunei	<b>12,529</b>	10,589	9,886	<b>12,529</b>	10,589	9,886
Statutory deposits with Labuan Offshore Financial Services Authority	<b>100</b>	100	100	<b>-</b>	-	-
	<b>3,589,364</b>	3,168,309	426,304	<b>2,916,509</b>	2,561,754	321,064

The non-interest bearing statutory deposits are maintained with BNM in compliance with Section 26(2) (c) of the Central Bank of Malaysia Act, 2009, with the Ministry of Finance, with the Monetary Authority of Singapore in compliance with Banking Act, Cap. 19, Singapore Finance Companies Act, Cap. 108, with the Negara Brunei Darussalam in compliance with Section 6A of the Banking Act, and with Section 61(2)(b)(ii) of the Labuan Financial Services and Securities Act 2010. The amounts are determined by the respective authorities.

## 11 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Deferred tax assets	<b>8,455</b>	11,298	264,629	<b>-</b>	-	209,502
Deferred tax liabilities	<b>(50,907)</b>	(55,845)	(6)	<b>(50,903)</b>	(55,841)	-
	<b>(42,452)</b>	(44,547)	264,623	<b>(50,903)</b>	(55,841)	209,502
Deferred tax assets						
– settled more than 12 months	<b>7,616</b>	26,087	296,228	<b>88</b>	21,246	248,323
– settled within 12 months	<b>75,781</b>	63,777	55,526	<b>69,530</b>	55,982	48,996
Deferred tax liabilities						
– settled more than 12 months	<b>(115,458)</b>	(123,502)	(79,187)	<b>(110,946)</b>	(122,999)	(79,253)
– settled within 12 months	<b>(10,391)</b>	(10,909)	(7,944)	<b>(9,575)</b>	(10,070)	(8,564)
	<b>(42,452)</b>	(44,547)	264,623	<b>(50,903)</b>	(55,841)	209,502



## 11 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 RM'000	Financial investments AFS RM'000	Tax losses RM'000	Loans, advances and financing RM'000	Other liabilities RM'000	Other temporary differences RM'000	Total RM'000
<b>31.12.2012</b>								
Balance as at the beginning of the financial year								
– As previously reported		(54,546)	(65,351)	15,947	44,260	63,777	10,140	14,227
– Effect of full adoption of MFRS 139	45	–	–	–	(58,774)	–	–	(58,774)
– As restated		(54,546)	(65,351)	15,947	(14,514)	63,777	10,140	(44,547)
Transfer (to)/from income statement		2,577	–	(16,170)	14,888	16,139	(7,024)	10,410
– Reclassification	32	16	–	–	7,151	(4,135)	(3,032)	–
Transfer to equity		–	(8,538)	–	–	–	–	(8,538)
Exchange difference		–	–	223	–	–	–	223
Balance as at the end of the financial year		(51,953)	(73,889)	–	7,525	75,781	84	(42,452)
<b>31.12.2011</b>								
Balance as at the beginning of the financial year								
– As previously reported		(39,719)	(47,412)	15,759	266,472	55,526	9,457	260,083
– Effect of full adoption of MFRS 139	45	–	–	–	4,540	–	–	4,540
– As restated		(39,719)	(47,412)	15,759	271,012	55,526	9,457	264,623
Transfer (to)/from income statement		(14,827)	–	(130)	(285,526)	8,251	683	(291,549)
Transfer to equity	32	–	(17,939)	–	–	–	–	(17,939)
Exchange difference		–	–	318	–	–	–	318
Balance as at the end of the financial year		(54,546)	(65,351)	15,947	(14,514)	63,777	10,140	(44,547)

11 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 RM'000	Financial investments AFS RM'000	Tax losses RM'000	Loans, advances and financing RM'000	Other liabilities RM'000	Other temporary differences RM'000	Total RM'000
	<b>31.12.2012</b>							
	Balance as at the beginning of the financial year							
	- As previously reported	(50,351)	(62,986)	15,947	36,074	55,982	5,299	(35)
	- Effect of full adoption of MFRS 139	-	-	-	(55,806)	-	-	(55,806)
	- As restated	(50,351)	(62,986)	15,947	(19,732)	55,982	5,299	(55,841)
	Transfer (to)/from income statement	2,475	-	(16,170)	19,732	13,547	(5,210)	14,374
	Transfer to equity	-	(9,659)	-	-	-	-	(9,659)
	Exchange difference	-	-	223	-	-	-	223
	Balance as at the end of the financial year	(47,876)	(72,645)	-	-	69,529	89	(50,903)
	<b>31.12.2011</b>							
	Balance as at the beginning of the financial year							
	- As previously reported	(42,819)	(44,998)	15,759	238,066	48,996	5,299	220,303
	- Effect of full adoption of MFRS 139	-	-	-	(10,801)	-	-	(10,801)
	- As restated	(42,819)	(44,998)	15,759	227,265	48,996	5,299	209,502
	Transfer (to)/from income statement	(7,532)	-	(130)	(246,997)	6,986	-	(247,673)
	Transfer to equity	-	(17,988)	-	-	-	-	(17,988)
	Exchange difference	-	-	318	-	-	-	318
	Balance as at the end of the financial year	(50,351)	(62,986)	15,947	(19,732)	55,982	5,299	(55,841)

## 11 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unabsorbed tax losses carried forward	<b>735,124</b>	735,124	735,124	-	-	-

## 12 INVESTMENT IN SUBSIDIARIES

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unquoted shares, at cost			
in Malaysia	<b>1,260,909</b>	1,060,909	810,909
outside Malaysia	<b>12,807</b>	12,807	12,807
	<b>1,273,716</b>	1,073,716	823,716
Accumulated impairment losses	<b>(744)</b>	(744)	(744)
	<b>1,272,972</b>	1,072,972	822,972

## 12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The following are the subsidiaries of the Bank:

Name of companies	Paid-up capital	Effective equity interest		Principal activities
		2012 %	2011 %	
RHB Bank (L) Ltd.	US\$54,000,000	100	100	Offshore banking
– RHB International Trust (L) Ltd.	US\$40,000	100	100	Offshore trust company
– RHB Corporate Services Sdn Bhd	RM150,000	100	100	Corporate secretarial services
RHB Islamic Bank Berhad <sup>®</sup>	RM973,424,002	100	100	Islamic Banking
RHB Capital Nominees (Tempatan) Sdn Bhd	RM10,000	100	100	Nominee services for Malaysian beneficial shareholders
– RHB Capital Nominees (Asing) Sdn Bhd	RM10,000	100	100	Nominee services for foreign beneficial shareholders
UMBC Sdn Bhd	RM499,999,818	100	100	Dormant company
RHB Delta Sdn Bhd <sup>+</sup>	RM175,000,000	100	100	Dormant company
RHB Leasing Sdn Bhd	RM10,000,000	100	100	Leasing
RHB Capital Properties Sdn Bhd	RM21,800,000	100	100	Property investment
Utama Gilang Sdn Bhd <sup>+</sup>	RM800,000,000	100	100	Dormant company
Utama Assets Sdn Bhd	RM2,300,000	100	100	Property investment
RHB Investment Ltd.*	S\$19,000,000	100	100	Property investment and rental
Banfora Pte Ltd.*	S\$25,000,000	100	100	Property investment and rental
RHB Bank Nominees Pte Ltd.*	S\$100,000	100	100	Nominee services
RHB Trade Services Limited <sup>#</sup>	HK\$2	100	100	Processing of letters of credit reissuance favouring Hong Kong beneficiaries

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

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

® During the year, the Bank increased its investment in RHB Islamic Bank Berhad from RM773,424,000 to RM973,424,000.

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

All of the subsidiaries are incorporated in Malaysia except for RHB Investment Ltd., Banfora Pte Ltd. and RHB Bank Nominees Pte Ltd. which are incorporated in Singapore, and RHB Trade Services Limited which is incorporated in Hong Kong.

### 13 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
			Less than 50 years RM'000	50 years or more RM'000						
<b>31.12.2012</b>										
<b>Cost</b>										
Balance as at the beginning of the financial year		82,020	1,426	124,657	249,309	307,650	206,695	998,770	10,058	1,980,585
- As previously reported										
- Effect of reclassification of software to other intangible assets	45	-	-	-	-	-	-	(586,025)	-	(586,025)
- As restated		82,020	1,426	124,657	249,309	307,650	206,695	412,745	10,058	1,394,560
Disposals/written off		(5,107)	-	-	(4,747)	(2,115)	(2,352)	(5,256)	(108)	(19,685)
Additions		-	-	-	-	32,578	4,292	33,741	820	71,431
Reclassifications		-	-	-	-	(13,418)	13,418	1,426	-	1,426
Exchange difference		41	-	2,636	1,337	325	290	297	26	4,952
Balance as at the end of the financial year		76,954	1,426	127,293	245,899	325,020	222,343	442,953	10,796	1,452,684
<b>Less: Accumulated depreciation</b>										
Balance as at the beginning of the financial year		-	-	-	-	-	-	-	-	-
- As previously reported		-	714	5,696	65,184	143,806	184,186	756,572	8,633	1,164,791
- Effect of reclassification of software to other intangible assets	45	-	-	-	-	-	-	(449,204)	-	(449,204)
- As restated		-	714	5,696	65,184	143,806	184,186	307,368	8,633	715,587
Charge for the year		-	35	458	4,920	24,027	14,688	35,416	578	80,122
Disposals/written off		-	-	-	(984)	(1,565)	(2,346)	(5,251)	(108)	(10,254)
Exchange difference		-	-	20	408	221	256	268	27	1,200
Balance as at the end of the financial year		-	749	6,174	69,528	166,489	196,784	337,801	9,130	786,655
<b>Less: Accumulated impairment loss</b>										
Balance as at the beginning of the financial year		-	-	-	-	-	-	-	-	-
- As previously reported		-	-	-	2,984	-	-	24,945	-	27,929
- Effect of reclassification of software to other intangible assets	45	-	-	-	-	-	-	(24,945)	-	(24,945)
- As restated		-	-	-	2,984	-	-	-	-	2,984
Exchange difference		-	-	-	1	-	-	-	-	1
Balance as at the end of the financial year		-	-	-	2,985	-	-	-	-	2,985
<b>Net book value as at the end of the financial year</b>		76,954	677	121,119	173,386	158,551	25,559	105,152	1,666	663,044

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
			Less than 50 years RM'000	50 years or more RM'000						
<b>31.12.2011</b>										
<b>Cost</b>										
Balance as at the beginning of the financial year										
- As previously reported		81,987	1,426	122,505	248,782	242,362	201,942	916,484	9,452	1,824,940
- Effect of reclassification of software to other intangible assets	45	-	-	-	-	-	-	(544,704)	-	(544,704)
- As restated		81,987	1,426	122,505	248,782	242,362	201,942	371,780	9,452	1,280,236
Disposals/written off		-	-	-	(614)	(1,227)	(4,854)	(14,332)	(42)	(21,069)
Additions		-	-	-	-	66,125	9,522	53,063	629	129,339
Reclassifications		-	-	-	-	108	(108)	2,080	-	2,080
Exchange difference		33	-	2,152	1,141	282	193	154	19	3,974
Balance as at the end of the financial year		82,020	1,426	124,657	249,309	307,650	206,695	412,745	10,058	1,394,560
<b>Less: Accumulated depreciation</b>										
Balance as at the beginning of the financial year										
- As previously reported		-	679	5,229	60,204	132,382	182,881	706,403	8,092	1,095,870
- Effect of reclassification of software to other intangible assets	45	-	-	-	-	-	-	(416,658)	-	(416,658)
- As restated		-	679	5,229	60,204	132,382	182,881	289,745	8,092	679,212
Charge for the year		-	35	456	4,966	12,392	5,932	31,789	564	56,134
Disposals/written off		-	-	-	(313)	(1,201)	(4,830)	(14,302)	(42)	(20,688)
Reclassifications		-	-	-	-	162	(162)	-	-	-
Exchange difference		-	-	11	327	71	365	136	19	929
Balance as at the end of the financial year		-	714	5,696	65,184	143,806	184,186	307,368	8,633	715,587
<b>Less: Accumulated impairment loss</b>										
Balance as at the beginning of the financial year										
- As previously reported		-	-	-	2,967	-	-	24,945	-	27,912
- Effect of reclassification of software to other intangible assets	45	-	-	-	-	-	-	(24,945)	-	(24,945)
- As restated		-	-	-	2,967	-	-	-	-	2,967
Exchange difference		-	-	-	17	-	-	-	-	17
Balance as at the end of the financial year		-	-	-	2,984	-	-	-	-	2,984
Net book value as at the end of the financial year		82,020	712	118,961	181,141	163,844	22,509	105,377	1,425	675,989

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	31.12.2012	Note	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
				Less than 50 years RM'000	50 years or more RM'000						
<b>Cost</b>											
Balance as at the beginning of the financial year			81,078	879	19,989	204,305	290,334	197,554	949,379	8,099	1,751,617
- As previously reported											
- Effect of reclassification of software to other intangible assets	45		-	-	-	-	-	-	(539,448)	-	(539,448)
- As restated			81,078	879	19,989	204,305	290,334	197,554	409,931	8,099	1,212,169
Disposals/written off			(5,107)	-	-	(4,747)	(2,115)	(2,348)	(5,206)	(105)	(19,628)
Net transfer from a subsidiary company			-	-	-	-	-	-	33	-	33
Additions			-	-	-	-	29,183	3,180	32,299	620	65,282
Reclassifications			-	-	-	-	(13,418)	13,418	1,426	-	1,426
Exchange difference			38	-	-	599	328	241	314	30	1,550
Balance as at the end of the financial year			76,009	879	19,989	200,157	304,312	212,045	438,797	8,644	1,260,832
<b>Less: Accumulated depreciation</b>											
Balance as at the beginning of the financial year			-	471	3,476	58,011	138,999	177,571	740,014	7,157	1,125,699
- As previously reported											
- Effect of reclassification of software to other intangible assets	45		-	-	-	-	-	-	(435,330)	-	(435,330)
- As restated			-	471	3,476	58,011	138,999	177,571	304,684	7,157	690,369
Charge for the year			-	24	235	4,510	21,679	12,638	33,957	359	73,402
Disposals/written off			-	-	-	(983)	(1,565)	(2,345)	(5,206)	(104)	(10,203)
Net transfer from a subsidiary company			-	-	-	-	-	-	27	-	27
Exchange difference			-	-	-	316	252	226	287	30	1,111
Balance as at the end of the financial year			-	495	3,711	61,854	159,365	188,090	333,749	7,442	754,706
<b>Less: Accumulated impairment loss</b>											
Balance as at the beginning/end of the financial year			-	-	-	351	-	-	-	-	351
<b>Net book value as at the end of the financial year</b>			76,009	384	16,278	137,952	144,947	23,955	105,048	1,202	505,775

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	31.12.2011	Note	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
				Less than 50 years RM'000	50 years or more RM'000						
			81,047	879	19,989	204,429	226,160	193,038	869,746	7,496	1,602,784
	45		-	-	-	-	-	-	(500,097)	-	(500,097)
<b>Cost</b>			81,047	879	19,989	204,429	226,160	193,038	369,649	7,496	1,102,687
Balance as at the beginning of the financial year			-	-	-	(614)	(1,226)	(4,854)	(14,105)	(42)	(20,841)
- As previously reported			-	-	-	-	-	-	16	-	16
- Effect of reclassification of software to other intangible assets			-	-	-	-	-	-	-	-	-
- As restated			-	-	-	-	-	-	-	-	-
Disposals/written off			-	-	-	-	-	-	-	-	-
Net transfer from a subsidiary company			-	-	-	-	-	9,371	52,151	629	127,219
Additions			-	-	-	-	65,068	(108)	2,080	-	2,080
Reclassifications			-	-	-	-	108	107	140	16	1,008
Exchange difference			31	-	-	490	224	107	140	16	1,008
Balance as at the end of the financial year			81,078	879	19,989	204,305	290,334	197,554	409,931	8,099	1,212,169
			-	448	3,241	53,519	128,856	177,098	691,898	6,890	1,061,950
<b>Less: Accumulated depreciation</b>			-	-	-	-	-	-	(402,872)	-	(402,872)
Balance as at the beginning of the financial year			-	-	-	-	-	-	-	-	-
- As previously reported			-	-	-	-	-	-	-	-	-
- Effect of reclassification of software to other intangible assets			-	-	-	-	-	-	-	-	-
- As restated			-	448	3,241	53,519	128,856	177,098	289,026	6,890	659,078
Charge for the year			-	23	235	4,560	11,142	5,171	29,595	294	51,020
Disposals/written off			-	-	-	(313)	(1,199)	(4,830)	(14,075)	(43)	(20,460)
Net transfer from a subsidiary company			-	-	-	-	-	-	14	-	14
Reclassifications			-	-	-	-	-	(162)	-	-	-
Exchange difference			-	-	-	245	38	294	124	16	717
Balance as at the end of the financial year			-	471	3,476	58,011	138,999	177,571	304,684	7,157	690,369
			-	-	-	-	-	-	-	-	-
<b>Less: Accumulated impairment loss</b>			-	-	-	-	-	-	-	-	-
Balance as at the beginning/end of the financial year			-	-	-	351	-	-	-	-	351
Net book value as at the end of the financial year			81,078	408	16,513	145,943	151,335	19,983	105,247	942	521,449



### 13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
<b>Accumulated depreciation and impairment loss</b>				
Balances as at the beginning of the financial year	<b>718,571</b>	679,212	<b>690,720</b>	659,429
Balances as at the end of the financial year	<b>789,640</b>	718,571	<b>755,057</b>	690,720

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

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
<b>Cost</b>				
Renovations	<b>13,028</b>	72,578	<b>5,224</b>	61,329

### 14 GOODWILL AND OTHER INTANGIBLE ASSETS

	Note	Group			Bank		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Goodwill on consolidation	(a)						
Balance as at the beginning/end of the financial year		<b>1,004,017</b>	1,004,017	1,004,017	<b>905,519</b>	905,519	905,519
Other intangible assets							
Computer software license	(b)	<b>120,332</b>	111,876	103,101	<b>112,203</b>	104,118	97,225
		<b>1,124,349</b>	1,115,893	1,107,118	<b>1,017,722</b>	1,009,637	1,002,744

#### 14 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

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

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>CGUs</b>						
Corporate banking	<b>200,859</b>	200,859	200,859	<b>182,461</b>	182,461	182,461
Retail banking	<b>307,919</b>	307,919	307,919	<b>292,837</b>	292,837	292,837
Business banking	<b>174,777</b>	174,777	174,777	<b>174,777</b>	174,777	174,777
Treasury and money market	<b>268,600</b>	268,600	268,600	<b>255,444</b>	255,444	255,444
Islamic banking business	<b>51,862</b>	51,862	51,862	–	–	–
	<b>1,004,017</b>	1,004,017	1,004,017	<b>905,519</b>	905,519	905,519

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets/forecasts approved by directors covering a four-year (2011: four-year) period. Cash flows beyond the four-year period are assumed to grow at 3.0% (2011: 3.0%) to perpetuity.

The cash flow projection is derived based on a number of key factors including the past performance and the management's expectations of the market developments. The discount rate used in determining the recoverable amount of all CGUs within the business segment is 8.8% (2011: 8.7%). The discount rate used is pre-tax and is computed based on industry information to reflect the risks of the CGUs.

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

## 14 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Computer software license

	Note	Group		Bank	
		31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
<b>Cost</b>					
Balance as at the beginning of the financial year					
– As previously reported		–	–	–	–
– Effect of reclassification from property, plant and equipment	45	586,025	544,704	539,448	500,097
– As restated		586,025	544,704	539,448	500,097
Additions		38,741	43,211	38,040	41,262
Reclassifications		(1,426)	(2,080)	(1,426)	(2,080)
Disposals/written off		(2)	(164)	(2)	(151)
Exchange difference		417	354	457	320
Balance as at the end of the financial year		623,755	586,025	576,517	539,448
<b>Less: Accumulated amortisation</b>					
Balance as at the beginning of the financial year					
– As previously reported		–	–	–	–
– Effect of reclassification from property, plant and equipment	45	449,204	416,658	435,330	402,872
– As restated		449,204	416,658	435,330	402,872
Charge for the year		28,949	32,412	28,629	32,335
Disposals/written off		(2)	(163)	(2)	(150)
Exchange difference		327	297	357	273
Balance as at the end of the financial year		478,478	449,204	464,314	435,330
<b>Less: Accumulated impairment loss</b>					
Balance as at the beginning of the financial year					
– As previously reported		–	–	–	–
– Effect of reclassification from property, plant and equipment	45	24,945	24,945	–	–
– As restated		24,945	24,945	–	–
Balance as at end of the financial year		24,945	24,945	–	–
Net book value as at the end of the financial year		120,332	111,876	112,203	104,118

## 15 DEPOSITS FROM CUSTOMERS

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>i) By type of deposits</b>						
Demand deposits	<b>22,588,761</b>	21,479,954	19,586,179	<b>20,184,299</b>	19,401,161	17,754,994
Savings deposits	<b>6,900,265</b>	6,359,910	5,832,118	<b>6,129,019</b>	5,709,098	5,259,209
Fixed/investment deposits	<b>101,811,640</b>	85,679,994	66,735,221	<b>85,235,327</b>	69,120,500	57,309,056
Negotiable instruments of deposits	<b>8,960</b>	118,422	249,295	<b>8,960</b>	118,422	244,318
	<b>131,309,626</b>	113,638,280	92,402,813	<b>111,557,605</b>	94,349,181	80,567,577
<b>ii) By type of customer</b>						
Government and statutory bodies	<b>14,145,334</b>	12,519,295	8,204,293	<b>8,269,422</b>	7,186,405	5,812,370
Business enterprises	<b>79,951,286</b>	63,865,696	52,811,960	<b>69,153,868</b>	54,551,114	46,174,305
Individuals	<b>32,569,874</b>	31,171,620	27,507,468	<b>31,077,414</b>	29,969,544	26,381,770
Others	<b>4,643,132</b>	6,081,669	3,879,092	<b>3,056,901</b>	2,642,118	2,199,132
	<b>131,309,626</b>	113,638,280	92,402,813	<b>111,557,605</b>	94,349,181	80,567,577
<b>iii) By maturity structure of the fixed/investment deposits and negotiable instrument of deposits</b>						
Due within six months	<b>84,436,099</b>	69,525,484	56,684,715	<b>69,925,495</b>	54,376,550	48,475,102
Six months to one year	<b>16,509,519</b>	14,788,582	9,821,293	<b>14,588,041</b>	13,415,298	8,750,259
One year to three years	<b>837,725</b>	1,440,291	449,560	<b>705,991</b>	1,406,776	299,814
Three years to five years	<b>37,257</b>	44,059	28,948	<b>24,760</b>	40,298	28,199
	<b>101,820,600</b>	85,798,416	66,984,516	<b>85,244,287</b>	69,238,922	57,553,374

## 16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Licensed banks/Islamic banks	<b>8,498,178</b>	6,146,928	5,228,464	<b>6,757,069</b>	4,095,271	3,809,608
Licensed investments banks	<b>1,859,718</b>	524,317	253,475	<b>1,859,718</b>	424,282	150,475
Bank Negara Malaysia	<b>842,592</b>	1,273,359	2,197,885	<b>841,967</b>	1,238,096	2,197,885
Others	<b>735,399</b>	52,017	485	<b>574</b>	52,017	485
	<b>11,935,887</b>	7,996,621	7,680,309	<b>9,459,328</b>	5,809,666	6,158,453

## 17 OTHER LIABILITIES

	Note	Group			Bank		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Amount due to holding company	(i)	<b>99</b>	99	106	-	-	-
Amount due to subsidiaries	(i)	-	-	-	<b>26,025</b>	21,342	23,345
Amount due to related companies	(i)	<b>6,397</b>	2,534	2,954	<b>5,996</b>	2,262	2,639
Amount due to Danaharta	(ii)	<b>1,827</b>	1,804	1,796	<b>1,827</b>	1,804	1,796
Prepaid instalments		<b>77,984</b>	79,773	77,670	<b>77,984</b>	79,773	77,670
Lessee deposits		<b>30,689</b>	54,466	64,930	-	-	-
Short term employee benefits		<b>156,354</b>	139,356	122,859	<b>144,499</b>	128,924	112,732
Other creditors and accruals		<b>680,054</b>	715,175	732,734	<b>519,372</b>	691,671	650,645
		<b>953,404</b>	993,207	1,003,049	<b>775,703</b>	925,776	868,827

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

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

## 18 LONG TERM BORROWINGS

	Group and Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Unsecured: Term loans	<b>632,778</b>	759,020	819,362
Scheduled repayment of long term borrowings are as follows:			
Repayable within one year	<b>101,451</b>	105,208	83,177
One year to three years	<b>198,770</b>	206,050	200,427
Three years to five years	<b>198,770</b>	206,050	200,427
Over five years	<b>133,787</b>	241,712	335,331
	<b>632,778</b>	759,020	819,362

On 7 April 2006, the Bank entered into an agreement with Japan Bank for International Cooperation (JBIC), to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 11 years. Disbursement of USD50 million and USD30 million was done on 29 June 2006 and 20 October 2006 respectively. Final disbursement of USD20 million was done on 31 January 2007. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing on 8 March 2008 until 8 September 2017 and bears a floating interest rate of British Bankers Association Interest Settlement Rate in USD (BBA LIBOR) plus 0.395% per annum. The average interest rate ranges from 0.89% to 1.13% (2011: 0.86% to 0.90%) per annum.

On 24 March 2008, the Bank entered into another agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 10 years. Disbursement of USD100 million was done on 30 May 2008. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing 8 September 2010 to 8 March 2020 and bears a floating interest rate of BBA LIBOR plus 0.315% per annum. The average interest rate ranges from 0.81% to 1.05% (2011: 0.80% to 0.82%) per annum.

On 28 May 2009, the Bank entered into the third agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 8 years. Disbursement of USD100 million was done on 28 July 2009. The said loan is repayable on 10 April and 10 October each year for 16 equal instalments commencing 10 October 2011 to 10 April 2019 and bears a floating interest rate of BBA LIBOR plus 0.80% per annum. The average interest rate ranges from 1.25% to 1.53% per annum (2011: 1.25% to 1.38%) per annum.

## 19 SUBORDINATED OBLIGATIONS

	Note	Group and Bank		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
5.0% RM1,300 million Subordinated Notes 2007/2017	(i)	–	1,305,699	1,305,699
5.5% RM700 million Subordinated Notes 2007/2022	(i)	<b>703,375</b>	703,375	703,375
5.0% RM700 million Subordinated Notes 2010/2020	(ii)	<b>706,137</b>	705,945	706,137
5.6% RM300 million Subordinated Notes 2010/2025	(ii)	<b>302,946</b>	302,854	302,946
4.25% RM250 million Subordinated Notes 2011/2021	(iii)	<b>250,741</b>	251,805	–
4.30% RM750 million Subordinated Notes 2012/2022	(iv)	<b>753,984</b>	–	–
4.40% RM1,300 million Subordinated Notes 2012/2022	(iv)	<b>1,303,736</b>	–	–
		<b>4,020,919</b>	3,269,678	3,018,157

- (i) On 30 November 2007, the Bank issued redeemable unsecured subordinated notes amounting to RM2,000 million in nominal value as follows:

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2007/2017	1,300	30 November 2017 (Callable with step-up on 2012)	5.0% per annum chargeable to 30 November 2012 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi- annually in arrears
2007/2022	700	30 November 2022 (Callable with step-up on 2017)	5.5% 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 RM 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 RM 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 RM Subordinated Notes.

On 30 November 2012, the Bank has exercise the called step-up tranche 2007/2017 of RM1.3 billion and is fully redeemed on same date.

**19 SUBORDINATED OBLIGATIONS (CONTINUED)**

- (ii) On 29 April 2010, the Bank issued RM1.0 billion nominal value of Subordinated Notes, being the remaining balance of the issuance of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme. The RM1.0 billion Subordinated Notes comprise:

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2010/2020	700	29 April 2020 (Callable with step-up on 2015)	5.0% per annum chargeable to 29 April 2015 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi-annually in arrears
2010/2025	300	29 April 2025 (Callable with step-up on 2020)	5.6% 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

- (iii) On 31 October 2011, the Bank issued RM250 million nominal value of Subordinated Notes, being part of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Multi-Currency Medium Term Note Programme. The details of the RM250 million in nominal value are as follows:

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

- (iv) On 7 May 2012 and 30 November 2012, the Bank issued RM750 million and RM1,300 million respectively nominal value of Subordinated Notes, being part of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Multi-Currency Medium Term Note Programme. The details of the RM750 million and RM1,300 million in nominal value are as follows:

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



## 20 HYBRID TIER-I CAPITAL SECURITIES

	Note	Group and Bank		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
RM370 million Hybrid Tier-I Capital Securities due in 2039, callable with step-up in 2019	(i)	<b>375,448</b>	377,542	374,769
RM230 million Hybrid Tier-I Capital Securities due in 2039, callable with step-up in 2019	(ii)	<b>230,638</b>	228,028	230,638
		<b>606,086</b>	605,570	605,407

- (i) On 31 March 2009, the Bank completed the first issuance of RM370 million nominal value of Hybrid Tier-I Capital Securities (HT1 Capital Securities) out of its RM600 million Hybrid Tier-I Capital Securities Programme. The RM370 million HT1 Capital Securities will mature in 2039 and is callable in 2019. The HT1 Capital Securities bear interest at the rate of 8.0% per annum commencing from the first issue date and thereafter at a stepped up rate of 9.0% per annum from 2019 if not called. The interest is payable semi-annually in arrears.
- (ii) On 17 December 2009, the Bank issued the remaining RM230 million nominal value of HTI Capital Securities which will mature in 2039 and is callable in 2019. The second issuance of HTI Capital Securities bear interest at the rate of 6.75% per annum commencing from the first issue date and thereafter at a stepped up rate of 7.75% per annum from 2019 if not called. The interest is payable semi-annually in arrears.

## 21 SENIOR DEBT SECURITIES

	Note	Group and Bank		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
USD300 million Senior Notes due in 2017	(i)	<b>915,245</b>	–	–
USD200 million Senior Notes due in 2017	(ii)	<b>621,429</b>	–	–
		<b>1,536,674</b>	–	–

- (i) On 11 May 2012, the Bank completed the first issuance of USD500 million nominal value under Euro Medium Term Notes Programme. The USD300 million Senior Notes will mature in 2017. The Senior Notes bear interest rate of 3.25% per annum commencing from the first issue date.
- (ii) On 28 September 2012, the Bank issued the remaining USD200 million nominal value of Senior Notes which will mature in 2017. The second issuance of Senior Notes bear interest rate of 3.25% per annum commencing from May 2012 which follow the date of the first issuance of Senior Notes. The interest is payable semi-annually in arrears.

► **Notes To The Financial Statements**  
**For The Financial Year Ended 31 December 2012**

**22 ORDINARY SHARE CAPITAL**

	Number of shares			Nominal value		
	31.12.2012 '000	31.12.2011 '000	1.1.2011 '000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Group and Bank</b>						
Ordinary shares of 50 sen each						
Authorised:						
Balance as at the beginning/ end of the financial year	<b>8,000,000</b>	8,000,000	8,000,000	<b>4,000,000</b>	4,000,000	4,000,000
Issued and fully paid:						
Balance as at the beginning/ end of the financial year	<b>6,636,170</b>	6,636,170	6,636,170	<b>3,318,085</b>	3,318,085	3,318,085

**23 RESERVES**

	Note	Group			Bank		
		31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Retained profits	(i)	<b>4,719,036</b>	3,911,093	2,816,578	<b>3,921,038</b>	3,217,052	2,253,259
Share premium		<b>8,563</b>	8,563	8,563	<b>8,563</b>	8,563	8,563
Statutory reserves	(ii)	<b>3,836,496</b>	3,358,704	2,946,064	<b>3,478,138</b>	3,070,142	2,714,580
AFS reserves	(iii)	<b>222,022</b>	196,177	143,202	<b>217,933</b>	188,957	134,995
Translation reserves	(iv)	<b>(71,684)</b>	(61,389)	(79,846)	<b>12,023</b>	7,214	396
		<b>8,714,433</b>	7,413,148	5,834,561	<b>7,637,695</b>	6,491,928	5,111,793

- (i) A single tier company tax was introduced effective 1 January 2008. Under this single tier system, tax on a company's profits is a final tax, and dividends distributed to shareholders will be exempted from tax. Companies with Section 108 tax credit balance are given an option to elect to move to a single tier system immediately or allowed to use the Section 108 credit balance for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013.

The Bank has elected to use its Section 108 credit balance for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013. The Section 108 balance of the Bank as at 31 December 2007 has been frozen and can only be adjusted downwards for any tax discharged, remitted or refunded during the 6 years period.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act 1999 to pay dividends out of its entire retained profits as at 31 December 2012.

## 23 RESERVES (CONTINUED)

- (ii) The statutory reserves are maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 of RM3,478,138,000 (31.12.2011: RM3,070,142,000), Section 15 of Islamic Banking Act 1983 of RM358,358,000 (31.12.2011: RM288,562,000), and Section 18 of the Singapore Finance Companies (Amendment) Act 1994, and are not distributable as cash dividends.
- (iii) Available-for-sale reserves arise from a change in the fair value of financial investments classified as available-for-sale. The unrealised gains or losses are transferred to the income statement upon disposal, derecognition or impairment of such securities.
- (iv) Translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations and subsidiaries.

## 24 INTEREST INCOME

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Loans, advances and financing	<b>4,830,599</b>	4,435,465	<b>4,767,135</b>	4,386,244
Money at call and deposit placements with banks and other financial institutions	<b>404,337</b>	292,097	<b>442,827</b>	317,093
Securities purchased under resale agreement	<b>401</b>	5,510	<b>401</b>	5,510
Financial assets held-for-trading	<b>15,559</b>	10,802	<b>15,559</b>	10,802
Financial investments available-for-sale	<b>237,188</b>	255,087	<b>235,402</b>	255,087
Financial investments held-to-maturity	<b>499,646</b>	459,699	<b>494,993</b>	446,598
Others	<b>646</b>	2,846	<b>646</b>	2,846
	<b>5,988,376</b>	5,461,506	<b>5,956,963</b>	5,424,180
Of which:				
Interest income accrued on impaired financial assets	<b>148,120</b>	136,474	<b>148,120</b>	136,474

25 INTEREST EXPENSE

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Deposits and placements of banks and other financial institutions	<b>174,111</b>	129,023	<b>174,352</b>	129,147
Deposits from customers	<b>2,389,259</b>	2,070,613	<b>2,376,715</b>	2,058,323
Subordinated obligations	<b>187,245</b>	157,105	<b>187,245</b>	157,105
Recourse obligation on loans sold to Cagamas	<b>54,083</b>	32,424	<b>54,083</b>	32,424
Hybrid Tier-I Capital Securities	<b>45,518</b>	45,373	<b>45,518</b>	45,373
Senior Debt Securities	<b>24,963</b>	–	<b>24,963</b>	–
Borrowings	<b>8,362</b>	7,818	<b>8,362</b>	7,818
Others	<b>46,821</b>	51,921	<b>46,821</b>	51,921
	<b>2,930,362</b>	2,494,277	<b>2,918,059</b>	2,482,111

## 26 OTHER OPERATING INCOME

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Fee Income:				
Commission	<b>124,537</b>	118,238	<b>122,851</b>	117,305
Service charges and fees	<b>215,727</b>	190,563	<b>208,973</b>	184,964
Guarantee fees	<b>47,608</b>	36,482	<b>47,608</b>	36,482
Commitment fees	<b>45,847</b>	49,960	<b>45,847</b>	49,960
Underwriting fees	<b>1,211</b>	128	<b>1,211</b>	128
Other fees	<b>16,886</b>	15,595	<b>17,134</b>	16,061
	<b>451,816</b>	410,966	<b>443,624</b>	404,900
Net gain arising from financial assets held-for-trading	<b>44,884</b>	30,698	<b>44,884</b>	30,698
Net gain/(loss) on revaluation of derivatives	<b>7,096</b>	(65,903)	<b>5,960</b>	(18,542)
Net gain on fair value hedges (Note 9)	<b>1,474</b>	–	<b>266</b>	–
Net gain arising from financial investments available-for-sale				
– net gain on disposal	<b>51,755</b>	43,789	<b>51,755</b>	43,789
– gross dividends income	<b>5,527</b>	11,190	<b>5,525</b>	11,186
	<b>57,282</b>	54,979	<b>57,280</b>	54,975
Net gain arising from financial investment held-to-maturity				
– net gain on redemption	<b>1,823</b>	214	<b>1,823</b>	214
Gross dividend income from a subsidiary	–	–	<b>9,363</b>	18,785
Other income:				
Net foreign exchange gain/(loss)				
– realised	<b>317,544</b>	285,850	<b>316,609</b>	286,976
– unrealised	<b>(12,741)</b>	10,997	<b>(12,741)</b>	10,997
Gain on disposal of property, plant and equipment	<b>997</b>	4,826	<b>997</b>	4,826
Other operating income	<b>69,299</b>	54,727	<b>62,625</b>	54,142
Other non-operating income	<b>4,474</b>	8,574	<b>2,193</b>	6,550
	<b>379,573</b>	364,974	<b>369,683</b>	363,491
	<b>943,948</b>	795,928	<b>932,883</b>	854,521

► Notes To The Financial Statements  
For The Financial Year Ended 31 December 2012

**27 NET INCOME FROM ISLAMIC BANKING BUSINESS**

	<b>31.12.2012</b> RM'000	<b>31.12.2011</b> RM'000
Income derived from investment of depositors' funds	<b>1,046,357</b>	780,683
Income derived from investment of shareholder's funds	<b>81,764</b>	58,338
Transfer from/(to) Profit Equalisation Reserve	<b>7,252</b>	(2,725)
Total distributable income	<b>1,135,373</b>	836,296
Income attributable to depositors	<b>(648,202)</b>	(397,540)
Income from Islamic Banking Business	<b>487,171</b>	438,756
Of which:		
Financing income earned on impaired financing and advances	<b>21,715</b>	17,985

## 28 OTHER OPERATING EXPENSES

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
<b>Personnel costs</b>				
– Salaries, allowances and bonuses	<b>903,825</b>	799,363	<b>830,880</b>	740,411
– Contributions to EPF	<b>137,250</b>	120,728	<b>125,459</b>	111,293
– Other staff related costs	<b>100,905</b>	124,660	<b>91,272</b>	117,177
	<b>1,141,980</b>	1,044,751	<b>1,047,611</b>	968,881
<b>Establishment costs</b>				
– Property, plant and equipment:				
– Depreciation	<b>80,122</b>	56,134	<b>73,402</b>	51,020
– Written off	<b>2</b>	27	<b>2</b>	27
– Amortisation of computer software license	<b>28,949</b>	32,412	<b>28,629</b>	32,335
– Rental of premises	<b>105,155</b>	73,285	<b>102,075</b>	71,351
– Rental of equipment	<b>5,831</b>	9,367	<b>5,576</b>	9,050
– Insurance	<b>16,409</b>	9,274	<b>15,621</b>	9,736
– Water and electricity	<b>22,908</b>	21,331	<b>20,941</b>	19,691
– Repair and maintenance	<b>19,970</b>	19,223	<b>19,802</b>	18,939
– Security & escorting expenses	<b>47,936</b>	39,756	<b>44,502</b>	37,000
– Information technology expenses	<b>114,161</b>	106,818	<b>105,223</b>	100,060
– Others	<b>3,143</b>	2,617	<b>–</b>	–
	<b>444,586</b>	370,244	<b>415,773</b>	349,209
<b>Marketing expenses</b>				
– Sales commission	<b>35,011</b>	22,109	<b>27,321</b>	20,870
– Advertisement and publicity	<b>79,756</b>	65,439	<b>73,312</b>	59,025
– Others	<b>59,352</b>	31,494	<b>55,866</b>	29,173
	<b>174,119</b>	119,042	<b>156,499</b>	109,068
<b>Administration and general expenses</b>				
– Communication expenses	<b>92,834</b>	91,904	<b>85,443</b>	85,975
– Auditors' remuneration (Note (i))	<b>3,531</b>	3,362	<b>2,999</b>	2,955
– Legal and professional fee	<b>22,993</b>	9,612	<b>21,120</b>	8,200
– Others	<b>72,151</b>	62,123	<b>27,839</b>	17,184
	<b>191,509</b>	167,001	<b>137,401</b>	114,314
	<b>1,952,194</b>	1,701,038	<b>1,757,284</b>	1,541,472

Included in the personnel cost of the Group and the Bank are the Managing Director's remuneration (excluding benefits-in-kind) totalling RM1,114,000 (2011: RM3,384,000) and RM1,114,000 (2011: RM3,333,000) respectively, as disclosed in Note 29.

## 28 OTHER OPERATING EXPENSES (CONTINUED)

Included in administration and general expenses of the Group and the Bank are other directors' remuneration (excluding benefits-in-kind) totalling RM1,242,000 (2011: RM1,177,000) and RM1,108,000 (2011: RM1,099,000) respectively, as disclosed in Note 29.

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
(i) Auditors' remuneration				
(a) Audit				
Statutory audit				
– Malaysia	1,665	1,274	1,317	1,045
– Overseas	614	571	548	506
Limited review	350	275	300	275
Other audit related	165	265	110	210
	<b>2,794</b>	2,385	<b>2,275</b>	2,036
(b) Non-audit				
– Malaysia	727	656	714	643
– Overseas	10	321	10	276
	<b>737</b>	977	<b>724</b>	919
	<b>3,531</b>	3,362	<b>2,999</b>	2,955

## 29 DIRECTORS' REMUNERATION

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

Group	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
<b>31.12.2012</b>				
<b>Managing Director</b>				
Johari Abdul Muid	1,114	35	–	1,149
	<b>1,114</b>	<b>35</b>	–	<b>1,149</b>
<b>31.12.2011</b>				
Johari Abdul Muid	348	5	–	353
Dato' Tajuddin Atan	636	29	2,400	3,065
	984	34	2,400	3,418



## 29 DIRECTORS' REMUNERATION (CONTINUED)

Group	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others RM'000	Total RM'000
<b>31.12.2012</b>				
<b>Non-Executive Directors</b>				
Tan Sri Azlan Zainol (Chairman)	120	31	–	151
Tuan Haji Khairuddin Bin Ahmad	112	–	107	219
Ong Seng Pheow	100	–	58	158
Choong Tuck Oon	123	–	102	225
Dato' Mohd Ali Mohd Tahir	110	–	73	183
Abdul Aziz Peru Mohamed	100	–	55	155
Dato' Mohamed Khadar Merican	100	–	68	168
Tan Sri Ong Leong Huat	11	–	3	14
	<b>776</b>	<b>31</b>	<b>466</b>	<b>1,273</b>
<b>31.12.2011</b>				
Tan Sri Azlan Zainol (Chairman)	120	–	–	120
Mohamed Ali Ahmed Hamad Al Dhaheri	74	–	12	86
Dato Abdullah Mat Noh	18	–	13	31
Haji Khairuddin Ahmad	102	–	139	241
Ong Seng Pheow	100	–	60	160
Choong Tuck Oon	116	–	80	196
Dato' Mohd Ali Mohd Tahir	109	–	67	176
Abdul Aziz Peru Mohamed	90	–	47	137
Dato' Mohamed Khadar Merican	17	–	13	30
	<b>746</b>	<b>–</b>	<b>431</b>	<b>1,177</b>

## 29 DIRECTORS' REMUNERATION (CONTINUED)

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

Bank	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
<b>31.12.2012</b>				
<b>Managing Director</b>				
Johari Abdul Muid	1,114	35	-	1,149
	<b>1,114</b>	<b>35</b>	<b>-</b>	<b>1,149</b>
<b>31.12.2011</b>				
Johari Abdul Muid	297	5	-	302
Dato' Tajuddin Atan	636	29	2,400	3,065
	933	34	2,400	3,367

Bank	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others RM'000	Total RM'000
<b>31.12.2012</b>				
<b>Non-Executive Directors</b>				
Tan Sri Azlan Zainol (Chairman)	120	31	-	151
Tuan Haji Khairuddin Bin Ahmad	100	-	70	170
Ong Seng Pheow	100	-	58	158
Choong Tuck Oon	100	-	73	173
Dato' Mohd Ali Mohd Tahir	100	-	50	150
Abdul Aziz Peru Mohamed	100	-	55	155
Dato' Mohamed Khadar Merican	100	-	68	168
Tan Sri Ong Leong Huat	11	-	3	14
	<b>731</b>	<b>31</b>	<b>377</b>	<b>1,139</b>
<b>31.12.2011</b>				
Tan Sri Azlan Zainol (Chairman)	120	-	-	120
Mohamed Ali Ahmed Hamad Al Dhaheer	74	-	12	86
Dato Abdullah Mat Noh	16	-	9	25
Haji Khairuddin Ahmad	100	-	136	236
Ong Seng Pheow	100	-	60	160
Choong Tuck Oon	100	-	58	158
Dato' Mohd Ali Mohd Tahir	100	-	48	148
Abdul Aziz Peru Mohamed	90	-	47	137
Dato' Mohamed Khadar Merican	17	-	12	29
	717	-	382	1,099

### 30 ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Individual impairment allowance	<b>267,941</b>	110,414	<b>171,471</b>	93,774
Collective impairment allowance	<b>119,458</b>	143,615	<b>117,894</b>	168,771
Impaired loans and financing recovered	<b>(463,291)</b>	(332,320)	<b>(444,025)</b>	(322,862)
Impaired loans written off	<b>223,141</b>	221,306	<b>211,035</b>	200,879
	<b>147,249</b>	143,015	<b>56,375</b>	140,562

### 31 IMPAIRMENT (WRITE-BACK)/LOSSES ON OTHER ASSETS

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Charged for the financial period:				
– Financial investments:				
– available-for-sale	<b>7,300</b>	50,113	<b>7,300</b>	50,113
– held-to-maturity	<b>5,333</b>	5,484	<b>5,333</b>	5,484
– Foreclosed properties	–	19	–	19
Reversal for the financial period:				
– Financial investments:				
– available-for-sale	<b>(7,275)</b>	(2,863)	<b>(7,275)</b>	(2,863)
– held-to-maturity	<b>(9,131)</b>	(4,600)	<b>(9,131)</b>	(4,600)
– Foreclosed properties	<b>(21)</b>	(153)	<b>(21)</b>	(153)
– Others	<b>(3,064)</b>	–	<b>(3,064)</b>	–
	<b>(6,858)</b>	48,000	<b>(6,858)</b>	48,000

## 32 TAXATION

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Income tax based on profit for the financial year				
– Malaysian income tax	<b>680,973</b>	555,015	<b>622,699</b>	506,958
– Overseas tax	<b>1,382</b>	2,022	<b>995</b>	1,663
Deferred taxation (Note 11)	<b>(62,631)</b>	22,211	<b>(60,520)</b>	9,885
(Over)/under provision in respect of prior years				
– Malaysian income tax	<b>(81,973)</b>	(285,312)	<b>(77,157)</b>	(248,620)
– Overseas tax	<b>841</b>	1,524	<b>841</b>	1,620
Deferred taxation (Note 11)	<b>52,221</b>	269,338	<b>46,146</b>	237,788
	<b>590,813</b>	564,798	<b>533,004</b>	509,294
<b>Current year</b>				
Current year	<b>682,355</b>	557,037	<b>623,694</b>	508,621
Over provision in prior years	<b>(81,132)</b>	(283,788)	<b>(76,316)</b>	(247,000)
	<b>601,223</b>	273,249	<b>547,378</b>	261,621
<b>Deferred tax</b>				
Origination and reversal of temporary differences	<b>(62,631)</b>	22,211	<b>(60,520)</b>	9,885
Reversal of previously recognised deferred tax assets	<b>52,221</b>	269,338	<b>46,146</b>	237,788
	<b>(10,410)</b>	291,549	<b>(14,374)</b>	247,673
	<b>590,813</b>	564,798	<b>533,004</b>	509,294

## 32 TAXATION (CONTINUED)

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

	Group		Bank	
	31.12.2012 %	31.12.2011 %	31.12.2012 %	31.12.2011 %
Tax at Malaysia statutory tax rate	<b>25.0</b>	25.0	<b>25.0</b>	25.0
Tax effects in respect of:				
Non allowable expenses	<b>1.0</b>	0.4	<b>0.8</b>	0.5
Non-taxable income	<b>(0.1)</b>	(0.4)	<b>(0.2)</b>	(0.4)
Effect of different tax rates in Labuan/other countries	<b>(0.1)</b>	0.6	<b>0.6</b>	0.7
Utilisation of unabsorbed business losses brought forward previously not recognised	<b>(0.5)</b>	(0.6)	<b>(0.5)</b>	(0.7)
Reversal of temporary differences recognised in prior years	<b>2.5</b>	11.7	<b>2.5</b>	11.5
Over provision in prior years	<b>(3.2)</b>	(12.3)	<b>(3.6)</b>	(12.0)
Effective tax rate	<b>24.6</b>	24.4	<b>24.6</b>	24.6
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Tax losses:				
Tax savings as a result of the utilisation of tax losses brought forward from previous year for which the related credit is recognised during the financial year	<b>11,748</b>	–	<b>11,748</b>	–

### 33 EARNINGS PER SHARE

#### (a) Basic earnings per share

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

	Group			Bank		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
Net profit for the financial year (RM'000)	<b>1,805,735</b>	1,745,062	1,415,247	<b>1,631,982</b>	1,557,262	1,326,841
Weighted average number of ordinary shares in issue ('000)	<b>6,636,170</b>	6,636,170	6,636,170	<b>6,636,170</b>	6,636,170	6,636,170
Basic earnings per share (sen)	<b>27.21</b>	26.30	21.33	<b>24.59</b>	23.47	19.99

#### (b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2012 and 31 December 2011.

### 34 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

	31.12.2012			31.12.2011		
	Before tax RM'000	Tax expenses RM'000	Net of tax amount RM'000	Before tax RM'000	Tax expenses RM'000	Net of tax amount RM'000
<b>Group</b>						
Financial investments available-for-sale						
– net fair value gain and amount transfer to income statements	<b>34,383</b>	<b>(8,538)</b>	<b>25,845</b>	70,914	(17,939)	52,975
<b>Bank</b>						
Financial investments available-for-sale						
– net fair value gain and amount transfer to income statements	<b>38,635</b>	<b>(9,659)</b>	<b>28,976</b>	71,950	(17,988)	53,962

### 35 ORDINARY DIVIDENDS

Dividend declared and proposed are as follows:

	31.12.2012		31.12.2011	
	Gross dividend per share sen	Amount of dividends, net of tax RM'000	Gross dividend per share sen	Amount of dividends, net of tax RM'000
Ordinary shares				
Interim dividend	3.42	170,000	–	–
Final dividend	–	–	7.03	350,000
	<b>3.42</b>	<b>170,000</b>	7.03	350,000

At the forthcoming Annual General Meeting, a final gross dividend of 1.13 sen per share less 25% tax amounting to RM56,400,000 and single-tiered dividend of 2.74 sen per share amounting to RM181,600,000 in respect of the current financial year will be proposed for shareholder's approval. These financial statements do not reflect this final dividend which will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2013 when approved by the shareholder.

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

	31.12.2012		31.12.2011	
	Gross dividend per share sen	Amount of dividends, net of tax RM'000	Gross dividend per share sen	Amount of dividends, net of tax RM'000
Ordinary shares				
Interim dividend for 2012	3.42	170,000	–	–
Final dividend for 2011	7.03	350,000	–	–
Final dividend for 2010	–	–	4.78	237,907
	<b>10.45</b>	<b>520,000</b>	4.78	237,907

### 36 SIGNIFICANT RELATED PARTY DISCLOSURES

#### (a) Related parties and relationships

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

Related parties	Relationships
RHB Capital Berhad	Holding company
Subsidiaries of RHB Capital Berhad as disclosed in its financial statements	Subsidiaries of the holding company
Employee Provident Fund (EPF)	Major shareholder, a fund body that is significantly influenced by government
Subsidiaries and associates of EPF as disclosed in its financial statements	Reporting entities that EPF has control or significant influence
Subsidiaries of the Bank as disclosed in Note 12	Subsidiaries
Key management personnel	The key management personnel of the Group and the Bank consists of: <ul style="list-style-type: none"> <li>– All directors of the Bank, its key subsidiaries and RHB Capital Berhad</li> <li>– RHB Bank Berhad and its subsidiaries Management Committee members</li> </ul>
Related parties of key management personnel (deemed as related to the Bank)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significantly influenced, by or for which significant voting power in such entity resides with, directly or indirectly key management personnel or its close family members



### 36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

In addition to related party disclosures mentioned in Notes 8 and 17, set out below are other significant related party transactions and balances.

Transactions or balances with newly acquired subsidiaries during the financial year are reported as related party transactions or balances from the date the Group and the Bank are deemed to have control over the subsidiaries.

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

Group	Holding company RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	Other related companies RM'000
<b>31.12.2012</b>				
<b>Income</b>				
Interest on deposits and placements with other financial institutions	-	-	-	402
Interest on loans, advances and financing	12,187	51,035	99	(98)
Other income	-	7	-	9,504
	<b>12,187</b>	<b>51,042</b>	<b>99</b>	<b>9,808</b>
<b>Expenditure</b>				
Interest on deposits and placements of banks and other financial institutions	-	-	-	10,682
Interest on deposits from customers	2,090	87,471	155	5,364
Rental of premises	-	-	-	13,431
Management fee	-	-	-	4,371
Other expenses	-	-	-	39,536
	<b>2,090</b>	<b>87,471</b>	<b>155</b>	<b>73,384</b>
<b>Amount due from</b>				
Derivative assets	-	-	-	2,285
Loans, advances and financing	285,449	1,316,840	3,548	-
Other assets	5,643	-	-	14,242
	<b>291,092</b>	<b>1,316,840</b>	<b>3,548</b>	<b>16,527</b>
<b>Amount due to</b>				
Deposits from customers	36,238	3,101,821	19,758	267,004
Deposits and placements of banks and other financial institutions	-	-	-	1,162,434
Derivative liabilities	-	-	-	2,384
Bills and acceptances payable	-	-	-	95,181
Other liabilities	99	-	-	6,397
Hybrid Tier-I Capital Securities	-	-	-	5,014
Senior Debt Securities	-	-	-	27,646
	<b>36,337</b>	<b>3,101,821</b>	<b>19,758</b>	<b>1,566,060</b>

**36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

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

Group	Holding company RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	Other related companies RM'000
<b>31.12.2011</b>				
<b>Income</b>				
Interest on deposits and placements with other financial institutions	-	-	-	489
Interest on loans, advances and financing	12,604	20,842	111	-
Other income	-	-	2	5,608
	12,604	20,842	113	6,097
<b>Expenditure</b>				
Interest on deposits and placements of banks and other financial institutions	-	-	-	5,396
Interest on deposits from customers	1,127	116,367	422	5,283
Rental of premises	-	-	-	13,040
Management fee	-	-	-	3,563
Other expenses	-	-	-	24,551
	1,127	116,367	422	51,833
<b>Amount due from</b>				
Derivative assets	-	-	2,850	3,202
Loans, advances and financing	302,787	2,771,327	-	-
Other assets	1,388	-	-	24,829
	304,175	2,771,327	2,850	28,031
<b>Amount due to</b>				
Deposits from customers	27,515	1,907,441	31,770	218,497
Deposits and placements of banks and other financial institutions	-	-	-	100,936
Derivative liabilities	-	-	-	4,821
Other liabilities	99	-	-	2,534
Hybrid Tier-I Capital Securities	-	-	-	5,012
	27,614	1,907,441	31,770	331,800

### 36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank	Holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
<b>31.12.2012</b>					
<b>Income</b>					
Interest on deposits and placements with other financial institutions	-	-	47,361	-	402
Interest on loans, advances and financing	12,187	36,560	796	31	-
Dividend income from subsidiaries	-	-	9,363	-	-
Other income	-	7	(8,371)	-	9,246
	<b>12,187</b>	<b>36,567</b>	<b>49,149</b>	<b>31</b>	<b>9,648</b>
<b>Expenditure</b>					
Interest on deposits and placements of banks and other financial institutions	-	-	349	-	9,612
Interest on deposits from customers	2,090	87,102	1,487	141	5,251
Rental of premises	-	-	5,012	-	13,431
Management fee	-	-	-	-	4,371
Reimbursement of operating expense from a subsidiary	-	-	(67,687)	-	-
Other expenses	-	-	9	-	38,753
	<b>2,090</b>	<b>87,102</b>	<b>(60,830)</b>	<b>141</b>	<b>71,418</b>
<b>Amount due from</b>					
Money at call and deposit placements	-	-	66,949	-	-
Deposits and placements with banks and other financial institutions	-	-	3,092,243	-	-
Derivative assets	-	-	20,112	-	2,285
Loans, advances and financing	285,449	668,801	141,803	2,174	-
Other assets	5,643	-	384,913	-	14,242
	<b>291,092</b>	<b>668,801</b>	<b>3,706,020</b>	<b>2,174</b>	<b>16,527</b>
<b>Amount due to</b>					
Deposits from customers	36,238	2,996,444	91,989	16,701	263,494
Deposits and placements of banks and other financial institutions	-	-	78,036	-	1,162,434
Derivative liabilities	-	-	2,278	-	2,384
Bills and acceptances payable	-	-	-	-	95,181
Other liabilities	-	-	26,025	-	5,996
Hybrid Tier-I Capital Securities	-	-	-	-	5,014
Senior Debt Securities	-	-	-	-	27,646
	<b>36,238</b>	<b>2,996,444</b>	<b>198,328</b>	<b>16,701</b>	<b>1,562,149</b>

**36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

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

Bank	Holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
<b>31.12.2011</b>					
<b>Income</b>					
Interest on deposits and placements with other financial institutions	–	–	30,684	–	489
Interest on loans, advances and financing	12,604	17,069	781	111	–
Dividend income from subsidiaries	–	–	18,785	–	–
Other income	–	–	46,816	2	5,310
	12,604	17,069	97,066	113	5,799
<b>Expenditure</b>					
Interest on deposits and placements of banks and other financial institutions	–	–	131	–	2,499
Interest on deposits from customers	1,127	92,089	755	419	5,283
Rental of premises	–	–	4,898	–	12,943
Management fee	–	–	–	–	3,563
Reimbursement of operating expenses from a subsidiary	–	–	(51,325)	–	–
Other expenses	–	–	9	–	24,000
	1,127	92,089	(45,532)	419	48,288
<b>Amount due from</b>					
Money at call and deposit placements	–	–	165,184	–	–
Deposits and placements of banks and other financial institutions	–	–	1,745,518	–	–
Derivative assets	–	–	36,846	–	3,202
Loans, advances and financing	302,787	2,695,617	141,803	2,849	–
Other assets	1,388	–	457,977	–	24,829
	304,175	2,695,617	2,547,328	2,849	28,031
<b>Amount due to</b>					
Deposits from customers	27,515	1,805,617	73,806	31,548	215,013
Deposits and placements of banks and other financial institutions	–	–	138,276	–	900
Derivative liabilities	–	–	–	–	4,821
Other liabilities	–	–	21,342	–	2,262
Hybrid Tier-I Capital Securities	–	–	–	–	5,012
	27,515	1,805,617	233,424	31,548	228,008

### 36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
The approved limit on loans, advances and advances and financing for key management personnel	<b>9,142</b>	7,897	<b>5,782</b>	7,897

#### (c) Key management personnel

The remuneration of key management personnel are as follows:

	Group		Bank	
	31.12.2012 RM'000	31.12.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000
Short-term employee benefits				
– Fees	<b>776</b>	746	<b>731</b>	717
– Salary and other remuneration	<b>16,949</b>	13,412	<b>12,410</b>	11,728
– Benefits-in-kind	<b>56</b>	49	<b>56</b>	31
	<b>17,781</b>	14,207	<b>13,197</b>	12,476

#### (d) Credit exposures arising from transactions with connected parties

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

	Group		Bank	
	31.12.2012	31.12.2011	31.12.2012	31.12.2011
Outstanding credit exposure with connected parties (RM'000)	<b>5,090,268</b>	3,737,389	<b>4,306,830</b>	3,669,328
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	<b>4.08</b>	3.44	<b>4.13</b>	3.98
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	<b>0.16</b>	0.14	<b>0.17</b>	0.14

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

**37 COMMITMENTS AND CONTINGENCIES**

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to customers.

Risk weighted exposures of the Group are as follows:

	31.12.2012			31.12.2011			1.1.2011		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes#	2,180,636	2,143,725	1,425,061	1,506,861	1,436,755	1,216,657	2,366,972	2,301,345	2,575,444
Transaction-related contingent items#	2,495,813	1,224,748	881,556	2,189,069	1,070,325	870,657	1,905,733	929,964	963,854
Short-term self-liquidating trade-related contingencies	1,009,851	199,301	128,967	902,010	178,398	97,424	825,269	162,953	125,968
Obligations under underwriting agreements	90,000	45,000	45,000	208,500	104,250	104,250	29,000	14,500	14,500
Irrevocable commitments to extend credit <sup>©</sup> :									
- maturity more than one year	24,625,669	11,615,012	7,819,086	25,028,693	5,197,837	3,604,762	4,492,229	1,302,224	1,079,891
- maturity less than one year	10,237,339	5,733,709	3,610,770	10,133,756	1,962,417	1,301,101	31,965,921	1,582,218	955,370
Foreign exchange related contracts <sup>©</sup> :									
- less than one year	9,575,927	162,659	108,731	13,558,443	377,570	175,414	14,267,825	306,554	157,387
- one year to less than five years	5,213,212	922,498	275,190	1,767,969	536,076	296,040	1,183,447	564,225	300,962
Interest rate related contracts <sup>©</sup> :									
- less than one year	7,823,637	22,654	8,926	4,195,536	9,651	2,812	2,386,825	10,333	2,840
- one year to less than five years	14,053,210	440,757	235,476	13,016,528	321,650	110,735	9,245,957	277,524	73,253
- more than five years	600,000	53,026	53,026	600,000	61,198	16,760	415,000	41,611	8,322
Commodity contracts <sup>©</sup> :									
- less than one year	-	-	-	-	-	-	17,628	-	-
<b>Total</b>	<b>77,905,294</b>	<b>22,563,089</b>	<b>14,591,789</b>	<b>73,107,365</b>	<b>11,256,127</b>	<b>7,796,612</b>	<b>69,101,806</b>	<b>7,493,451</b>	<b>6,257,791</b>

<sup>©</sup> These derivatives are revalued on gross position basis and the unrealised gains or losses are reflected in Note 9 Derivatives Assets/(Liabilities).

\* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

# Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of RM2,033,671,000, RM1,265,827,000 and RM1,797,114,000 as at 31 December 2012, 2011 and 2010 respectively, of which fair value at the time of issuance is zero.

Foreign exchange, interest rate related and commodity contracts are subject to market risk and credit risk.

The credit equivalent amount (CE) and risk weighted amount (RWA) of the Group are an aggregate of CE and RWA of the Bank, which is computed in accordance with BNM's Guidelines 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) and the CE and RWA of its Islamic bank subsidiary, which is computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (CAIFB): Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

### 37 COMMITMENTS AND CONTINGENCIES (CONTINUED)

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to customers.

Risk weighted exposures of the Bank are as follows:

	31.12.2012			31.12.2011			1.1.2011		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes#	2,123,886	2,086,975	1,425,061	1,381,139	1,311,033	1,090,935	2,170,663	2,105,036	2,379,135
Transaction-related contingent items#	2,128,836	1,041,259	735,019	2,085,264	1,018,423	830,569	1,750,541	852,367	925,554
Short-term self-liquidating trade-related contingencies	954,248	188,181	127,669	859,586	169,913	96,457	785,946	155,088	117,929
Irrevocable commitments to extend credit <sup>⊗</sup> :									
– maturity more than one year	22,480,527	10,541,472	6,908,020	22,488,731	4,689,844	3,157,503	3,938,118	1,076,912	887,601
– maturity less than one year	8,395,198	5,210,759	3,235,038	8,466,652	1,628,996	965,596	29,557,105	1,361,312	734,464
Foreign exchange related contracts <sup>⊗</sup> :									
– less than one year	9,290,698	162,443	107,491	13,398,568	375,000	174,841	14,269,356	306,593	157,427
– one year to less than five years	5,213,212	922,498	275,190	1,767,969	536,076	296,040	1,183,447	564,225	300,962
Interest rate related contracts <sup>⊗</sup> :									
– less than one year	9,023,637	26,183	10,691	4,195,536	9,461	2,616	2,386,825	10,333	2,840
– one year to less than five years	16,134,862	502,857	266,525	15,635,548	408,724	154,272	9,895,957	303,524	86,253
– more than five years	600,000	53,026	53,026	600,000	61,198	16,760	415,000	41,611	8,322
Commodity contracts <sup>⊗</sup> :									
– less than one year	–	–	–	–	–	–	17,628	–	–
<b>Total</b>	<b>76,345,104</b>	<b>20,735,653</b>	<b>13,143,730</b>	<b>70,878,993</b>	<b>10,208,668</b>	<b>6,785,589</b>	<b>66,370,586</b>	<b>6,777,001</b>	<b>5,600,487</b>

⊗ These derivatives are revalued on gross position basis and the unrealised gains or losses are reflected in Note 9 Derivatives Assets/(Liabilities).

\* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

# Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of RM1,922,203,000, RM1,184,163,000 and RM1,657,429,000 as at 31 December 2012, 2011 and 2010 respectively, of which fair value at the time of issuance is zero.

Foreign exchange, interest rate related and commodity contracts are subject to market risk and credit risk.

The CE and RWA of the Bank are computed in accordance with BNM's Guidelines 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).

### 38 OPERATING LEASE COMMITMENTS

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

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Within one year	<b>47,310</b>	35,524	36,465	<b>47,465</b>	44,297	38,579
Between one to five years	<b>34,077</b>	49,321	38,589	<b>34,232</b>	48,536	33,005
More than five years	<b>1,207</b>	1,694	2,246	<b>1,207</b>	1,694	2,246
	<b>82,594</b>	86,539	77,300	<b>82,904</b>	94,527	73,830

### 39 CAPITAL COMMITMENTS

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Capital expenditure for property, plant and equipment:						
Authorised and contracted for						
Authorised and contracted for	<b>54,269</b>	71,539	71,444	<b>53,678</b>	70,909	62,211
Authorised but not contracted for	<b>174,364</b>	128,254	102,168	<b>123,600</b>	104,396	84,679
	<b>228,633</b>	199,793	173,612	<b>177,278</b>	175,305	146,890
Proposed acquisition of Bank Mestika (refer to Note 46 (d))	<b>538,620</b>	1,163,126	1,163,126	<b>538,620</b>	1,163,126	1,163,126
	<b>767,253</b>	1,362,919	1,336,738	<b>715,898</b>	1,338,431	1,310,016



## 40 FINANCIAL RISK MANAGEMENT

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

#### OVERVIEW AND ORGANISATION

Risk is inherent in banking business and sound risk management is the cornerstone of prudent banking.

In compliance with best practices under the Malaysian Code of Corporate Governance, the Board of Directors (Board or BOD) through the Group Risk Management Committee (GRMC) and the Group Risk Management function (GRM function) is responsible for identifying principal risks and ensuring that there is an ongoing process to continuously manage the Bank's risks actively.

The GRMC provides oversight and management of all risks. The GRM function is independent of the origination and sales function, and assists the GRMC and Board in formulating risk related policies.

The GRMC comprises non-executive directors with at least five (5) members. Members of the GRMC are directors who are exclusively non-executive in all of their directorships within the RHB Banking Group.

Overriding objectives of the GRMC:

- (i) To provide oversight and governance of risks of the RHB Banking Group (Group);
- (ii) To oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process of each entity in the Group is in place and functioning;
- (iii) To deliberate and make recommendations to the Board of each relevant entity within the Group in respect of risk management matters of the respective entities.

The primary responsibility for managing risks, however, rests with business managers. They are best equipped to ensure that risk management and controls are 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. Additionally, the management of risks associated with financial instruments is carried out in the organisation. The Board has set up policies and procedures to manage the risks that may arise in connection with the use of financial instruments.

#### Major Areas of Risk

As a banking institution with key activities covering retail, business banking, corporate banking and treasury products and services, the Group and the Bank are 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 potential loss resulting from adverse movements in the level of market prices, interest rate and foreign currency exchange.
- (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.
- (iii) Credit risk – the risk of potential loss due to changes in the quality of counter-parties and the market price for credit risk (collateral).
- (iv) Operational risk – the risk of loss resulting from inadequate or failed internal processes, people, systems or external events as well as the risk of breach in of applicable laws and regulatory requirements.

#### **40 FINANCIAL RISK MANAGEMENT (CONTINUED)**

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

To mitigate the aforesaid business risks the Group and the Bank, and the GRMC has put in place the following:

##### **Market Risk**

- A framework of risk policies, measurement methodologies and limits, as approved by the Board, controls financial market activities as well as identifies potential risk areas to mitigate any adverse effects from market volatility.
- The GRM function plays an independent role in the monitoring and assessing of risk exposures and reports independently to the GRMC.
- Risk measurement techniques and stress testing are applied to the Bank's portfolio on a regular basis.
- For currency risk:
  - Approved overall position limits are applied for foreign exchange spot trading portfolio. Trading loss limits are imposed on each trading desk. The levels of these exposures (including off-balance sheet items), by overall total for both intra-day and overnight positions, are monitored daily for compliance with the approved limits. These limits are reviewed regularly and are in line with strategies set by the GRMC.
  - Foreign and overseas investments, which are funded by purchases with resultant open foreign exchange positions, are monitored and appropriate hedging strategies are undertaken in line with market trends.
- For interest rate risk:
  - The Asset and Liability Committee (ALCO) monitors the balance sheet position and assesses it for profit and loss impacts arising from sensitivity to interest rate movements.
  - The ALCO also sets and reviews limits on the level of mismatch of interest rate re-pricing that may be undertaken. Likewise, fixed rate assets, especially long term assets, are subject to various limit parameters.

##### **Liquidity Risk**

- The ALCO plays a fundamental role in the asset/liability management of the Bank, and establishes strategies that assist in controlling and reducing any potential exposures to liquidity risk.
- 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 at unexpected levels of demand.
- Defined liquidity management ratios are maintained and monitored.
- The Bank's liquidity framework is subject to periodic stress tests and the results are reviewed to ensure constant compliance with BNM's Liquidity Framework.
- The Bank has established a Group Liquidity Policy Statement. In addition, plans to manage any potential adverse liquidity incidences have also been put in place; and can be implemented on a timely basis so that appropriate actions can be taken to remedy any unexpected market developments.

## 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

#### Credit Risk

- The Bank abides to the Board approved credit policy which supports the development of a strong credit culture with the objectives of maintaining a diversified portfolio that addresses credit risk, and mitigates concern for unexpected losses. Market best practices are incorporated into this policy.
- The Bank also ensures that processes are in place before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being evaluated by an independent credit evaluation and management function. The Central Credit Committee and the Group Credit Committee sanction credits beyond established prudential thresholds. The adherence to the discretionary powers sanctioned by the Board is monitored by the Central Compliance function.
- A risk rating system is used to categorise the risk of individual credits. Clients' accounts are reviewed at regular intervals and weakening credits are transferred to Loan Recovery for more effective management.
- Counter-party, 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 economic 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, and (iii) designing and implementing modelling of expected and unexpected losses.

#### Operational Risk

- The GRM function is responsible for the development of bank-wide operational risk policies, frameworks and methodologies, and providing inputs 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.
- The Bank uses an operational risk management system. This system has integrated applications for supporting the entire operational risk management process for loss event data collection and management, loss event analysis, assessment and monitoring of the quality of the internal control environment, risk scenario analysis and measurement, comprehensive reporting of operational risks and internal control quality and tracking of risk mitigation and control improvement actions. This system facilitates the Bank's capabilities for the Advanced Measurement Approach of the Basel II Framework in the future.
- The Bank has a Business Continuity Planning (BCP) programme for its critical business operations and activities at the Head Office, data centre, and branch locations. The BCP programme is subject to regular testing to ensure efficacy, reliability and functionality.
- The Bank continually refine and strengthen existing policies, procedures and internal control measures; and continually conduct internal review, compliance monitoring, and audit to prevent and minimise unexpected losses.

## **40 FINANCIAL RISK MANAGEMENT (CONTINUED)**

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

#### **Capital Management**

The overall capital management objective is to ensure that the Group has adequate capital to maintain stability, while meeting its business objectives and in line with its risk appetite. Capital management involves capital strategy, capital planning, and capital structuring, capital optimisation and dividend payout.

#### Capital Strategy

Capital strategy includes the determination of target capital under both normal and stress market conditions and considers the business risk and strategic objectives, external credit ratings, and capital adequacy requirements. A comprehensive capital adequacy assessment is conducted at least annually to ensure that the target capital level is appropriate.

#### Capital Planning

Based on strategic directions and regulatory requirements, the Group and its entities formulate a capital plan to support its overall risk profile and forecasts the capital demand for material risks for which capital held is deemed appropriate. The capital plan describes the actions required to raise capital in a timely manner in both normal and stress 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 and/or its entities maintain adequate capital on a forward-looking basis. The Group also has 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 Strategic Risk Management Committee for endorsement, and submitted to Group Risk Management Committee and the Board for approval.

#### Capital Structuring

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 an 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.

#### Dividend Pay-Out

The Group aims to achieve a balance between dividend payout 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.

#### **Basel II Implementation**

In 2004, BNM announced a two-phased approach for implementing the standards recommended by the Bank of International Settlements set out in "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (Basel II) in Malaysia. In the first phase, banking institutions are required to adopt the Standardised Approach (SA) for credit risk by the end of 2008. In the second phase, qualified banking institutions are allowed to migrate directly to the Internal Ratings-Based approach (IRB) beginning from 2010.

## 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

#### Basel II Implementation (continued)

The RHB Banking Group places great importance to Basel II and views it as a group-wide initiative in meeting international best practices for credit, market and operational risk management. A dedicated Basel II Steering Committee (B2SC) was set up since October 2004 to oversee the implementation of Basel II initiatives throughout the Group and to ensure that it is on track in meeting regulatory requirements as outlined in the Risk-Weighted Capital Adequacy Framework (RWCAF) for banking institutions and the Capital Adequacy Framework for Islamic Banks (CAFIB) issued by BNM. The B2SC has since been dissolved in November 2011, and the powers and responsibilities of the B2SC are now vested to the Group Capital and Strategic Risk Management Committee Operational. Issues related to Basel/Basel II Implementation are deliberated at the Basel Group Working Committee meetings.

For the purpose of complying with regulatory requirements, the approaches adopted by the respective entities in 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	Standardised Approach	Basic Indicator Approach

For purpose of credit risk measurement, the Bank has applied the IRB principles for credit risk since January 2010, following preliminary approval by BNM in December 2009 for the Bank to migrate directly to the IRB approach. Upon approval from BNM, the Bank migrated to IRB for credit risk in July 2010. For RHB Islamic Bank Berhad, the SA has been adopted for credit risk since 2008.

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category

Group	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
<b>31.12.2012</b>					
<b>Assets as per statement of financial position</b>					
Cash and short-term funds	22,557,727	-	-	-	22,557,727
Securities purchased under resale agreements	676,858	-	-	-	676,858
Deposits and placements with banks and other financial institutions	3,549,648	-	-	-	3,549,648
Financial assets held-for-trading	-	1,549,863	-	-	1,549,863
Financial investments available-for-sale	-	-	10,026,311	-	10,026,311
Financial investments held-to-maturity	-	-	-	17,801,251	17,801,251
Loans, advances and financing	107,465,886	-	-	-	107,465,886
Other financial assets	239,837	-	-	-	239,837
Derivative assets	-	250,917	-	-	250,917
	<b>134,489,956</b>	<b>1,800,780</b>	<b>10,026,311</b>	<b>17,801,251</b>	<b>164,118,298</b>

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities RM'000	Total RM'000
<b>Liabilities as per statement of financial position</b>			
Deposits from customers	-	131,309,626	131,309,626
Deposits and placements of banks and other financial institutions	-	11,935,887	11,935,887
Bills and acceptances payable	-	3,732,067	3,732,067
Other financial liabilities	-	691,249	691,249
Derivative liabilities	273,197	-	273,197
Recourse obligation on loans sold to Cagamas Berhad	-	2,445,361	2,445,361
Long term borrowings	-	632,778	632,778
Subordinated obligations	-	4,020,919	4,020,919
Hybrid Tier-I Capital Securities	-	606,086	606,086
Senior Debt Securities	-	1,536,674	1,536,674
	<b>273,197</b>	<b>156,910,647</b>	<b>157,183,844</b>

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (b) Financial instruments by category (continued)

Group	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
<b>31.12.2011</b>					
<b>Assets as per statement of financial position</b>					
Cash and short-term funds	18,392,186	–	–	–	18,392,186
Securities purchased under resale agreements	142,291	–	–	–	142,291
Deposits and placements with banks and other financial institutions	937,828	–	–	–	937,828
Financial assets held-for-trading	–	1,303,419	–	–	1,303,419
Financial investments available-for-sale	–	–	8,015,085	–	8,015,085
Financial investments held-to-maturity	–	–	–	13,475,167	13,475,167
Loans, advances and financing	95,317,875	–	–	–	95,317,875
Other financial assets	179,244	–	–	–	179,244
Derivative assets	–	226,980	–	–	226,980
	114,969,424	1,530,399	8,015,085	13,475,167	137,990,075
<b>Liabilities as per statement of financial position</b>					
Deposits from customers			–	113,638,280	113,638,280
Deposits and placements of banks and other financial institutions			–	7,996,621	7,996,621
Bills and acceptances payable			–	3,764,155	3,764,155
Other financial liabilities			–	700,555	700,555
Derivative liabilities			237,004	–	237,004
Recourse obligation on loans sold to Cagamas Berhad			–	1,161,814	1,161,814
Long term borrowings			–	759,020	759,020
Subordinated obligations			–	3,269,678	3,269,678
Hybrid Tier-I Capital Securities			–	605,570	605,570
			237,004	131,895,693	132,132,697

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Group	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
<b>1.1.2011</b>					
<b>Assets as per statement of financial position</b>					
Cash and short-term funds	12,981,081	–	–	–	12,981,081
Securities purchased under resale agreements	276,407	–	–	–	276,407
Deposits and placements with banks and other financial institutions	824,071	–	–	–	824,071
Financial assets held-for-trading	–	348,511	–	–	348,511
Financial investments available-for-sale	–	–	9,933,578	–	9,933,578
Financial investments held-to-maturity	–	–	–	10,674,245	10,674,245
Loans, advances and financing	81,515,787	–	–	–	81,515,787
Other financial assets	117,062	–	–	–	117,062
Derivative assets	–	298,389	–	–	298,389
	95,714,408	646,900	9,933,578	10,674,245	116,969,131
<b>Liabilities as per statement of financial position</b>					
			<b>Liabilities at fair value through the profit and loss RM'000</b>	<b>Other financial liabilities RM'000</b>	<b>Total RM'000</b>
Deposits from customers			–	92,402,813	92,402,813
Deposits and placements of banks and other financial institutions			–	7,680,309	7,680,309
Bills and acceptances payable			–	3,536,140	3,536,140
Other financial liabilities			–	811,377	811,377
Derivative liabilities			240,161	–	240,161
Recourse obligation on loans sold to Cagamas Berhad			–	818,503	818,503
Long term borrowings			–	819,362	819,362
Subordinated obligations			–	3,018,157	3,018,157
Hybrid Tier-I Capital Securities			–	605,407	605,407
			240,161	109,692,068	109,932,229







#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (b) Financial instruments by category (continued)

Bank	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
<b>1.1.2011</b>					
<b>Assets as per statement of financial position</b>					
Cash and short-term funds	11,093,561	–	–	–	11,093,561
Securities purchased under resale agreements	276,407	–	–	–	276,407
Deposits and placements with banks and other financial institutions	1,539,648	–	–	–	1,539,648
Financial assets held-for-trading	–	129,583	–	–	129,583
Financial investments available-for-sale	–	–	8,143,221	–	8,143,221
Financial investments held-to-maturity	–	–	–	9,558,312	9,558,312
Loans, advances and financing	71,169,425	–	–	–	71,169,425
Other financial assets	152,140	–	–	–	152,140
Derivative assets	–	298,148	–	–	298,148
	84,231,181	427,731	8,143,221	9,558,312	102,360,445

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities RM'000	Total RM'000
<b>Liabilities as per statement of financial position</b>			
Deposits from customers	–	80,567,577	80,567,577
Deposits and placements of banks and other financial institutions	–	6,158,453	6,158,453
Bills and acceptances payable	–	3,524,016	3,524,016
Other financial liabilities	–	702,993	702,993
Derivative liabilities	238,984	–	238,984
Recourse obligation on loans sold to Cagamas Berhad	–	818,503	818,503
Long term borrowings	–	819,362	819,362
Subordinated obligations	–	3,018,157	3,018,157
Hybrid Tier-I Capital Securities	–	605,407	605,407
	238,984	96,214,468	96,453,452

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (c) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest 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 as at 31 December 2012.

The scenarios used are simplified whereby it is assumed 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. In reality, the Group and the Bank proactively seeks to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

##### (i) Interest/profit rate sensitivity analysis

The following table shows the sensitivity of the Group's and the Bank's profit after tax and its equity to an immediate up and down +/-100 basis point (bps) (2010: +/-50 bps) parallel shift in the interest rate.

	Impact on profit after tax RM'000	Group Impact on equity RM'000	Impact on profit after tax RM'000	Bank Impact on equity RM'000
<b>31.12.2012</b>				
+100 bps	<b>43,357</b>	<b>(323,080)</b>	<b>70,233</b>	<b>(269,083)</b>
-100 bps	<b>(42,080)</b>	<b>345,633</b>	<b>(69,931)</b>	<b>285,998</b>
<b>31.12.2011</b>				
+100 bps	27,145	(199,500)	75,026	(176,324)
-100 bps	(26,146)	212,440	(74,677)	188,584
<b>1.1.2011</b>				
+50 bps	19,264	(139,128)	30,085	(115,952)
-50 bps	(19,257)	143,587	(30,089)	119,732

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

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 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 rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 100 bps interest rate (100 bps for 2011) 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 bearing assets and liabilities.

Impact on equity represents the changes in fair values of fixed income instruments held in the available-for-sale portfolio arising from the shift in the interest rate.

## 40 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 on the consolidated currency position, while other variables remain constant.

	Group Impact on profit after tax RM'000	Bank Impact on profit after tax RM'000
<b>31.12.2012</b>		
+5%	<b>1,563</b>	<b>4,139</b>
-5%	<b>(1,563)</b>	<b>(4,139)</b>
<b>31.12.2011</b>		
+5%	11,402	10,139
-5%	(11,402)	(10,139)
<b>1.1.2011</b>		
+5%	(657)	(832)
-5%	657	832

## 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Market risk (continued)

## Interest/Profit rate risk

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

Group	Non-trading book							Trading book RM'000	Total RM'000	
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000			
<b>31.12.2012</b>										
<b>ASSETS</b>										
Cash and short-term funds	21,019,784	-	-	-	-	-	-	1,537,943	-	22,557,727
Securities purchased under resale agreements	676,858	-	-	-	-	-	-	-	-	676,858
Deposits and placements with banks and other financial institutions	-	2,562,588	275,220	82,168	196,492	417,494	15,686	-	-	3,549,648
Financial assets held-for-trading	-	-	-	-	-	-	-	-	1,549,863	1,549,863
Financial investments available-for-sale	814,264	1,237,463	1,295,703	31,278	780,881	5,426,255	440,467	-	-	10,026,311
Financial investments held-to-maturity	1,339,574	483,232	1,036,833	409,424	3,167,058	11,344,240	20,890#	-	-	17,801,251
Loans, advances and financing										
– performing	61,323,488	9,426,617	4,363,247	1,953,458	8,814,958	20,545,013	124,312	-	-	106,551,093
– impaired	-	-	-	-	-	-	914,793*	-	-	914,793
Other assets	-	-	-	-	-	-	391,400	-	-	391,400
Derivative assets	-	-	-	-	-	-	-	-	250,917	250,917
Statutory deposits	-	-	-	-	-	-	-	3,589,364	-	3,589,364
Tax recoverable	-	-	-	-	-	-	14	-	-	14
Deferred tax assets	-	-	-	-	-	-	8,455	-	-	8,455
Property, plant and equipment	-	-	-	-	-	-	663,044	-	-	663,044
Goodwill and intangible assets	-	-	-	-	-	-	1,124,349	-	-	1,124,349
<b>TOTAL ASSETS</b>	<b>85,173,968</b>	<b>13,709,900</b>	<b>6,971,003</b>	<b>2,476,328</b>	<b>12,959,389</b>	<b>37,733,002</b>	<b>8,830,717</b>	<b>1,800,780</b>	<b>169,655,087</b>	

# Consist of impairment loss.

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

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (c) Market risk (continued)

###### Interest/Profit rate risk (continued)

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

Group	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000		
<b>31.12.2012</b>									
<b>LIABILITIES</b>									
Deposits from customers	57,313,525	22,260,799	12,794,216	16,180,086	837,725	37,257	21,886,018	-	131,309,626
Deposits and placements of banks and other financial institutions	5,854,744	3,354,997	1,204,236	262,921	561,683	643,382	53,924	-	11,935,887
Bills and acceptances payable	1,407,284	1,602,519	427,955	-	-	-	294,309	-	3,732,067
Other liabilities	-	-	-	-	-	-	953,404	-	953,404
Derivative liabilities	-	-	-	-	-	-	-	273,197	273,197
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	500,000	1,933,887	11,474	-	2,445,361
Taxation	-	-	-	-	-	-	125,663	-	125,663
Deferred tax liabilities	-	-	-	-	-	-	50,907	-	50,907
Long term borrowings	-	382,250	248,462	-	-	-	2,066	-	632,778
Subordinated obligations	-	-	-	-	700,000	3,296,782	24,137	-	4,020,919
Hybrid Tier-I Capital Securities	-	-	-	-	-	597,744	8,342	-	606,086
Senior Debt Securities	-	-	-	-	-	1,529,772	6,902	-	1,536,674
<b>TOTAL LIABILITIES</b>	<b>64,575,553</b>	<b>27,600,565</b>	<b>14,674,869</b>	<b>16,443,007</b>	<b>2,599,408</b>	<b>8,038,824</b>	<b>23,417,146</b>	<b>273,197</b>	<b>157,622,569</b>
Total equity	-	-	-	-	-	-	12,032,518	-	12,032,518
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>64,575,553</b>	<b>27,600,565</b>	<b>14,674,869</b>	<b>16,443,007</b>	<b>2,599,408</b>	<b>8,038,824</b>	<b>35,449,664</b>	<b>273,197</b>	<b>169,655,087</b>
On-balance sheet interest sensitivity gap	20,598,415	(13,890,665)	(7,703,866)	(13,966,679)	10,359,981	29,694,178			
Off-balance sheet interest sensitivity gap	512,351	4,766,054	(1,849,373)	188,460	(1,409,748)	(2,181,016)			
<b>TOTAL INTEREST-SENSITIVITY GAP</b>	<b>21,110,766</b>	<b>(9,124,611)</b>	<b>(9,553,239)</b>	<b>(13,778,219)</b>	<b>8,950,233</b>	<b>27,513,162</b>			

## 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Market risk (continued)

## Interest/Profit rate risk (continued)

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

Group	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000		
<b>31.12.2011</b>									
<b>ASSETS</b>									
Cash and short-term funds	17,082,422	-	-	-	-	-	-	-	18,392,186
Securities purchased under resale agreements	142,291	-	-	-	-	-	-	-	142,291
Deposits and placements with banks and other financial institutions	-	899,081	37,372	254	-	-	1,121	-	937,828
Financial assets held-for-trading	-	-	-	-	-	-	-	1,303,419	1,303,419
Financial investments available-for-sale	495,610	847,589	898,176	49,070	611,542	4,655,170	457,928	-	8,015,085
Financial investments held-to-maturity	378,974	1,534,492	762,388	679,885	2,683,994	7,445,212	(9,778)#	-	13,475,167
Loans, advances and financing									
- performing	50,955,694	7,263,251	4,128,153	1,993,922	7,728,868	21,972,491	160,819	-	94,203,198
- impaired	-	-	-	-	-	-	1,114,677*	-	1,114,677
Other assets	-	-	-	-	-	-	306,546	-	306,546
Derivative assets	-	-	-	-	-	-	-	226,980	226,980
Statutory deposits	-	-	-	-	-	-	3,168,309	-	3,168,309
Tax recoverable	-	-	-	-	-	-	127,265	-	127,265
Deferred tax assets	-	-	-	-	-	-	11,298	-	11,298
Property, plant and equipment	-	-	-	-	-	-	675,989	-	675,989
Goodwill and intangible assets	-	-	-	-	-	-	1,115,893	-	1,115,893
<b>TOTAL ASSETS</b>	69,054,991	10,544,413	5,826,089	2,723,131	11,024,404	34,072,873	8,439,831	1,530,399	143,216,131

# Consist of impairment loss.

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



#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (c) Market risk (continued)

###### Interest/Profit rate risk (continued)

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

Group	Non-trading book								Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000			
<b>31.12.2011</b>										
<b>LIABILITIES</b>										
Deposits from customers	52,072,300	13,516,768	10,965,976	15,872,919	441,722	48,042	20,720,553	-	113,638,280	
Deposits and placements of banks and other financial institutions	3,413,117	2,461,483	1,606,162	69,297	295,944	111,678	38,940	-	7,996,621	
Bills and acceptances payable	1,297,300	1,650,120	594,172	6,515	-	-	216,048	-	3,764,155	
Other liabilities	-	-	-	-	-	-	993,207	-	993,207	
Derivative liabilities	-	-	-	-	-	-	-	237,004	237,004	
Recourse obligation on loans sold to Cagamas Berhad	30,745	-	-	130,076	500,000	500,000	993	-	1,161,814	
Taxation	-	-	-	-	-	-	3,704	-	3,704	
Deferred tax liabilities	-	-	-	-	-	-	55,845	-	55,845	
Long term borrowings	-	459,650	297,188	-	-	-	2,182	-	759,020	
Subordinated obligations	-	-	-	1,300,000	-	1,950,000	19,678	-	3,269,678	
Hybrid Tier-I Capital Securities	-	-	-	-	-	597,475	8,095	-	605,570	
<b>TOTAL LIABILITIES</b>	56,813,462	18,088,021	13,463,498	17,378,807	1,237,666	3,207,195	22,059,245	237,004	132,484,898	
Total equity	-	-	-	-	-	-	10,731,233	-	10,731,233	
<b>TOTAL LIABILITIES AND EQUITY</b>	56,813,462	18,088,021	13,463,498	17,378,807	1,237,666	3,207,195	32,790,478	237,004	143,216,131	
On-balance sheet interest sensitivity gap	12,241,529	(7,543,608)	(7,637,409)	(14,655,676)	9,786,738	30,865,678				
Off-balance sheet interest sensitivity gap	1,497,548	1,278,814	(914,212)	1,408,020	(2,106,517)	(1,150,517)				
<b>TOTAL INTEREST-SENSITIVITY GAP</b>	13,739,077	(6,264,794)	(8,551,621)	(13,247,656)	7,680,221	29,715,161				

## 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Market risk (continued)

## Interest/Profit rate risk (continued)

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

Group	Non-trading book							Trading book RM'000	Total RM'000	
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000			
<b>1.1.2011</b>										
<b>ASSETS</b>										
Cash and short-term funds	12,069,245	-	-	-	-	-	-	911,836	-	12,981,081
Securities purchased under resale agreements	276,398	-	-	-	-	-	-	9	-	276,407
Deposits and placements with banks and other financial institutions	-	763,081	60,128	247	-	-	-	615	-	824,071
Financial assets held-for-trading	-	-	-	-	-	-	348,511	-	348,511	348,511
Financial investments available-for-sale	192,607	453,840	305,255	446,049	1,280,309	6,805,106	-	450,412	-	9,933,578
Financial investments held-to-maturity	401,498	1,039,546	232,274	2,288,662	2,314,733	4,432,493	-	(34,961)#	-	10,674,245
Loans, advances and financing										
- performing	43,661,627	6,593,770	3,660,590	2,028,091	5,858,189	18,372,363	-	165,623	-	80,340,253
- impaired	-	-	-	-	-	-	-	1,175,534*	-	1,175,534
Other assets	-	-	-	-	-	-	-	195,687	-	195,687
Derivative assets	-	-	-	-	-	-	-	-	298,389	298,389
Statutory deposits	-	-	-	-	-	-	-	426,304	-	426,304
Tax recoverable	-	-	-	-	-	-	-	27	-	27
Deferred tax assets	-	-	-	-	-	-	-	264,629	-	264,629
Property, plant and equipment	-	-	-	-	-	-	-	598,057	-	598,057
Goodwill and intangible assets	-	-	-	-	-	-	-	1,107,118	-	1,107,118
<b>TOTAL ASSETS</b>	56,601,375	8,850,237	4,258,247	4,763,049	9,453,231	29,609,962	646,900	5,260,890	119,443,891	

# Consist of impairment loss.

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

## 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Market risk (continued)

#### Interest/Profit rate risk (continued)

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

Group	Non-trading book								Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000			
<b>1.1.2011</b>										
<b>LIABILITIES</b>										
Deposits from customers	39,079,852	16,060,605	8,935,926	9,848,250	447,470	28,948	18,001,762	-	92,402,813	
Deposits and placements of banks and other financial institutions	4,014,838	2,319,495	573,760	163,457	379,509	204,977	24,273	-	7,680,309	
Bills and acceptances payable	1,166,999	1,723,270	444,264	-	-	-	201,607	-	3,536,140	
Other liabilities	-	-	-	-	-	-	1,003,049	-	1,003,049	
Derivative liabilities	-	-	-	-	-	-	-	240,161	240,161	
Recourse obligation on loans sold to Cagamas Berhad	147,030	-	-	-	170,092	500,000	1,381	-	818,503	
Taxation	-	-	-	-	-	-	167,338	-	167,338	
Deferred tax liabilities	-	-	-	-	-	-	6	-	6	
Long term borrowings	-	508,777	-	308,350	-	-	2,235	-	819,362	
Subordinated obligations	-	-	-	-	1,300,000	1,700,000	18,157	-	3,018,157	
Hybrid Tier-I Capital Securities	-	-	-	-	-	597,227	8,180	-	605,407	
<b>TOTAL LIABILITIES</b>	44,408,719	20,612,147	9,953,950	10,320,057	2,297,071	3,031,152	19,427,988	240,161	110,291,245	
Total equity	-	-	-	-	-	-	9,152,646	-	9,152,646	
<b>TOTAL LIABILITIES AND EQUITY</b>	44,408,719	20,612,147	9,953,950	10,320,057	2,297,071	3,031,152	28,580,634	240,161	119,443,891	
On-balance sheet interest sensitivity gap	12,192,656	(11,761,910)	(5,695,703)	(5,557,008)	7,156,160	26,578,810				
Off-balance sheet interest sensitivity gap	(367,894)	(113)	(180,564)	761,270	(25,835)	45,688				
<b>TOTAL INTEREST-SENSITIVITY GAP</b>	11,824,762	(11,762,023)	(5,876,267)	(4,795,738)	7,130,325	26,624,498				

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (c) Market risk (continued)

###### Interest rate risk

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

Bank	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000		
<b>31.12.2012</b>									
<b>ASSETS</b>									
Cash and short-term funds	17,681,679	-	-	-	-	-	-	-	19,022,404
Securities purchased under resale agreements	676,858	-	-	-	-	-	-	-	676,858
Deposits and placements with banks and other financial institutions	-	733,355	611,600	-	124,231	2,291,191	19,851	-	3,780,228
Financial assets held-for-trading	-	1,237,463	1,295,703	31,278	334,687	4,322,196	420,965	1,110,482	8,456,556
Financial investments available-for-sale	814,264	373,536	814,101	298,993	2,634,248	10,333,735	1,486#	-	15,645,993
Financial investments held-to-maturity	1,189,894	8,014,168	3,956,758	1,629,060	7,667,159	10,225,554	101,188	-	88,506,040
Loans, advances and financing	-	-	-	-	-	-	769,775*	-	769,775
- performing	-	-	-	-	-	-	-	-	-
- impaired	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	708,812	-	708,812
Derivative assets	-	-	-	-	-	-	-	271,029	271,029
Statutory deposits	-	-	-	-	-	-	2,916,509	-	2,916,509
Investment in subsidiaries	-	-	-	-	-	-	1,272,972	-	1,272,972
Property, plant and equipment	-	-	-	-	-	-	505,775	-	505,775
Goodwill and intangible assets	-	-	-	-	-	-	1,017,722	-	1,017,722
<b>TOTAL ASSETS</b>	<b>77,274,848</b>	<b>10,358,522</b>	<b>6,678,162</b>	<b>1,959,331</b>	<b>10,760,325</b>	<b>27,172,676</b>	<b>9,075,780</b>	<b>1,381,511</b>	<b>144,661,155</b>

# Consist of impairment loss.

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

## 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Market risk (continued)

#### Interest rate risk (continued)

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

Bank	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000		
<b>31.12.2012</b>									
<b>LIABILITIES</b>									
Deposits from customers	45,549,364	19,026,715	11,309,487	14,261,906	705,991	24,760	20,679,382	-	111,557,605
Deposits and placements of banks and other financial institutions	4,884,430	2,850,902	1,004,236	81,015	365,191	225,888	47,666	-	9,459,328
Bills and acceptances payable	1,407,285	1,602,519	427,955	-	-	-	272,696	-	3,710,455
Other liabilities	-	-	-	-	-	-	775,703	-	775,703
Derivative liabilities	-	-	-	-	-	-	-	273,559	273,559
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	500,000	479,375	3,465	-	982,840
Taxation	-	-	-	-	-	-	98,525	-	98,525
Deferred tax liabilities	-	-	-	-	-	-	50,903	-	50,903
Long term borrowings	-	382,250	248,462	-	-	-	2,066	-	632,778
Subordinated obligations	-	-	-	-	700,000	3,296,782	24,137	-	4,020,919
Hybrid Tier-I Capital Securities	-	-	-	-	-	597,744	8,342	-	606,086
Senior Debt Securities	-	-	-	-	-	1,529,772	6,902	-	1,536,674
<b>TOTAL LIABILITIES</b>	<b>51,841,079</b>	<b>23,862,386</b>	<b>12,990,140</b>	<b>14,342,921</b>	<b>2,271,182</b>	<b>6,154,321</b>	<b>21,969,787</b>	<b>273,559</b>	<b>133,705,375</b>
Total equity	-	-	-	-	-	-	10,955,780	-	10,955,780
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>51,841,079</b>	<b>23,862,386</b>	<b>12,990,140</b>	<b>14,342,921</b>	<b>2,271,182</b>	<b>6,154,321</b>	<b>32,925,567</b>	<b>273,559</b>	<b>144,661,155</b>
On-balance sheet interest sensitivity gap	25,433,769	(13,503,864)	(6,311,978)	(12,383,590)	8,489,143	21,018,355	-	-	-
Off-balance sheet interest sensitivity gap	(987,649)	2,965,821	(1,867,721)	188,460	408,600	(681,016)	-	-	-
<b>TOTAL INTEREST-SENSITIVITY GAP</b>	<b>24,446,120</b>	<b>(10,538,043)</b>	<b>(8,179,699)</b>	<b>(12,195,130)</b>	<b>8,897,743</b>	<b>20,337,339</b>	<b>-</b>	<b>-</b>	<b>-</b>

## 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Market risk (continued)

## Interest rate risk (continued)

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

Bank	Non-trading book							Trading book RM'000	Total RM'000	
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000			
<b>31.12.2011</b>										
<b>ASSETS</b>										
Cash and short-term funds	11,123,045	-	-	-	-	-	-	1,221,096	-	12,344,141
Securities purchased under resale agreements	142,291	-	-	-	-	-	-	-	-	142,291
Deposits and placements with banks and other financial institutions	-	951,672	505,672	138,687	158,500	427,950	17,757	-	-	2,200,238
Financial assets held-for-trading	-	-	-	-	-	-	-	-	869,888	869,888
Financial investments available-for-sale	482,607	799,486	893,176	35,597	281,206	3,405,558	441,516	-	-	6,339,146
Financial investments held-to-maturity	378,974	1,524,492	752,610	619,535	2,185,867	6,585,582	(25,061)#	-	-	12,021,999
Loans, advances and financing										
- performing	48,776,582	6,823,744	3,647,653	1,488,857	6,295,091	12,581,678	129,045	-	-	79,742,650
- impaired	-	-	-	-	-	-	851,009*	-	-	851,009
Other assets	-	-	-	-	-	-	676,671	-	-	676,671
Derivative assets	-	-	-	-	-	-	-	263,605	263,605	263,605
Statutory deposits	-	-	-	-	-	-	2,561,754	-	-	2,561,754
Tax recoverable	-	-	-	-	-	-	114,013	-	-	114,013
Investment in subsidiaries	-	-	-	-	-	-	1,072,972	-	-	1,072,972
Property, plant and equipment	-	-	-	-	-	-	521,449	-	-	521,449
Goodwill and intangible assets	-	-	-	-	-	-	1,009,637	-	-	1,009,637
<b>TOTAL ASSETS</b>	60,903,499	10,099,394	5,799,111	2,282,676	8,920,664	23,000,768	8,591,858	1,133,493	120,731,463	

# Consist of impairment loss.

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

## 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Market risk (continued)

#### Interest rate risk (continued)

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

Bank	Non-trading book								Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000			
<b>31.12.2011</b>										
<b>LIABILITIES</b>										
Deposits from customers	41,637,064	8,743,941	9,275,743	14,501,800	408,345	44,139	19,738,149	-	94,349,181	
Deposits and placements of banks and other financial institutions	2,856,136	1,692,483	756,162	69,297	295,944	111,678	27,966	-	5,809,666	
Bills and acceptances payable	1,297,300	1,650,120	594,172	6,515	-	-	202,275	-	3,750,382	
Other liabilities	-	-	-	-	-	-	925,776	-	925,776	
Derivative liabilities	-	-	-	-	-	-	-	234,522	234,522	
Recourse obligation on loans sold to Cagamas Berhad	30,745	-	-	130,076	500,000	500,000	993	-	1,161,814	
Deferred tax liabilities	-	-	-	-	-	-	55,841	-	55,841	
Long term borrowings	-	459,650	297,188	-	-	-	2,182	-	759,020	
Subordinated obligations	-	-	-	1,300,000	-	1,950,000	19,678	-	3,269,678	
Hybrid Tier-I Capital Securities	-	-	-	-	-	597,475	8,095	-	605,570	
<b>TOTAL LIABILITIES</b>	<b>45,821,245</b>	<b>12,546,194</b>	<b>10,923,265</b>	<b>16,007,688</b>	<b>1,204,289</b>	<b>3,203,292</b>	<b>20,980,955</b>	<b>234,522</b>	<b>110,921,450</b>	
Total equity	-	-	-	-	-	-	9,810,013	-	9,810,013	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>45,821,245</b>	<b>12,546,194</b>	<b>10,923,265</b>	<b>16,007,688</b>	<b>1,204,289</b>	<b>3,203,292</b>	<b>30,790,968</b>	<b>234,522</b>	<b>120,731,463</b>	
On-balance sheet interest sensitivity gap	15,082,254	(2,446,800)	(5,124,154)	(13,725,012)	7,716,375	19,797,476	-	-	-	
Off-balance sheet interest sensitivity gap	176,366	(19,655)	(912,050)	1,408,020	(906,517)	268,503	-	-	-	
<b>TOTAL INTEREST-SENSITIVITY GAP</b>	<b>15,258,620</b>	<b>(2,466,455)</b>	<b>(6,036,204)</b>	<b>(12,316,992)</b>	<b>6,809,858</b>	<b>20,065,979</b>				

## 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Market risk (continued)

## Interest rate risk (continued)

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

Bank	Non-trading book							Trading book RM'000	Total RM'000	
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000			
<b>1.1.2011</b>										
<b>ASSETS</b>										
Cash and short-term funds	10,270,874	-	-	-	-	-	-	822,687	-	11,093,561
Securities purchased under resale agreements	276,398	-	-	-	-	-	-	9	-	276,407
Deposits and placements with banks and other financial institutions	-	777,779	-	-	154,175	601,283	-	6,411	-	1,539,648
Financial assets held-for-trading	-	-	-	-	-	-	-	-	129,583	129,583
Financial investments available-for-sale	184,797	363,790	137,696	420,769	1,018,217	5,583,758	-	434,194	-	8,143,221
Financial investments held-to-maturity	401,498	1,039,546	172,037	2,220,744	2,094,785	3,676,165	-	(46,463)#	-	9,558,312
Loans, advances and financing										
- performing	41,799,454	6,125,651	3,168,677	1,648,132	4,370,651	13,060,133	-	145,495	-	70,318,193
- impaired	-	-	-	-	-	-	-	851,232*	-	851,232
Other assets	-	-	-	-	-	-	-	204,452	-	204,452
Derivative assets	-	-	-	-	-	-	-	-	298,148	298,148
Statutory deposits	-	-	-	-	-	-	-	321,064	-	321,064
Deferred tax assets	-	-	-	-	-	-	-	209,502	-	209,502
Investment in subsidiaries	-	-	-	-	-	-	-	822,972	-	822,972
Property, plant and equipment	-	-	-	-	-	-	-	443,258	-	443,258
Goodwill and intangible assets	-	-	-	-	-	-	-	1,002,744	-	1,002,744
<b>TOTAL ASSETS</b>	52,933,021	8,306,766	3,478,410	4,289,645	7,637,828	22,921,339	427,731	5,217,557	427,731	105,212,297

# Consist of impairment loss.

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



## 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (c) Market risk (continued)

#### Interest rate risk (continued)

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

Bank	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000		
<b>1.1.2011</b>									
<b>LIABILITIES</b>									
Deposits from customers	34,027,255	12,850,394	7,614,950	8,777,933	297,724	28,199	16,971,122	-	80,567,577
Deposits and placements of banks and other financial institutions	3,109,665	2,169,495	115,759	163,457	379,509	204,977	15,591	-	6,158,453
Bills and acceptances payable	1,166,999	1,723,270	444,264	-	-	-	189,483	-	3,524,016
Other liabilities	-	-	-	-	-	-	868,827	-	868,827
Derivative liabilities	-	-	-	-	-	-	-	238,984	238,984
Recourse obligation on loans sold to Cagamas Berhad	147,030	-	-	-	170,092	500,000	1,381	-	818,503
Long term borrowings	-	508,777	-	308,350	-	-	2,235	-	819,362
Taxation	-	-	-	-	-	-	163,133	-	163,133
Subordinated obligations	-	-	-	-	1,300,000	1,700,000	18,157	-	3,018,157
Hybrid Tier-I Capital Securities	-	-	-	-	-	597,227	8,180	-	605,407
<b>TOTAL LIABILITIES</b>	38,450,949	17,251,936	8,174,973	9,249,740	2,147,325	3,030,403	18,238,109	238,984	96,782,419
Total equity	-	-	-	-	-	-	8,429,878	-	8,429,878
<b>TOTAL LIABILITIES AND EQUITY</b>	38,450,949	17,251,936	8,174,973	9,249,740	2,147,325	3,030,403	26,667,987	238,984	105,212,297
On-balance sheet interest sensitivity gap	14,482,072	(8,945,170)	(4,696,563)	(4,960,095)	5,490,503	19,890,936	-	-	-
Off-balance sheet interest sensitivity gap	(429,831)	(38,371)	(357,751)	715,612	35,972	64,189	-	-	-
<b>TOTAL INTEREST-SENSITIVITY GAP</b>	14,052,241	(8,983,541)	(5,054,314)	(4,244,483)	5,526,475	19,955,125	-	-	-

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (d) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Bank to meet its contractual or regulatory obligations when they come due without incurring substantial losses. Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. 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 and is disclosed in accordance with the requirements of BNM GP8:

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>31.12.2012</b>								
<b>ASSETS</b>								
Cash and short-term funds	12,317,025	10,240,702	-	-	-	-	-	22,557,727
Securities purchased under resale agreements	676,858	-	-	-	-	-	-	676,858
Deposits and placements with banks and other financial institutions	-	-	2,568,410	275,599	82,874	622,765	-	3,549,648
Financial assets held-for-trading	14,427	-	543,167	396,084	49,055	547,130	-	1,549,863
Financial investments available-for-sale	1,288	21,259	51,685	128,334	69,111	9,754,059	575	10,026,311
Financial investments held-to-maturity	354,798	953,308	554,375	1,076,581	409,720	14,452,469	-	17,801,251
Loans, advances and financing	2,713,376	8,209,643	6,588,431	3,598,320	2,753,089	83,603,027	-	107,465,886
Other assets	66,360	3,480	32	16,171	-	47,245	258,112	391,400
Derivative assets	10,476	13,254	11,166	10,668	11,822	193,531	-	250,917
Statutory deposits	-	-	-	-	-	-	3,589,364	3,589,364
Tax recoverable	-	-	-	-	-	-	14	14
Deferred tax assets	-	-	-	-	-	-	8,455	8,455
Property, plant and equipment	-	-	-	-	-	-	663,044	663,044
Goodwill and intangible assets	-	-	-	-	-	-	1,124,349	1,124,349
<b>TOTAL ASSETS</b>	<b>16,154,608</b>	<b>19,441,646</b>	<b>10,317,266</b>	<b>5,501,757</b>	<b>3,375,671</b>	<b>109,220,226</b>	<b>5,643,913</b>	<b>169,655,087</b>

#### 40 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 and is disclosed in accordance with the requirements of BNM GP8: (continued)

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>31.12.2012</b>								
<b>LIABILITIES</b>								
Deposits from customers	46,083,519	32,718,237	22,438,609	12,910,524	16,281,731	877,006	-	131,309,626
Deposits and placements of banks and other financial institutions	701,382	5,195,265	3,357,666	1,205,652	262,028	1,213,894	-	11,935,887
Bills and acceptances payable	540,739	1,160,854	1,602,519	427,955	-	-	-	3,732,067
Other liabilities	154,149	188,519	63,330	47,797	138,694	192,849	168,066	953,404
Derivative liabilities	4,170	18,701	23,585	27,699	9,673	189,369	-	273,197
Recourse obligation on loans sold to Cagamas Berhad	-	559	2,906	-	-	2,441,896	-	2,445,361
Taxation	-	-	23	-	-	-	125,640	125,663
Deferred tax liabilities	-	-	-	-	-	-	50,907	50,907
Long term borrowings	-	-	31,834	19,924	49,693	531,327	-	632,778
Subordinated obligations	-	-	-	24,138	-	3,996,781	-	4,020,919
Hybrid Tier-I Capital Securities	-	-	7,704	638	-	597,744	-	606,086
Senior Debt Securities	-	-	-	6,902	-	1,529,772	-	1,536,674
<b>TOTAL LIABILITIES</b>	<b>47,483,959</b>	<b>39,282,135</b>	<b>27,528,176</b>	<b>14,671,229</b>	<b>16,741,819</b>	<b>11,570,638</b>	<b>344,613</b>	<b>157,622,569</b>
Total equity	-	-	-	-	-	-	12,032,518	12,032,518
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>47,483,959</b>	<b>39,282,135</b>	<b>27,528,176</b>	<b>14,671,229</b>	<b>16,741,819</b>	<b>11,570,638</b>	<b>12,377,131</b>	<b>169,655,087</b>

#### 40 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 and is disclosed in accordance with the requirements of BNM GP8: (continued)

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>31.12.2011</b>								
<b>ASSETS</b>								
Cash and short-term funds	11,251,223	7,140,963	-	-	-	-	-	18,392,186
Securities purchased under resale agreements	142,291	-	-	-	-	-	-	142,291
Deposits and placements with banks and other financial institutions	-	-	900,129	37,444	255	-	-	937,828
Financial assets held-for-trading	256	-	460,330	624,901	-	217,932	-	1,303,419
Financial investments available-for-sale	233,079	281,960	868,680	912,883	49,736	5,668,747	-	8,015,085
Financial investments held-to-maturity	18,621	377,339	1,595,563	788,123	678,874	10,016,647	-	13,475,167
Loans, advances and financing	2,073,904	5,516,093	5,279,093	3,336,370	2,665,862	76,446,553	-	95,317,875
Other assets	51,555	19,627	6	22,238	-	40,621	172,499	306,546
Derivative assets	6,581	17,762	25,347	22,327	19,093	135,870	-	226,980
Statutory deposits	-	-	-	-	-	-	3,168,309	3,168,309
Tax recoverable	-	-	-	-	-	-	127,265	127,265
Deferred tax assets	-	-	-	-	-	-	11,298	11,298
Property, plant and equipment	-	-	-	-	-	-	675,989	675,989
Goodwill and intangible assets	-	-	-	-	-	-	1,115,893	1,115,893
<b>TOTAL ASSETS</b>	<b>13,777,510</b>	<b>13,353,744</b>	<b>9,129,148</b>	<b>5,744,286</b>	<b>3,413,820</b>	<b>92,526,370</b>	<b>5,271,253</b>	<b>143,216,131</b>

#### 40 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 and is disclosed in accordance with the requirements of BNM GP8: (continued)

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>31.12.2011</b>								
<b>LIABILITIES</b>								
Deposits from customers	47,075,858	25,413,789	13,619,801	11,074,413	15,961,511	492,908	-	113,638,280
Deposits and placements of banks and other financial institutions	1,094,862	2,334,932	2,469,090	1,620,818	69,297	407,622	-	7,996,621
Bills and acceptances payable	440,433	989,178	1,761,761	572,783	-	-	-	3,764,155
Other liabilities	100,657	175,405	43,378	26,067	131,187	265,906	250,607	993,207
Derivative liabilities	5,986	21,255	24,910	11,981	9,663	163,209	-	237,004
Recourse obligation on loans sold to Cagamas Berhad	30,745	-	-	993	130,076	1,000,000	-	1,161,814
Taxation	-	-	22	-	-	-	3,682	3,704
Deferred tax liabilities	-	-	-	-	-	-	55,845	55,845
Long term borrowings	-	-	32,948	20,747	51,513	653,812	-	759,020
Subordinated obligations	-	-	-	19,678	1,300,000	1,950,000	-	3,269,678
Hybrid Tier-I Capital Securities	-	-	7,542	553	-	597,475	-	605,570
<b>TOTAL LIABILITIES</b>	48,748,541	28,934,559	17,959,452	13,348,033	17,653,247	5,530,932	310,134	132,484,898
Total equity	-	-	-	-	-	-	10,731,233	10,731,233
<b>TOTAL LIABILITIES AND EQUITY</b>	48,748,541	28,934,559	17,959,452	13,348,033	17,653,247	5,530,932	11,041,367	143,216,131

#### 40 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 and is disclosed in accordance with the requirements of BNM GP8: (continued)

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>1.1.2011</b>								
<b>ASSETS</b>								
Cash and short-term funds	8,334,480	4,646,601	-	-	-	-	-	12,981,081
Securities purchased under resale agreements	276,407	-	-	-	-	-	-	276,407
Deposits and placements with banks and other financial institutions	-	-	763,606	60,218	247	-	-	824,071
Financial assets held-for-trading	119,374	80	99,448	99,194	-	30,415	-	348,511
Financial investments available-for-sale	31,034	183,642	477,009	326,821	451,496	8,463,576	-	9,933,578
Financial investments held-to-maturity	1,043	386,918	1,082,771	246,403	2,266,083	6,691,027	-	10,674,245
Loans, advances and financing	1,886,545	4,788,934	5,241,753	3,261,174	2,319,655	64,017,726	-	81,515,787
Other assets	31,809	28,074	7	18,684	3	18,608	98,502	195,687
Derivative assets	22,615	65,723	39,682	36,839	27,284	106,246	-	298,389
Statutory deposits	-	-	-	-	-	-	426,304	426,304
Tax recoverable	-	-	-	-	-	-	27	27
Deferred tax assets	-	-	-	-	-	-	264,629	264,629
Property, plant and equipment	-	-	-	-	-	-	598,057	598,057
Goodwill and intangible assets	-	-	-	-	-	-	1,107,118	1,107,118
<b>TOTAL ASSETS</b>	<b>10,703,307</b>	<b>10,099,972</b>	<b>7,704,276</b>	<b>4,049,333</b>	<b>5,064,768</b>	<b>79,327,598</b>	<b>2,494,637</b>	<b>119,443,891</b>

#### 40 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 and is disclosed in accordance with the requirements of BNM GP8: (continued)

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>1.1.2011</b>								
<b>LIABILITIES</b>								
Deposits from customers	39,293,030	17,526,401	16,174,369	8,936,037	9,982,558	490,418	-	92,402,813
Deposits and placements of banks and other financial institutions	1,078,870	2,806,331	2,806,899	327,033	75,355	585,821	-	7,680,309
Bills and acceptances payable	463,826	904,780	1,723,270	444,264	-	-	-	3,536,140
Other liabilities	55,012	156,271	42,269	39,757	137,542	425,136	147,062	1,003,049
Derivative liabilities	19,279	43,877	38,629	37,484	20,512	80,380	-	240,161
Recourse obligation on loans sold to Cagamas Berhad	-	147,030	-	1,381	-	670,092	-	818,503
Taxation	-	-	25	-	-	-	167,313	167,338
Deferred tax liabilities	-	-	-	-	-	-	6	6
Long term borrowings	-	-	32,197	873	50,107	736,185	-	819,362
Subordinated obligations	-	-	-	18,157	-	3,000,000	-	3,018,157
Hybrid Tier-I Capital Securities	-	-	7,542	638	-	597,227	-	605,407
<b>TOTAL LIABILITIES</b>	40,910,017	21,584,690	20,825,200	9,805,624	10,266,074	6,585,259	314,381	110,291,245
Total equity	-	-	-	-	-	-	9,152,646	9,152,646
<b>TOTAL LIABILITIES AND EQUITY</b>	40,910,017	21,584,690	20,825,200	9,805,624	10,266,074	6,585,259	9,467,027	119,443,891

#### 40 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 and is disclosed in accordance with the requirements of BNM GP8: (continued)

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>31.12.2012</b>								
<b>ASSETS</b>								
Cash and short-term funds	9,892,855	9,129,549	-	-	-	-	-	19,022,404
Securities purchased under resale agreements	676,858	-	-	-	-	-	-	676,858
Deposits and placements with banks and other financial institutions	-	-	733,858	613,931	-	2,432,439	-	3,780,228
Financial assets held-for-trading	14,288	-	442,155	395,373	29,051	229,615	-	1,110,482
Financial investments available-for-sale	203	17,547	46,755	122,437	69,111	8,200,503	-	8,456,556
Financial investments held-to-maturity	353,062	801,973	433,826	848,688	299,289	12,909,155	-	15,645,993
Loans, advances and financing	2,676,811	3,782,617	5,171,240	3,186,346	2,415,329	72,043,472	-	89,275,815
Other assets	9,042	332,801	-	16,166	52,466	47,245	251,092	708,812
Derivative assets	10,476	13,254	11,309	12,403	12,126	211,461	-	271,029
Statutory deposits	-	-	-	-	-	-	2,916,509	2,916,509
Investment in subsidiaries	-	-	-	-	-	-	1,272,972	1,272,972
Property, plant and equipment	-	-	-	-	-	-	505,775	505,775
Goodwill and intangible assets	-	-	-	-	-	-	1,017,722	1,017,722
<b>TOTAL ASSETS</b>	<b>13,633,595</b>	<b>14,077,741</b>	<b>6,839,143</b>	<b>5,195,344</b>	<b>2,877,372</b>	<b>96,073,890</b>	<b>5,964,070</b>	<b>144,661,155</b>



#### 40 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 and is disclosed in accordance with the requirements of BNM GP8: (continued)

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>31.12.2012</b>								
<b>LIABILITIES</b>								
Deposits from customers	40,335,645	25,513,945	19,194,246	11,421,035	14,358,179	734,555	-	111,557,605
Deposits and placements of banks and other financial institutions	517,220	4,407,982	2,854,411	1,007,504	81,015	591,196	-	9,459,328
Bills and acceptances payable	519,127	1,160,854	1,602,519	427,955	-	-	-	3,710,455
Other liabilities	99,875	177,083	59,173	56,682	117,433	192,491	72,966	775,703
Derivative liabilities	2,254	18,701	23,585	27,699	9,673	191,647	-	273,559
Recourse obligation on loans sold to Cagamas Berhad	-	559	2,906	-	-	979,375	-	982,840
Taxation	-	-	-	-	-	-	98,525	98,525
Deferred tax liabilities	-	-	-	-	-	-	50,903	50,903
Long term borrowings	-	-	31,834	19,924	49,693	531,327	-	632,778
Subordinated obligations	-	-	-	24,138	-	3,996,781	-	4,020,919
Hybrid Tier-I Capital Securities	-	-	7,704	638	-	597,744	-	606,086
Senior Debt Securities	-	-	-	6,902	-	1,529,772	-	1,536,674
<b>TOTAL LIABILITIES</b>	<b>41,474,121</b>	<b>31,279,124</b>	<b>23,776,378</b>	<b>12,992,477</b>	<b>14,615,993</b>	<b>9,344,888</b>	<b>222,394</b>	<b>133,705,375</b>
Total equity	-	-	-	-	-	-	10,955,780	10,955,780
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>41,474,121</b>	<b>31,279,124</b>	<b>23,776,378</b>	<b>12,992,477</b>	<b>14,615,993</b>	<b>9,344,888</b>	<b>11,178,174</b>	<b>144,661,155</b>

#### 40 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 and is disclosed in accordance with the requirements of BNM GP8: (continued)

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>31.12.2011</b>								
<b>ASSETS</b>								
Cash and short-term funds	7,015,846	5,328,295	-	-	-	-	-	12,344,141
Securities purchased under resale agreements	142,291	-	-	-	-	-	-	142,291
Deposits and placements with banks and other financial institutions	-	-	957,469	515,861	138,946	587,962	-	2,200,238
Financial assets held-for-trading	-	-	455,366	322,512	-	92,010	-	869,888
Financial investments available-for-sale	219,459	280,562	813,528	902,791	36,263	4,086,543	-	6,339,146
Financial investments held-to-maturity	18,107	375,584	1,576,376	774,517	618,524	8,658,891	-	12,021,999
Loans, advances and financing	2,012,233	3,312,664	4,832,714	2,847,514	2,143,168	65,445,366	-	80,593,659
Other assets	4,389	434,629	-	22,233	24,496	40,621	150,303	676,671
Derivative assets	6,361	17,762	25,347	22,514	19,093	172,528	-	263,605
Tax recoverable	-	-	-	-	-	-	114,013	114,013
Statutory deposits	-	-	-	-	-	-	2,561,754	2,561,754
Investment in subsidiaries	-	-	-	-	-	-	1,072,972	1,072,972
Property, plant and equipment	-	-	-	-	-	-	521,449	521,449
Goodwill and intangible assets	-	-	-	-	-	-	1,009,637	1,009,637
<b>TOTAL ASSETS</b>	<b>9,418,686</b>	<b>9,749,496</b>	<b>8,660,800</b>	<b>5,407,942</b>	<b>2,980,490</b>	<b>79,083,921</b>	<b>5,430,128</b>	<b>120,731,463</b>

#### 40 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 and is disclosed in accordance with the requirements of BNM GP8: (continued)

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>31.12.2011</b>								
<b>LIABILITIES</b>								
Deposits from customers	39,386,984	21,718,676	8,825,911	9,374,653	14,586,295	456,662	-	94,349,181
Deposits and placements of banks and other financial institutions	761,236	2,107,462	1,701,923	762,126	69,297	407,622	-	5,809,666
Bills and acceptances payable	426,660	989,178	1,761,761	572,783	-	-	-	3,750,382
Other liabilities	98,218	163,349	31,194	46,525	112,017	264,622	209,851	925,776
Derivative liabilities	3,504	21,255	24,910	11,981	9,663	163,209	-	234,522
Recourse obligation on loans sold to Cagamas Berhad	30,745	-	-	993	130,076	1,000,000	-	1,161,814
Deferred tax liabilities	-	-	-	-	-	-	55,841	55,841
Long term borrowings	-	-	32,948	20,747	51,513	653,812	-	759,020
Subordinated obligations	-	-	-	19,678	1,300,000	1,950,000	-	3,269,678
Hybrid Tier-I Capital Securities	-	-	7,542	553	-	597,475	-	605,570
<b>TOTAL LIABILITIES</b>	40,707,347	24,999,920	12,386,189	10,810,039	16,258,861	5,493,402	265,692	110,921,450
Total equity	-	-	-	-	-	-	9,810,013	9,810,013
<b>TOTAL LIABILITIES AND EQUITY</b>	40,707,347	24,999,920	12,386,189	10,810,039	16,258,861	5,493,402	10,075,705	120,731,463

#### 40 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 and is disclosed in accordance with the requirements of BNM GP8: (continued)

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>1.1.2011</b>								
<b>ASSETS</b>								
Cash and short-term funds	6,832,370	4,261,191	-	-	-	-	-	11,093,561
Securities purchased under resale agreements	276,407	-	-	-	-	-	-	276,407
Deposits and placements with banks and other financial institutions	-	-	782,462	-	-	757,186	-	1,539,648
Financial assets held-for-trading	119,374	-	-	-	-	10,209	-	129,583
Financial investments available-for-sale	27,943	175,832	393,391	152,675	426,194	6,967,186	-	8,143,221
Financial investments held-to-maturity	1,043	386,817	1,082,771	185,954	2,198,164	5,703,563	-	9,558,312
Loans, advances and financing	1,605,163	3,094,258	4,765,359	2,760,007	1,915,023	57,029,615	-	71,169,425
Other assets	6,387	15,251	-	18,678	48,519	18,504	97,113	204,452
Derivative assets	22,615	64,217	39,682	36,839	27,284	107,511	-	298,148
Deferred tax assets	-	-	-	-	-	-	209,502	209,502
Statutory deposits	-	-	-	-	-	-	321,064	321,064
Investment in subsidiaries	-	-	-	-	-	-	822,972	822,972
Property, plant and equipment	-	-	-	-	-	-	443,258	443,258
Goodwill and intangible assets	-	-	-	-	-	-	1,002,744	1,002,744
<b>TOTAL ASSETS</b>	<b>8,891,302</b>	<b>7,997,566</b>	<b>7,063,665</b>	<b>3,154,153</b>	<b>4,615,184</b>	<b>70,593,774</b>	<b>2,896,653</b>	<b>105,212,297</b>

#### 40 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 and is disclosed in accordance with the requirements of BNM GP8: (continued)

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>1.1.2011</b>								
<b>LIABILITIES</b>								
Deposits from customers	35,394,493	15,357,629	13,055,303	7,506,528	8,907,994	345,630	-	80,567,577
Deposits and placements of banks and other financial institutions	588,028	2,620,769	2,171,095	117,385	75,355	585,821	-	6,158,453
Bills and acceptances payable	451,702	904,780	1,723,270	444,264	-	-	-	3,524,016
Other liabilities	43,224	145,687	39,234	52,630	124,523	348,356	115,173	868,827
Derivative liabilities	19,279	43,663	38,629	35,273	20,512	81,628	-	238,984
Recourse obligation on loans sold to Cagamas Berhad	-	147,030	-	1,381	-	670,092	-	818,503
Taxation	-	-	-	-	-	-	163,133	163,133
Long term borrowings	-	-	32,197	873	50,107	736,185	-	819,362
Subordinated obligations	-	-	-	18,157	-	3,000,000	-	3,018,157
Hybrid Tier-I Capital Securities	-	-	7,542	638	-	597,227	-	605,407
<b>TOTAL LIABILITIES</b>	36,496,726	19,219,558	17,067,270	8,177,129	9,178,491	6,364,939	278,306	96,782,419
Total equity	-	-	-	-	-	-	8,429,878	8,429,878
<b>TOTAL LIABILITIES AND EQUITY</b>	36,496,726	19,219,558	17,067,270	8,177,129	9,178,491	6,364,939	8,708,184	105,212,297

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (d) Liquidity risk (continued)

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

Group	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>31.12.2012</b>							
<b>LIABILITIES</b>							
Deposits from customers	78,837,435	35,647,640	16,678,480	873,051	44,350	-	132,080,956
Deposits and placements of banks and other financial institutions	6,048,126	4,589,479	267,318	448,169	720,621	-	12,073,743
Bills and acceptances payable	1,701,594	2,030,473	-	-	-	-	3,732,067
Other liabilities	312,851	108,960	60,536	171,367	14,317	23,218	691,249
Derivative liabilities:							
– Gross settled derivatives							
– Inflow	(1,052,573)	(2,257,371)	(625,227)	(24,711)	(6,736)	-	(3,966,618)
– Outflow	1,069,702	2,314,988	632,506	13,689	33,843	-	4,064,728
– Net settled derivatives	8,984	23,400	26,488	80,182	(33,625)	(1,691)	103,738
Recourse obligation on loans sold to Cagamas Berhad	24,522	111,225	137,215	1,036,234	1,443,031	-	2,752,227
Long term borrowings	-	52,925	52,720	208,207	204,094	135,479	653,425
Subordinated obligations	-	95,188	95,188	1,063,250	3,278,688	342,000	4,874,314
Hybrid Tier-I Capital Securities	-	22,563	22,563	90,250	90,250	675,450	901,076
Senior Debt Securities	-	24,846	24,847	99,385	1,603,539	-	1,752,617
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>86,950,641</b>	<b>42,764,316</b>	<b>17,372,634</b>	<b>4,059,073</b>	<b>7,392,372</b>	<b>1,174,456</b>	<b>159,713,492</b>

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (d) Liquidity risk (continued)

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

Group	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>31.12.2011</b>							
<b>LIABILITIES</b>							
Deposits from customers	72,557,766	24,621,421	16,684,812	442,514	55,764	–	114,362,277
Deposits and placements of banks and other financial institutions	3,432,585	4,117,867	72,634	303,266	113,301	–	8,039,653
Bills and acceptances payable	1,429,610	2,334,545	–	–	–	–	3,764,155
Other liabilities	244,589	67,489	98,060	247,549	15,229	27,639	700,555
Derivative liabilities:							
– Gross settled derivatives							
– Inflow	(2,810,661)	(2,588,172)	(317,603)	(128,905)	6,700	2,472	(5,836,169)
– Outflow	2,832,200	2,628,808	328,443	149,417	2,062	671	5,941,601
– Net settled derivatives	7,146	22,377	27,491	61,686	19,444	1,984	140,128
Recourse obligation on loans sold to Cagamas Berhad	33,953	36,313	162,798	607,316	470,845	–	1,311,225
Long term borrowings	–	56,519	56,256	221,425	215,925	246,874	796,999
Subordinated obligations	–	82,962	1,382,963	201,850	1,088,725	1,097,300	3,853,800
Hybrid Tier-I Capital Securities	–	22,563	22,563	90,250	90,250	720,575	946,201
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>77,727,188</b>	<b>31,402,692</b>	<b>18,518,417</b>	<b>2,196,368</b>	<b>2,078,245</b>	<b>2,097,515</b>	<b>134,020,425</b>

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (d) Liquidity risk (continued)

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

Group	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>1.1.2011</b>							
<b>LIABILITIES</b>							
Deposits from customers	56,906,257	25,316,224	10,107,553	463,657	34,023	–	92,827,714
Deposits and placements of banks and other financial institutions	3,916,859	3,116,330	80,085	391,855	205,732	16,588	7,727,449
Bills and acceptances payable	1,368,605	2,167,535	–	–	–	–	3,536,140
Other liabilities	192,313	97,129	120,282	325,981	25,849	49,823	811,377
Derivative liabilities:							
– Gross settled derivatives							
– Inflow	(4,382,957)	(1,944,163)	(321,027)	14,860	6,556	2,419	(6,624,312)
– Outflow	4,445,595	2,031,110	350,213	4,662	2,017	657	6,834,254
– Net settled derivatives	10,205	16,446	20,677	54,445	27,111	15,635	144,519
Recourse obligation on loans sold to Cagamas Berhad	150,999	17,087	20,504	214,332	522,750	–	925,672
Long term borrowings	–	32,865	53,965	213,403	209,465	342,050	851,748
Subordinated obligations	–	77,650	77,650	1,545,600	863,100	1,152,600	3,716,600
Hybrid Tier-I Capital Securities	–	22,563	22,563	90,250	90,250	765,700	991,326
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>62,607,876</b>	<b>30,950,776</b>	<b>10,532,465</b>	<b>3,319,045</b>	<b>1,986,853</b>	<b>2,345,472</b>	<b>111,742,487</b>



#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (d) Liquidity risk (continued)

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

Bank	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>31.12.2012</b>							
<b>LIABILITIES</b>							
Deposits from customers	65,872,944	30,858,887	14,703,018	732,920	29,268	-	112,197,037
Deposits and placements of banks and other financial institutions	5,076,335	3,887,428	84,287	233,622	230,548	-	9,512,220
Bills and acceptances payable	1,679,981	2,030,474	-	-	-	-	3,710,455
Other liabilities	247,141	113,689	39,274	171,009	14,317	23,218	608,648
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(1,052,573)	(2,257,371)	(625,227)	(24,711)	(6,736)	-	(3,966,618)
- Outflow	1,069,702	2,314,988	632,506	13,689	33,843	-	4,064,728
- Net settled derivatives	8,984	22,938	26,027	78,715	(33,751)	(1,691)	101,222
Recourse obligation on loans sold to Cagamas Berhad	1,896	30,559	32,495	607,656	428,304	-	1,100,910
Long term borrowings	-	52,925	52,720	208,207	204,094	135,479	653,425
Subordinated obligations	-	95,188	95,188	1,063,250	3,278,688	342,000	4,874,314
Hybrid Tier-I Capital Securities	-	22,563	22,563	90,250	90,250	675,450	901,076
Senior Debt Securities	-	24,846	24,847	99,385	1,603,539	-	1,752,617
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>72,904,410</b>	<b>37,197,114</b>	<b>15,087,698</b>	<b>3,273,992</b>	<b>5,872,364</b>	<b>1,174,456</b>	<b>135,510,034</b>

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (d) Liquidity risk (continued)

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

Bank	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>31.12.2011</b>							
<b>LIABILITIES</b>							
Deposits from customers	61,154,352	18,447,657	14,912,310	405,354	51,714	–	94,971,387
Deposits and placements of banks and other financial institutions	2,871,073	2,480,760	72,634	303,266	113,301	–	5,841,034
Bills and acceptances payable	1,415,837	2,334,545	–	–	–	–	3,750,382
Other liabilities	230,094	75,763	78,890	246,978	15,229	26,926	673,880
Derivative liabilities							
– Gross settled derivatives							
– Inflow	(2,810,661)	(2,588,172)	(317,603)	(128,905)	6,700	2,472	(5,836,169)
– Outflow	2,832,198	2,628,796	328,443	149,417	2,062	671	5,941,587
– Net settled derivatives	7,102	21,787	27,130	60,242	19,083	1,984	137,328
Recourse obligation on loans sold to Cagamas Berhad	33,953	36,313	162,798	607,316	470,845	–	1,311,225
Long term borrowings	–	56,519	56,256	221,425	215,925	246,874	796,999
Subordinated obligations	–	82,962	1,382,963	201,850	1,088,725	1,097,300	3,853,800
Hybrid Tier-I Capital Securities	–	22,563	22,563	90,250	90,250	720,575	946,201
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>65,733,948</b>	<b>23,599,493</b>	<b>16,726,384</b>	<b>2,157,193</b>	<b>2,073,834</b>	<b>2,096,802</b>	<b>112,387,654</b>

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (d) Liquidity risk (continued)

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

Bank	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>1.1.2011</b>							
<b>LIABILITIES</b>							
Deposits from customers	50,841,606	20,736,218	9,013,778	307,037	33,149	–	80,931,788
Deposits and placements of banks and other financial institutions	3,209,258	2,296,649	80,085	391,855	205,732	1,823	6,185,402
Bills and acceptances payable	1,356,481	2,167,535	–	–	–	–	3,524,016
Other liabilities	169,940	106,967	107,263	258,076	22,874	37,873	702,993
Derivative liabilities							
– Gross settled derivatives							
– Inflow	(4,382,957)	(1,944,163)	(321,027)	14,860	6,556	2,419	(6,624,312)
– Outflow	4,445,588	2,031,076	350,173	4,622	2,017	657	6,834,133
– Net settled derivatives	10,116	13,845	17,989	43,695	16,361	15,635	117,641
Recourse obligation on loans sold to Cagamas Berhad	150,999	17,087	20,504	214,332	522,750	–	925,672
Long term borrowings	–	32,865	53,965	213,403	209,465	342,050	851,748
Subordinated obligations	–	77,650	77,650	1,545,600	863,100	1,152,600	3,716,600
Hybrid Tier-I Capital Securities	–	22,563	22,563	90,250	90,250	765,700	991,326
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>55,801,031</b>	<b>25,558,292</b>	<b>9,422,943</b>	<b>3,083,730</b>	<b>1,972,254</b>	<b>2,318,757</b>	<b>98,157,007</b>

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (d) Liquidity risk (continued)

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

Group	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
<b>31.12.2012</b>			
Direct credit substitutes	413,164	1,767,472	2,180,636
Transaction-related contingent items	300,742	2,195,071	2,495,813
Short term self-liquidating trade-related contingencies	698,696	311,155	1,009,851
Obligations under underwriting agreements	90,000	–	90,000
Irrevocable commitments to extend credit	10,237,339	24,625,669	34,863,008
<b>TOTAL COMMITMENTS AND CONTINGENCIES</b>	<b>11,739,941</b>	<b>28,899,367</b>	<b>40,639,308</b>
<b>31.12.2011</b>			
Direct credit substitutes	357,640	1,149,221	1,506,861
Transaction-related contingent items	336,308	1,852,761	2,189,069
Short term self-liquidating trade-related contingencies	617,510	284,500	902,010
Obligations under underwriting agreements	208,500	–	208,500
Irrevocable commitments to extend credit	10,133,756	25,028,693	35,162,449
<b>TOTAL COMMITMENTS AND CONTINGENCIES</b>	<b>11,653,714</b>	<b>28,315,175</b>	<b>39,968,889</b>
<b>1.1.2011</b>			
Direct credit substitutes	2,366,972	–	2,366,972
Transaction-related contingent items	1,905,733	–	1,905,733
Short term self-liquidating trade-related contingencies	825,269	–	825,269
Obligations under underwriting agreements	29,000	–	29,000
Irrevocable commitments to extend credit	31,965,921	4,492,229	36,458,150
<b>TOTAL COMMITMENTS AND CONTINGENCIES</b>	<b>37,092,895</b>	<b>4,492,229</b>	<b>41,585,124</b>

## 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Liquidity risk (continued)

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

Bank	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
<b>31.12.2012</b>			
Direct credit substitutes	413,164	1,710,722	2,123,886
Transaction-related contingent items	194,638	1,934,198	2,128,836
Short term self-liquidating trade-related contingencies	643,093	311,155	954,248
Irrevocable commitments to extend credit	8,395,198	22,480,527	30,875,725
<b>TOTAL COMMITMENTS AND CONTINGENCIES</b>	<b>9,646,093</b>	<b>26,436,602</b>	<b>36,082,695</b>
<b>31.12.2011</b>			
Direct credit substitutes	357,605	1,023,534	1,381,139
Transaction-related contingent items	241,750	1,843,514	2,085,264
Short term self-liquidating trade-related contingencies	575,086	284,500	859,586
Irrevocable commitments to extend credit	8,466,652	22,488,731	30,955,383
<b>TOTAL COMMITMENTS AND CONTINGENCIES</b>	<b>9,641,093</b>	<b>25,640,279</b>	<b>35,281,372</b>
<b>1.1.2011</b>			
Direct credit substitutes	2,170,663	–	2,170,663
Transaction-related contingent items	1,750,541	–	1,750,541
Short term self-liquidating trade-related contingencies	785,946	–	785,946
Irrevocable commitments to extend credit	29,557,105	3,938,118	33,495,223
<b>TOTAL COMMITMENTS AND CONTINGENCIES</b>	<b>34,264,255</b>	<b>3,938,118</b>	<b>38,202,373</b>

Undrawn loans 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 commitments will be drawn before expiry.

#### 40 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		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Credit risk exposure:			
Short-term funds (exclude cash in hand)	<b>21,697,459</b>	17,700,923	12,484,907
Securities purchased under resale agreements	<b>676,858</b>	142,291	276,407
Deposits and placements with banks and other financial institutions	<b>3,549,648</b>	937,828	824,071
Financial assets and investments portfolios (exclude shares):			
– Held-for-trading	<b>1,549,863</b>	1,303,419	348,511
– Available-for-sale	<b>9,670,038</b>	7,626,424	9,587,228
– Held-to-maturity	<b>17,801,251</b>	13,475,167	10,674,245
Loans, advances and financing	<b>107,465,886</b>	95,317,875	81,515,787
Other financial assets	<b>239,837</b>	179,244	117,062
Derivative assets	<b>250,917</b>	226,980	298,389
	<b>162,901,757</b>	136,910,151	116,126,607
Commitments and contingencies	<b>40,639,308</b>	39,968,889	41,585,124
Total maximum credit risk exposure	<b>203,541,065</b>	176,879,040	157,711,731

## 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (e) Credit risk (continued)

#### (i) Maximum exposure to credit risk (continued)

	Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Credit risk exposure:			
Short-term funds (exclude cash in hand)	<b>18,118,704</b>	11,657,105	10,633,112
Securities purchased under resale agreements	<b>676,858</b>	142,291	276,407
Deposits and placements with banks and other financial institutions	<b>3,780,228</b>	2,200,238	1,539,648
Financial assets and investments portfolios (exclude shares):			
– Held-for-trading	<b>1,110,482</b>	869,888	129,583
– Available-for-sale	<b>8,103,509</b>	5,953,316	7,800,537
– Held-to-maturity	<b>15,645,993</b>	12,021,999	9,558,312
Loans, advances and financing	<b>89,275,815</b>	80,593,659	71,169,425
Other financial assets	<b>562,725</b>	588,714	152,140
Derivative assets	<b>271,029</b>	263,605	298,148
	<b>137,545,343</b>	114,290,815	101,557,312
Commitments and contingencies	<b>36,082,695</b>	35,281,372	38,202,373
Total maximum credit risk exposure	<b>173,628,038</b>	149,572,187	139,759,685

#### (ii) Collaterals

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

- Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
- Land and buildings
- Vessels and automobiles
- Quoted shares, unit trusts, Malaysian Government Bonds and securities and private debt securities
- Endowment life policies with cash surrender value
- Other tangible business assets, such as inventory and equipment

The Group and the Bank also accepts non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans and advances as at 31 December 2012 for the Group and the Bank are 56.8% (2011: 58.1%) and 57.8% (2011: 59.2%) respectively. The financial effect of collateral held for the other financial assets is not significant.

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

##### (iii) Credit quality

The Group and the Bank assess credit quality of loans and advances 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.

Internal ratings	Description
– Investment Grade	Strong(est) credit quality which are associated with general standards of investment grade as defined by international rating agency such as Standard and Poor's (S&P), Moody's, Fitch and Rating Agency Malaysia (RAM).
– Lower Investment Grade	Lower credit quality which are associated with general standards of investments grade as defined by international rating agency such as Standard and Poor's (S&P), Moody's, Fitch and Rating Agency Malaysia (RAM).
– Non-investment Grade	Weaker credit quality which are associated with general standards of non-investment grade as defined by international rating agency such as Standard and Poor's (S&P), Moody's, Fitch and Rating Agency Malaysia (RAM).

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



#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

##### (iii) Credit quality (continued)

##### (a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Neither past due nor impaired	<b>100,322,706</b>	88,280,657	75,236,598	<b>82,804,030</b>	74,210,406	65,305,450
Past due but not impaired	<b>6,228,387</b>	5,922,541	5,103,655	<b>5,702,010</b>	5,532,244	5,012,743
Individually impaired	<b>3,090,090</b>	3,493,331	3,847,622	<b>2,600,833</b>	2,852,308	3,072,886
Gross loans, advances and financing	<b>109,641,183</b>	97,696,529	84,187,875	<b>91,106,873</b>	82,594,958	73,391,079
Less: Individual impairment allowance	<b>(780,069)</b>	(812,502)	(854,899)	<b>(648,256)</b>	(666,218)	(682,522)
Collective impairment allowance	<b>(1,395,228)</b>	(1,566,152)	(1,817,189)	<b>(1,182,802)</b>	(1,335,081)	(1,539,132)
Net loans, advances and financing	<b>107,465,886</b>	95,317,875	81,515,787	<b>89,275,815</b>	80,593,659	71,169,425

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

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

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Investment Grade	<b>64,315,349</b>	56,210,960	51,009,874	<b>55,687,196</b>	49,454,870	46,443,934
Lower investment Grade	<b>6,199,835</b>	8,925,966	5,924,440	<b>5,683,132</b>	7,994,922	4,945,630
Non-investment Grade	<b>1,471,088</b>	1,036,899	8,003,924	<b>1,354,624</b>	365,420	7,966,636
Non-rated	<b>28,336,434</b>	22,106,832	10,298,360	<b>20,079,078</b>	16,395,194	5,949,250
	<b>100,322,706</b>	88,280,657	75,236,598	<b>82,804,030</b>	74,210,406	65,305,450

Loans, advances and financing classified as non-rated mainly comprise of loans under the standardised approach for credit risk including Amanah Saham Bumiputera (ASB), Islamic housing financing and Islamic hire purchase.

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

##### (iii) Credit quality (continued)

##### (a) Loans, advances and financing (continued)

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

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

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Past due up to 30 days	<b>2,133,755</b>	1,972,442	1,322,560	<b>2,057,378</b>	1,936,875	1,302,342
Past due 31 to 60 days	<b>2,791,493</b>	2,736,127	2,621,829	<b>2,453,457</b>	2,473,992	2,552,832
Past due 61 to 90 days	<b>1,303,139</b>	1,213,972	1,159,266	<b>1,191,175</b>	1,121,377	1,157,569
Past due but not impaired	<b>6,228,387</b>	5,922,541	5,103,655	<b>5,702,010</b>	5,532,244	5,012,743

##### (iii) Loans, advances and financing that are individually determined to be impaired are as follows:

	Group			Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
Individually impaired loans	<b>3,090,090</b>	3,493,331	3,847,622	<b>2,600,833</b>	2,852,308	3,072,886

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

##### (iii) Credit quality (continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets are analysed as follows:

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
<b>31.12.2012</b>							
Neither past due nor impaired	25,247,407	676,858	1,549,863	9,531,006	17,785,321	239,837	250,917
Impaired	-	-	-	139,032	134,994	-	-
Less: Impairment losses	-	-	-	-	(119,064)	-	-
	<b>25,247,407</b>	<b>676,858</b>	<b>1,549,863</b>	<b>9,670,038</b>	<b>17,801,251</b>	<b>239,837</b>	<b>250,917</b>
<b>31.12.2011</b>							
Neither past due nor impaired	18,638,751	142,291	1,303,419	7,477,249	13,452,344	179,244	226,980
Impaired	-	-	-	149,175	146,334	-	-
Less: Impairment losses	-	-	-	-	(123,511)	-	-
	<b>18,638,751</b>	<b>142,291</b>	<b>1,303,419</b>	<b>7,626,424</b>	<b>13,475,167</b>	<b>179,244</b>	<b>226,980</b>
<b>1.1.2011</b>							
Neither past due nor impaired	13,308,978	276,407	348,511	9,387,732	10,637,095	117,062	298,389
Impaired	-	-	-	199,496	159,536	-	-
Less: Impairment losses	-	-	-	-	(122,386)	-	-
	<b>13,308,978</b>	<b>276,407</b>	<b>348,511</b>	<b>9,587,228</b>	<b>10,674,245</b>	<b>117,062</b>	<b>298,389</b>

The amount of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios and derivative assets that are past due but not impaired is not material.

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

##### (iii) Credit quality (continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets are analysed as follows: (continued)

	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
<b>Bank</b>							
<b>31.12.2012</b>							
Neither past due nor impaired	21,898,932	676,858	1,110,482	7,964,477	15,630,063	562,725	271,029
Impaired	-	-	-	139,032	134,994	-	-
Less: Impairment losses	-	-	-	-	(119,064)	-	-
	21,898,932	676,858	1,110,482	8,103,509	15,645,993	562,725	271,029
<b>31.12.2011</b>							
Neither past due nor impaired	13,857,343	142,291	869,888	5,804,141	11,999,176	588,714	263,605
Impaired	-	-	-	149,175	146,334	-	-
Less: Impairment losses	-	-	-	-	(123,511)	-	-
	13,857,343	142,291	869,888	5,953,316	12,021,999	588,714	263,605
<b>1.1.2011</b>							
Neither past due nor impaired	12,172,760	276,407	129,583	7,601,041	9,521,162	152,140	298,148
Impaired	-	-	-	199,496	159,536	-	-
Less: Impairment losses	-	-	-	-	(122,386)	-	-
	12,172,760	276,407	129,583	7,800,537	9,558,312	152,140	298,148

The amount of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios and derivative assets that are past due but not impaired is not material.

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

##### (iii) Credit quality (continued)

(c) Analysis of short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets that are neither past due nor impaired by rating agency designation are as follows:

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
<b>31.12.2012</b>							
AAA to AA3	1,020,133	676,858	508,289	3,801,033	3,549,481	-	106,329
A1 to A3	268,391	-	16,847	1,402,367	333,139	-	40,674
Baa1 to Baa3	520,483	-	-	338,944	282,436	-	32,578
P1 to P3	5,638,674	-	-	-	-	-	-
Non-rated including:	17,799,426	-	1,024,727	3,988,662	13,620,265	239,837	71,336
- Bank Negara Malaysia	16,772,813	-	598,073	-	-	-	1,738
- Malaysian Government Securities	-	-	222,202	459,574	2,415,844	-	-
- Malaysian Government Treasury Bills	-	-	52,869	-	-	-	-
- Malaysian Government Investment Issues	-	-	151,583	1,896,122	5,499,829	-	-
- Private debt securities	-	-	-	1,495,587	2,882,151	-	-
- Bankers' acceptances	-	-	-	36,016	339,215	-	-
- Khazanah bonds	-	-	-	101,363	66,290	-	-
- Others	1,026,613	-	-	-	2,416,936	239,837	69,598
	<b>25,247,107</b>	<b>676,858</b>	<b>1,549,863</b>	<b>9,531,006</b>	<b>17,785,321</b>	<b>239,837</b>	<b>250,917</b>

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

##### (iii) Credit quality (continued)

(c) Analysis of short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets that are neither past due nor impaired by rating agency designation are as follows: (continued)

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
<b>31.12.2011</b>							
AAA to AA3	254	142,291	280,562	2,174,097	4,386,478	–	87,278
A1 to A3	354,702	–	16,496	1,236,724	1,560,712	–	64,203
Baa1 to Baa3	381,806	–	–	254,851	259,273	–	27,392
P1 to P3	12,467,372	–	–	23,968	–	–	38
Non-rated including:	5,434,617	–	1,006,361	3,787,609	7,245,881	179,244	48,069
– Bank Negara Malaysia	5,129,474	–	808,374	–	–	–	541
– Malaysian Government Securities	–	–	–	974,018	2,768,820	–	–
– Malaysian Government Investment Issues	–	–	144,220	1,965,660	2,991,758	–	–
– Private debt securities	–	–	–	847,931	1,200,103	–	–
– Bankers' acceptances	–	–	–	–	169,823	–	–
– Khazanah bonds	–	–	53,767	–	63,418	–	–
– Others	305,143	–	–	–	51,959	179,244	47,528
	18,638,751	142,291	1,303,419	7,477,249	13,452,344	179,244	226,980

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

##### (iii) Credit quality (continued)

(c) Analysis of short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets that are neither past due nor impaired by rating agency designation are as follows: (continued)

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
<b>1.1.2011</b>							
AAA to AA3	163,544	276,076	129,508	2,183,843	3,938,905	–	130,666
A1 to A3	351,641	331	–	624,024	1,538,181	–	79,249
Baa1 to Baa3	308,638	–	10,216	214,784	241,750	–	2,438
P1 to P3	5,081,877	–	24,906	109,589	–	–	–
Non-rated including:	7,403,278	–	183,881	6,255,492	4,918,259	117,062	86,036
– Bank Negara Malaysia	7,008,453	–	173,815	–	–	–	–
– Malaysian Government Securities	–	–	–	3,199,222	2,948,345	–	–
– Malaysian Government Investment Issues	–	–	10,066	2,306,237	1,371,160	–	–
– Private debt securities	–	–	–	570,280	521,867	–	–
– Khazanah bonds	–	–	–	–	52,632	–	–
– Others	394,825	–	–	179,753	24,255	117,062	86,036
	13,308,978	276,407	348,511	9,387,732	10,637,095	117,062	298,389

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

##### (iii) Credit quality (continued)

(c) Analysis of short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets that are neither past due nor impaired by rating agency designation are as follows: (continued)

Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
<b>31.12.2012</b>							
AAA to AA3	3,092,243	676,858	227,634	3,004,764	3,201,185	-	126,441
A1 to A3	167,836	-	9,704	1,385,497	312,816	-	40,674
Baa1 to Baa3	520,483	-	-	338,944	264,011	-	32,578
P1 to P3	4,111,404	-	-	-	-	-	-
Non-rated including:	14,006,966	-	873,144	3,235,272	11,852,051	562,725	71,336
- Bank Negara Malaysia	13,339,250	-	598,073	-	-	-	1,738
- Malaysian Government Securities	-	-	222,202	459,574	2,415,844	-	-
- Malaysian Government Treasury Bills	-	-	52,869	-	-	-	-
- Malaysian Government Investment Issues	-	-	-	1,409,751	4,756,426	-	-
- Private debt securities	-	-	-	1,264,584	2,521,096	-	-
- Bankers' acceptances	-	-	-	-	339,215	-	-
- Khazanah bonds	-	-	-	-	57,632	-	-
- Others	667,716	-	-	101,363	1,761,838	562,725	69,598
	<b>21,898,932</b>	<b>676,858</b>	<b>1,110,482</b>	<b>7,964,477</b>	<b>15,630,063</b>	<b>562,725</b>	<b>271,029</b>



#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

##### (iii) Credit quality (continued)

(c) Analysis of short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets that are neither past due nor impaired by rating agency designation are as follows: (continued)

Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
<b>31.12.2011</b>							
AAA to AA3	1,745,518	142,291	275,519	1,680,229	3,926,310	-	124,124
A1 to A3	354,702	-	-	1,213,213	1,540,390	-	64,203
Baa1 to Baa3	381,806	-	-	254,851	240,210	-	27,171
P1 to P3	11,204,393	-	-	7,989	-	-	38
Non-rated including:	170,924	-	594,369	2,647,859	6,292,266	588,714	48,069
- Bank Negara Malaysia	-	-	501,461	-	-	-	541
- Malaysian Government Securities	-	-	-	974,018	2,768,820	-	-
- Malaysian Government Investment Issues	-	-	92,908	1,096,153	2,195,778	-	-
- Private debt securities	-	-	-	577,688	1,102,774	-	-
- Bankers' acceptances	-	-	-	-	169,823	-	-
- Khazanah bonds	-	-	-	-	55,071	-	-
- Others	170,924	-	-	-	-	588,714	47,528
	13,857,343	142,291	869,888	5,804,141	11,999,176	588,714	263,605

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

##### (iii) Credit quality (continued)

(c) Analysis of short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets that are neither past due nor impaired by rating agency designation are as follows: (continued)

Bank	Short-term funds and deposits with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
<b>1.1.2011</b>							
AAA to AA3	972,028	276,076	119,367	1,950,359	3,570,319	-	131,931
A1 to A3	351,641	331	-	536,227	1,468,167	-	79,249
Baa1 to Baa3	215,979	-	10,216	214,784	223,230	-	2,438
P1 to P3	4,272,649	-	-	109,589	-	-	-
Non-rated including:	6,360,463	-	-	4,790,082	4,259,446	152,140	84,530
- Bank Negara Malaysia	6,008,273	-	-	-	-	-	-
- Malaysian Government Securities	-	-	-	3,199,222	2,948,345	-	-
- Malaysian Government Investment Issues	-	-	-	1,066,701	781,992	-	-
- Private debt securities	-	-	-	438,126	476,477	-	-
- Khazanah bonds	-	-	-	-	52,632	-	-
- Others	352,190	-	-	86,033	-	152,140	84,530
	12,172,760	276,407	129,583	7,601,041	9,521,162	152,140	298,148

##### (iv) Collateral and other credit enhancements

The carrying amount of assets held by the Group and the Bank a result of taking possession of collaterals held as securities is as follows:

	Group and Bank	
	31.12.2012 RM'000	31.12.2011 RM'000
Residential properties	2,167	2,534
		3,724

Reposessed properties are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group and the Bank generally do not occupy the premises reposessed for its business use.

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitment and contingencies, are set out below:

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale <sup>®</sup> RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing <sup>#</sup> RM'000	Other financial assets <sup>*</sup> RM'000	Commitments and contingencies RM'000	Total RM'000
<b>31.12.2012</b>									
Agriculture	-	-	-	939,895	-	4,273,468	50,475	1,003,478	6,267,316
Mining and quarrying	-	-	-	-	-	728,740	-	871,422	1,600,162
Manufacturing	-	-	-	100,089	15,930	9,326,834	5,562	8,987,147	18,435,562
Electricity, gas and water	-	-	-	524,727	822,192	2,574,692	8,828	655,396	4,585,835
Construction	-	-	-	229,861	-	4,302,313	-	5,267,114	9,799,288
Real estate	-	-	5,094	288,623	227,637	2,343,998	-	1,089,154	3,954,506
Purchase of landed property	-	-	-	-	-	26,762,049	-	4,563,722	31,325,771
General commerce	-	-	-	-	405,810	7,217,633	-	4,886,444	12,509,887
Transport, storage and communication	-	-	25,236	613,694	322,179	4,724,407	934	905,170	6,591,620
Finance, insurance and business services	8,474,292	676,858	9,703	3,456,579	3,857,666	9,761,829	126,805	1,644,243	28,007,975
Government and government agencies	16,772,815	-	1,509,830	3,516,570	12,092,243	11,860,306	1,738	152,900	45,906,402
Purchase of securities	-	-	-	-	57,594	8,734,077	-	1,745,307	10,536,978
Purchase of transport vehicles	-	-	-	-	-	6,696,796	-	627,340	7,324,136
Consumption credit	-	-	-	-	-	2,209,361	-	4,506,527	6,715,888
Others	-	-	-	-	-	7,344,611	296,412	3,733,944	11,374,967
	<b>25,247,107</b>	<b>676,858</b>	<b>1,549,863</b>	<b>9,670,038</b>	<b>17,801,251</b>	<b>108,861,114</b>	<b>490,754</b>	<b>40,639,308</b>	<b>204,936,293</b>

<sup>#</sup> Excludes collective impairment allowance amounting to RM1,395,228,000.

<sup>®</sup> Excludes equity instrument amounting to RM356,273,000.

<sup>\*</sup> Other financial assets include other assets amounting to RM239,837,000 and derivative assets amounting to RM250,917,000.

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitment and contingencies, are set out below: (continued)

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale <sup>®</sup> RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing <sup>#</sup> RM'000	Other financial assets <sup>*</sup> RM'000	Commitments and contingencies RM'000	Total RM'000
<b>31.12.2011</b>									
Agriculture	-	-	-	10,339	-	2,534,508	-	922,141	3,466,988
Mining and quarrying	-	-	-	-	-	300,852	-	208,399	509,251
Manufacturing	-	-	-	50,662	23,781	8,763,827	-	7,322,343	16,160,613
Electricity, gas and water	-	-	5,044	617,019	635,142	524,610	11,493	689,820	2,483,128
Construction	-	-	-	95,529	-	5,520,525	-	3,965,881	9,581,935
Real estate	-	-	-	257,273	238,833	1,704,227	-	696,988	2,897,321
Purchase of landed property	-	-	-	-	-	24,963,115	-	2,990,884	27,953,999
General commerce	-	-	-	80,067	-	5,845,669	-	4,294,085	10,219,821
Transport, storage and communication	-	-	-	57,072	395,299	7,419,491	-	1,798,475	9,670,337
Finance, insurance and business services	6,774,566	-	306,913	2,656,781	5,281,082	5,501,140	173,153	3,887,486	24,581,121
Government and government agencies	11,864,185	142,291	991,462	3,801,682	6,901,030	1,805,327	541	-	25,506,518
Purchase of securities	-	-	-	-	-	6,577,185	-	1,265,547	7,842,732
Purchase of transport vehicles	-	-	-	-	-	6,761,403	-	874,074	7,635,477
Consumption credit	-	-	-	-	-	7,305,722	-	7,291,351	14,597,073
Others	-	-	-	-	-	11,356,426	221,037	3,761,415	15,338,878
	18,638,751	142,291	1,303,419	7,626,424	13,475,167	96,884,027	406,224	39,968,889	178,445,192

<sup>#</sup> Excludes collective impairment allowance amounting to RM1,566,152,000.

<sup>®</sup> Excludes equity instrument amounting to RM388,661,000.

<sup>\*</sup> Other financial assets include other assets amounting to RM179,244,000 and derivative assets amounting to RM226,980,000.

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitment and contingencies, are set out below: (continued)

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale <sup>®</sup> RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing <sup>#</sup> RM'000	Other financial assets <sup>*</sup> RM'000	Commitments and contingencies RM'000	Total RM'000
<b>1.1.2011</b>									
Agriculture	-	-	-	9,496	-	2,416,973	-	789,087	3,215,556
Mining and quarrying	-	-	-	-	-	127,260	-	155,118	282,378
Manufacturing	-	-	-	128,792	36,803	8,968,527	-	8,067,499	17,201,621
Electricity, gas and water	-	-	24,906	182,085	128,028	702,769	-	1,611,720	2,649,508
Construction	-	-	-	37,369	-	3,458,210	-	5,175,282	8,670,861
Real estate	-	-	-	63,902	35,723	1,085,249	-	909,095	2,093,969
Purchase of landed property	-	-	-	-	-	23,322,504	-	4,160,660	27,483,164
General commerce	-	-	-	23,560	47,750	5,586,827	-	5,339,941	10,998,078
Transport, storage and communication	-	-	-	95,508	412,213	5,457,787	3	1,938,899	7,904,410
Finance, insurance and business services	6,334,732	31,448	183,956	2,949,232	5,047,314	5,197,063	-	1,489,779	21,233,524
Government and government agencies	6,974,246	244,959	139,649	6,097,284	4,966,414	14,985	-	-	18,437,537
Purchase of securities	-	-	-	-	-	3,744,731	-	1,244,967	4,989,698
Purchase of transport vehicles	-	-	-	-	-	6,644,937	-	877,191	7,522,128
Consumption credit	-	-	-	-	-	5,584,061	-	6,444,870	12,028,931
Others	-	-	-	-	-	11,021,093	415,448	3,381,016	14,817,557
	13,308,978	276,407	348,511	9,587,228	10,674,245	83,332,976	415,451	41,585,124	159,528,920

<sup>#</sup> Excludes collective impairment allowance amounting to RM1,817,189,000.

<sup>®</sup> Excludes equity instrument amounting to RM346,350,000.

<sup>\*</sup> Other financial assets include other assets amounting to RM117,062,000 and derivative assets amounting to RM298,389,000.

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitment and contingencies, are set out below:

Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale <sup>®</sup> RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing <sup>#</sup> RM'000	Other financial assets RM'000	Commitments and contingencies RM'000	Total RM'000
<b>31.12.2012</b>									
Agriculture	-	-	-	909,442	-	3,731,870	50,475	893,044	5,584,831
Mining and quarrying	-	-	-	-	-	547,838	-	871,422	1,419,260
Manufacturing	-	-	-	100,089	15,930	8,007,984	5,562	8,542,745	16,672,310
Electricity, gas and water	-	-	-	410,215	756,293	2,140,978	8,828	649,110	3,965,424
Construction	-	-	-	208,943	-	3,439,426	-	5,022,194	8,670,563
Real estate	-	-	-	96,591	50,292	2,150,450	-	1,079,154	3,376,487
Purchase of landed property	-	-	-	-	-	23,430,005	-	3,559,666	26,989,671
General commerce	-	-	-	-	405,810	6,545,185	-	4,479,369	11,430,364
Transport, storage and communication	-	-	-	461,410	306,947	3,660,500	934	759,257	5,189,048
Finance, insurance and business services	8,559,680	676,858	9,703	3,251,656	3,730,327	8,338,280	149,195	1,393,407	26,109,106
Government and government agencies	13,339,252	-	1,100,779	2,665,163	10,322,800	7,606,524	1,738	-	35,036,256
Purchase of securities	-	-	-	-	57,594	8,734,077	-	1,745,307	10,536,978
Purchase of transport vehicles	-	-	-	-	-	6,696,796	-	314,981	7,011,777
Consumption credit	-	-	-	-	-	2,209,361	-	4,186,039	6,395,400
Others	-	-	-	-	-	3,219,343	617,022	2,587,000	6,423,365
	<b>21,898,932</b>	<b>676,858</b>	<b>1,110,482</b>	<b>8,103,509</b>	<b>15,645,993</b>	<b>90,458,617</b>	<b>833,754</b>	<b>36,082,695</b>	<b>174,810,840</b>

<sup>#</sup> Excludes collective impairment allowance amounting to RM1,182,802,000.

<sup>®</sup> Excludes equity instrument amounting to RM353,047,000.

\* Other financial assets include other assets amounting to RM562,725,000 and derivative assets amounting to RM271,029,000.

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitment and contingencies, are set out below: (continued)

Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale <sup>®</sup> RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing <sup>#</sup> RM'000	Other financial assets <sup>*</sup> RM'000	Commitments and contingencies RM'000	Total RM'000
<b>31.12.2011</b>									
Agriculture	-	-	-	10,339	-	2,289,420	-	866,895	3,166,654
Mining and quarrying	-	-	-	-	-	115,814	-	208,399	324,213
Manufacturing	-	-	-	50,662	23,781	7,644,053	-	6,713,034	14,431,530
Electricity, gas and water	-	-	-	473,895	567,796	139,549	11,493	683,281	1,876,014
Construction	-	-	-	95,529	-	4,929,981	-	3,493,552	8,519,062
Real estate	-	-	-	120,128	49,003	1,510,867	-	677,164	2,357,162
Purchase of landed property	-	-	-	-	-	21,968,651	-	2,277,700	24,246,351
General commerce	-	-	-	80,067	-	5,103,952	-	3,771,084	8,955,103
Transport, storage and communication	-	-	-	9,369	325,137	3,387,538	-	769,070	4,491,114
Finance, insurance and business services	5,811,999	-	-	2,625,031	5,281,082	5,415,319	234,495	3,811,428	23,179,354
Government and government agencies	8,045,344	142,291	869,888	2,488,296	5,775,200	-	541	-	17,321,560
Purchase of securities	-	-	-	-	-	6,568,578	-	1,265,547	7,834,125
Purchase of transport vehicles	-	-	-	-	-	6,760,754	-	874,074	7,634,828
Consumption credit	-	-	-	-	-	7,299,161	-	6,452,057	13,751,218
Others	-	-	-	-	-	8,795,103	605,790	3,418,087	12,818,980
	13,857,343	142,291	869,888	5,953,316	12,021,999	81,928,740	852,319	35,281,372	150,907,268

<sup>#</sup> Excludes collective impairment allowance amounting to RM1,335,081,000.

<sup>®</sup> Excludes equity instrument amounting to RM385,830,000.

<sup>\*</sup> Other financial assets include other assets amounting to RM588,714,000 and derivative assets amounting to RM263,605,000.

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (e) Credit risk (continued)

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitment and contingencies, are set out below: (continued)

Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale <sup>®</sup> RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing <sup>#</sup> RM'000	Other financial assets <sup>*</sup> RM'000	Commitments and contingencies RM'000	Total RM'000
<b>1.1.2011</b>									
Agriculture	-	-	-	9,496	-	1,987,388	-	757,994	2,754,878
Mining and quarrying	-	-	-	-	-	100,402	-	155,118	255,520
Manufacturing	-	-	-	128,792	36,803	7,841,928	-	7,876,759	15,884,282
Electricity, gas and water	-	-	-	114,751	60,945	286,640	-	1,478,535	1,940,871
Construction	-	-	-	37,369	-	2,865,347	-	4,792,338	7,695,054
Real estate	-	-	-	47,647	-	1,091,678	-	846,822	1,986,147
Purchase of landed property	-	-	-	-	-	20,707,015	-	3,916,145	24,623,160
General commerce	-	-	-	18,512	47,750	4,873,721	-	4,844,965	9,784,948
Transport, storage and communication	-	-	-	55,076	324,893	3,337,506	-	1,830,210	5,547,685
Finance, insurance and business services	6,164,487	31,448	-	2,672,943	4,751,517	4,723,049	48,519	1,349,218	19,741,181
Government and government agencies	6,008,273	244,959	129,583	4,715,951	4,336,404	-	-	-	15,435,170
Purchase of securities	-	-	-	-	-	3,732,462	-	1,244,967	4,977,429
Purchase of transport vehicles	-	-	-	-	-	6,644,849	-	877,191	7,522,040
Consumption credit	-	-	-	-	-	5,556,347	-	6,439,771	11,996,118
Others	-	-	-	-	-	8,960,225	401,769	1,792,340	11,154,334
	12,172,760	276,407	129,583	7,800,537	9,558,312	72,708,557	450,288	38,202,373	141,298,817

<sup>#</sup> Excludes collective impairment allowance amounting to RM1,539,132,000.

<sup>®</sup> Excludes equity instrument amounting to RM342,684,000.

<sup>\*</sup> Other financial assets include other assets amounting to RM152,140,000 and derivative assets amounting to RM298,148,000.



## 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (f) Fair value measurement

The Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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
<b>31.12.2012</b>				
<b>Financial assets</b>				
Financial investments held-for-trading				
– money market instrument	–	1,509,829	–	1,509,829
– unquoted securities	–	40,034	–	40,034
Financial investments available-for-sale				
– money market instrument	–	3,223,828	–	3,223,828
– quoted securities	10,522	–	–	10,522
– unquoted securities	–	6,238,966	552,995	6,791,961
Derivative assets				
– money market instrument	–	250,917	–	250,917
	10,522	11,263,574	552,995	11,827,091
<b>Financial liabilities</b>				
Derivative liabilities				
– money market instrument	–	273,197	–	273,197
<b>31.12.2011</b>				
<b>Financial assets</b>				
Financial investments held-for-trading				
– money market instrument	–	1,298,375	–	1,298,375
– unquoted securities	–	5,044	–	5,044
Financial investments available-for-sale				
– money market instrument	–	3,819,790	–	3,819,790
– quoted securities	17,960	–	–	17,960
– unquoted securities	–	3,679,907	497,428	4,177,335
Derivative assets				
– money market instrument	–	226,980	–	226,980
	17,960	9,030,096	497,428	9,545,484
<b>Financial liabilities</b>				
Derivative liabilities				
– money market instrument	–	237,004	–	237,004

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (f) Fair value measurement (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
<b>1.1.2011</b>				
<b>Financial assets</b>				
Financial investments held-for-trading				
– money market instrument	–	313,464	–	313,464
– unquoted securities	–	35,047	–	35,047
Financial investments available-for-sale				
– money market instrument	–	6,651,780	–	6,651,780
– quoted securities	18,430	–	–	18,430
– unquoted securities	–	2,800,982	462,386	3,263,368
Derivative assets				
– money market instrument	–	298,389	–	298,389
	18,430	10,099,662	462,386	10,580,478
<b>Financial liabilities</b>				
Derivative liabilities				
– money market instrument	–	240,161	–	240,161
<b>Bank</b>				
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>31.12.2012</b>				
<b>Financial assets</b>				
Financial investments held-for-trading				
– money market instrument	–	1,100,778	–	1,100,778
– unquoted securities	–	9,704	–	9,704
Financial investments available-for-sale				
– money market instrument	–	2,634,238	–	2,634,238
– quoted securities	7,871	–	–	7,871
– unquoted securities	–	5,330,118	484,329	5,814,447
Derivative assets				
– money market instrument	–	271,029	–	271,029
	7,871	9,345,867	484,329	9,838,067
<b>Financial liabilities</b>				
Derivative liabilities				
– money market instrument	–	273,559	–	273,559

## 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (f) Fair value measurement (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
<b>31.12.2011</b>				
Financial investments held-for-trading				
– money market instrument	–	869,888	–	869,888
Financial investments available-for-sale				
– money market instrument	–	2,926,773	–	2,926,773
– quoted securities	15,704	–	–	15,704
– unquoted securities	–	2,899,816	496,853	3,396,669
Derivative assets				
– money market instrument	–	263,605	–	263,605
	<b>15,704</b>	<b>6,960,082</b>	<b>496,853</b>	<b>7,472,639</b>
<b>Financial liabilities</b>				
Derivative liabilities				
– money market instrument	–	234,522	–	234,522
<b>1.1.2011</b>				
<b>Financial assets</b>				
Financial investments held-for-trading				
– money market instrument	–	129,583	–	129,583
Financial investments available-for-sale				
– money market instrument	–	5,318,376	–	5,318,376
– quoted securities	15,339	–	–	15,339
– unquoted securities	–	2,347,695	461,811	2,809,506
Derivative assets				
– money market instrument	–	298,148	–	298,148
	<b>15,339</b>	<b>8,093,802</b>	<b>461,811</b>	<b>8,570,952</b>
<b>Financial liabilities</b>				
Derivative liabilities				
– money market instrument	–	238,984	–	238,984

#### 40 FINANCIAL RISK MANAGEMENT (CONTINUED)

##### (f) Fair value measurement (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

Financial investments available-for-sale	Group RM'000	Bank RM'000
At 1 January 2012	497,428	496,853
Total losses recognised in other comprehensive income	(32,202)	(32,202)
Sales	(3,086)	(3,086)
Purchase	68,946	855
Settlements	(49,039)	(49,039)
Reversal of impairment losses	(6,783)	(6,783)
Transfer in	77,754	77,754
Exchange differences	(23)	(23)
<b>As at 31 December 2012</b>	<b>552,995</b>	<b>484,329</b>

	Group RM'000	Bank RM'000
At 1 January 2011	462,386	461,811
Total gains recognised in other comprehensive income	42,823	42,823
Sales	(250)	(250)
Settlements	(7,026)	(7,026)
Reversal of impairment losses	(307)	(307)
Exchange differences	(198)	(198)
<b>As at 31 December 2011</b>	<b>497,428</b>	<b>496,853</b>

#### 41 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of each financial assets and liabilities presented on the statements of financial position of the Group and the Bank approximates the carrying amount as at the reporting date, except for the following:

	Group		Bank	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<b>31.12.2012</b>				
<b>Financial assets</b>				
Deposits and placements with banks and other financial institutions	3,549,648	3,549,648	3,780,228	3,819,917
Financial investments held-to-maturity	17,801,251	17,992,056	15,645,993	15,830,733
Loans, advances and financing	107,465,886	108,422,758	89,275,815	89,807,925
<b>Financial liabilities</b>				
Deposits from customers	131,309,626	131,434,060	111,557,605	111,676,241
Deposits and placements of banks and other financial institutions	11,935,887	11,927,499	9,459,328	9,435,884
Recourse obligation on loans sold to Cagamas Berhad	2,445,361	2,410,223	982,840	999,937
Subordinated obligations	4,020,919	4,092,454	4,020,919	4,092,454
Hybrid Tier-I Capital Securities	606,086	708,405	606,086	708,405
Senior Debt Securities	1,536,674	1,575,816	1,536,674	1,575,816
<b>31.12.2011</b>				
<b>Financial assets</b>				
Deposits and placements with banks and other financial institutions	937,828	937,828	2,200,238	2,113,114
Financial investments held-to-maturity	13,475,167	13,639,962	12,021,999	12,176,983
Loans, advances and financing	95,317,875	96,074,315	80,593,659	81,035,404
<b>Financial liabilities</b>				
Deposits from customers	113,638,280	113,651,956	94,349,181	94,371,426
Deposits and placements of banks and other financial institutions	7,996,621	7,980,237	5,809,666	5,793,282
Recourse obligation on loans sold to Cagamas Berhad	1,161,814	1,179,720	1,161,814	1,179,720
Subordinated obligations	3,269,678	3,128,338	3,269,678	3,128,338
Hybrid Tier-I Capital Securities	605,570	709,089	605,570	709,089

**41 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

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: (continued)

	Group		Bank	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<b>1.1.2011</b>				
<b>Financial assets</b>				
Financial investments held-to-maturity	10,674,245	10,801,377	9,558,312	9,664,386
Loans, advances and financing	81,515,787	81,946,389	71,169,425	71,446,602
<b>Financial liabilities</b>				
Deposits from customers	92,402,813	92,409,966	80,567,577	80,571,881
Deposits and placements of banks and other financial institutions	7,680,309	7,646,332	6,158,453	6,124,476
Recourse obligation on loans sold to Cagamas Berhad	818,503	782,525	818,503	782,525
Subordinated obligations	3,018,157	3,097,047	3,018,157	3,097,047
Hybrid Tier-I Capital Securities	605,407	684,333	605,407	684,333

The fair values are based on the following methodologies and assumptions:

- (i) Cash and short-term funds and deposits and placements with financial institutions  
For cash and short-term funds and deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.
- (ii) Securities purchased under resale agreements  
The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using prevailing market rates for the remaining term to maturity.
- (iii) Financial investments held-to-maturity  
The fair value for financial investments held-to-maturity 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 interest yields 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 statements of financial position date.

#### 41 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(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 floating and fixed rates 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.

(vii) Deposits and placements of banks and other financial institutions, bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities 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 maturities.

(viii) Recourse obligation on loans sold to Cagamas Berhad

For amounts due to Cagamas with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amount 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) Long term borrowings

For floating rate borrowings, the carrying value is generally a reasonable estimate of fair value.

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

(x) Subordinated obligations

The estimated fair value of subordinated obligations is generally based on quoted and observable market prices at the date of statements of financial position.

(xi) Hybrid Tier-I Capital Securities

The estimated fair value of hybrid capital securities is generally based on quoted and observable market prices at the date of statements of financial position.

#### **41 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)**

(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 or pay to terminate the contracts at the date of statements of financial position.



## 42 CAPITAL ADEQUACY

With effect from 1 July 2010, the capital ratios of the Bank are computed based on Bank Negara Malaysia's (BNM) Guidelines 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 capital ratios of RHB Islamic Bank Berhad (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).

	RHB Bank*			RHB Islamic Bank		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Tier I Capital</b>						
Paid-up ordinary share capital	<b>3,318,085</b>	3,318,085	3,318,085	<b>973,424</b>	773,424	523,424
Hybrid Tier-I Capital Securities	<b>597,744</b>	597,475	597,227	–	–	–
Share premium	<b>8,563</b>	8,563	8,563	–	–	–
Retained profits	<b>4,235,058</b>	3,504,750	2,526,857	<b>358,151</b>	280,203	176,348
Other reserves	<b>3,446,935</b>	3,042,879	2,673,311	<b>358,359</b>	280,411	231,484
	<b>11,606,385</b>	10,471,752	9,124,043	<b>1,689,934</b>	1,334,038	931,256
Less: Goodwill	<b>(905,519)</b>	(905,519)	(905,519)	–	–	–
Net deferred tax assets	<b>(21,742)</b>	(7,145)	(254,500)	<b>(2,175)</b>	(6,137)	(48,610)
Total Tier I capital	<b>10,679,124</b>	9,559,088	7,964,024	<b>1,687,759</b>	1,327,901	882,646
<b>Tier-II Capital</b>						
Subordinated obligations	<b>3,996,781</b>	3,250,000	3,000,000	–	–	–
Collective impairment allowance <sup>^</sup>	<b>278,703</b>	320,334	230,712	<b>87,435</b>	108,500	146,929
Total Tier II capital	<b>4,275,484</b>	3,570,334	3,230,712	<b>87,435</b>	108,500	146,929
Less: Investment in subsidiaries	<b>(1,072,656)</b>	(872,656)	(622,656)	–	–	–
Excess of total expected loss over total eligible provision under the IRB approach	<b>(372,197)</b>	(194,906)	(136,189)	–	–	–
Other deduction <sup>#</sup>	<b>(5,701)</b>	(3,787)	(3,190)	<b>(5,091)</b>	(24)	(102)
Eligible Tier II capital	<b>2,824,930</b>	2,498,985	2,468,677	<b>82,344</b>	108,476	146,827
Total capital base	<b>13,504,054</b>	12,058,073	10,432,701	<b>1,770,103</b>	1,436,377	1,029,473

#### 42 CAPITAL ADEQUACY (CONTINUED)

	RHB Bank*			RHB Islamic Bank		
	31.12.2012	31.12.2011	1.1.2011	31.12.2012	31.12.2011	1.1.2011
<b>Capital ratios</b>						
Before proposed dividends:						
Core capital ratio	<b>12.15%</b>	13.07%	10.86%	<b>14.06%</b>	12.88%	11.51%
Risk-weighted capital ratio	<b>15.36%</b>	16.49%	14.22%	<b>14.74%</b>	13.93%	13.43%
After proposed dividends:						
Core capital ratio	<b>11.88%</b>	12.59%	10.53%	<b>14.06%</b>	12.88%	11.51%
Risk-weighted capital ratio	<b>15.09%</b>	16.01%	13.90%	<b>14.74%</b>	13.93%	13.43%

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

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

# Pursuant to Basel II Market Risk para 5.19 & 5.20 – Valuation Adjustments/Reserves, the RWCR computation shall account for the ageing, liquidity and holding back adjustments/reserves on its trading portfolio.

Pursuant to BNM circular, "Recognition of Deferred Tax Assets (DTA) and Treatment of DTA for RWCR Purposes" dated 8 August 2003, deferred tax income/(expense) is excluded from the computation of Tier I capital and deferred tax assets are excluded from the calculation of risk weighted assets.

## 42 CAPITAL ADEQUACY (CONTINUED)

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

	Principal RM'000	RHB Bank* Risk- weighted assets RM'000	Principal RM'000	RHB Islamic Bank Risk- weighted assets RM'000
<b>31.12.2012</b>				
(i) Credit risk	<b>162,978,889</b>	<b>77,934,597</b>	<b>26,487,549</b>	<b>11,053,722</b>
(ii) Market risk		<b>2,676,807</b>		<b>265,386</b>
(iii) Operational risk		<b>7,283,570</b>		<b>689,105</b>
Total risk-weighted assets		<b>87,894,974</b>		<b>12,008,213</b>
<b>31.12.2011</b>				
(i) Credit risk	128,646,396	64,303,739	23,329,402	9,136,385
(ii) Market risk		1,884,914		565,103
(iii) Operational risk		6,939,645		608,028
Total risk-weighted assets		73,128,298		10,309,516
<b>1.1.2011</b>				
(i) Credit risk	112,016,830	65,571,292	13,584,497	7,068,476
(ii) Market risk		1,232,084		30,513
(iii) Operational risk		6,559,217		566,538
Total risk-weighted assets		73,362,593		7,665,527

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

42 CAPITAL ADEQUACY (CONTINUED)

	Group		
	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
<b>Tier I Capital</b>			
Paid-up ordinary share capital	3,318,085	3,318,085	3,318,085
Hybrid Tier-I Capital Securities	597,744	597,475	597,227
Share premium	8,563	8,563	8,563
Retained profits	4,719,036	3,911,093	2,816,578
Other reserves	3,764,812	3,297,315	2,866,218
	<b>12,408,240</b>	11,132,531	9,606,671
Less: Goodwill	(1,004,017)	(1,004,017)	(1,004,017)
Net deferred tax assets	(31,437)	(20,804)	(312,035)
Total Tier I capital	<b>11,372,786</b>	10,107,710	8,290,619
<b>Tier II Capital</b>			
Subordinated obligations	3,996,781	3,250,000	3,000,000
Collective impairment allowance <sup>^</sup>	422,827	491,664	344,038
Total Tier II capital	<b>4,419,608</b>	3,741,664	3,344,038
Less: Excess of total expected loss over total eligible provision under the IRB approach	(422,888)	(247,793)	(92,570)
Other deduction <sup>#</sup>	(10,792)	(3,811)	(3,292)
Eligible Tier II capital	<b>3,985,928</b>	3,490,060	3,248,176
Total capital base	<b>15,358,714</b>	13,597,770	11,538,795
<b>Capital ratios</b>			
Before proposed dividends:			
Core capital ratio	<b>11.60%</b>	12.20%	10.25%
Risk-weighted capital ratio	<b>15.67%</b>	16.41%	14.27%
After proposed dividends:			
Core capital ratio	<b>11.36%</b>	11.78%	9.96%
Risk-weighted capital ratio	<b>15.42%</b>	15.99%	13.97%
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:			
Credit risk	<b>87,475,701</b>	72,775,638	72,460,531
Market risk	<b>2,565,380</b>	2,478,476	1,255,271
Operational risk	<b>7,999,184</b>	7,585,528	7,162,161
Total risk-weighted assets	<b>98,040,265</b>	82,839,642	80,877,963

## 42 CAPITAL ADEQUACY (CONTINUED)

<sup>^</sup> Excludes collective assessment impairment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on "Classification and Impairment Provisions for Loans/Financing" issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010.

<sup>#</sup> Pursuant to Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments/Reserves, the RWCR computation shall account for the ageing, liquidity and holding back adjustments/reserves on its trading portfolio.

Pursuant to BNM circular, "Recognition of Deferred Tax Assets (DTA) and Treatment of DTA for RWCR Purposes" dated 8 August 2003, deferred tax income/(expense) is excluded from the computation of Tier I capital and deferred tax assets are excluded from the calculation of risk weighted assets.

## 43 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's business segments are organised into the following main segments reflecting the Group's internal reporting structure:

(a) Corporate Banking

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 entities. Included under Corporate Banking are offshore banking activities carried out by RHB Bank (L) Ltd whose borrowing and lending facilities are offered in major currencies mainly to corporate customers.

(b) Retail Banking

Retail Banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgages, hire purchase financing, study loans, lease financing and personal loans), credit cards, remittance services, deposit collection and investment products.

(c) Business Banking

Business Banking caters to funding or lending needs to small and medium sized enterprises.

(d) Treasury and Money Market

Treasury and money market operations are involved in 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.

(e) Islamic Banking business

Islamic Banking business focuses on providing a full range of commercial banking products and services in accordance with the principles of Shariah to individual customers, corporate clients, government and state owned entities as well as small and medium sized enterprises.

### **43 SEGMENT REPORTING (CONTINUED)**

(f) Global Financial Banking

Global Financial Banking focuses on providing banking related products & services tailored to the specific needs in foreign countries. Currently, the Group has established foreign operations in Singapore, Thailand and Brunei.

(g) Others

Others comprise of results from other business segments in the Group (nominee services, property investment and rental, dormant operations and other related financial services) and funding center of the bank, whose results are not material to the Group and therefore do not render separate disclosure in the financial statements and thus, have been reported in aggregate.

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 and centralised cost, funding centre and application of transfer pricing, where appropriate, has been used in preparing the segmental reporting.

Arising from adoption of MFRS 139 as set out in Note 45, comparatives have been restated to conform with the current period's presentation.

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

43 SEGMENT REPORTING (CONTINUED)

Group	Corporate Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Treasury and Money Market RM'000	Islamic Banking Business RM'000	Global Financial Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
<b>31.12.2012</b>									
External revenue	707,603 (7,497)	2,000,660	703,393	559,818 38,138	409,976 (29,509)	264,134 3,517	(156,451) 821	- (5,470)	4,489,133 -
Inter-segment revenue									
Segment revenue	700,106 (146,545)	2,000,660 (946,633)	703,393 (391,639)	597,956 (93,860)	380,467 (165,317)	267,651 (193,823)	(155,630) (19,847)	(5,470) 5,470	4,489,133 (1,952,194)
Overhead expenses including: Depreciation of property, plant and equipment	(2,294) (1,974)	(59,243) (14,899)	(7,223) (7,240)	(2,129) (2,674)	(5,855) (230)	(3,184) (1,932)	(194) -	- -	(80,122) (28,949)
Amortisation of computer software license									
Allowance for impairment on loans, advances and financing	137,183	(160,146)	(54,015)	-	(78,202)	(1,572)	9,503	-	(147,249)
Impairment losses on other assets	10,572	22	119	(4,288)	-	433	-	-	6,858
Profit before taxation	701,316	893,903	257,858	499,808	136,948	72,689	(165,974)	-	2,396,548
Taxation									(590,813)
Net profit for the financial year									1,805,735

## 43 SEGMENT REPORTING (CONTINUED)

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2012

Group	Corporate Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Treasury and Money Market RM'000	Islamic Banking Business RM'000	Global Financial Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
<b>31.12.2011</b>									
External revenue	618,580	1,909,008	693,971	486,722	359,177	214,867	(80,412)	–	4,201,913
Inter-segment revenue	(2,682)	–	–	76,866	(73,059)	3,418	808	(5,351)	–
Segment revenue	615,898	1,909,008	693,971	563,588	286,118	218,285	(79,604)	(5,351)	4,201,913
Overhead expenses including: Depreciation of property, plant and equipment	(137,340)	(808,147)	(365,002)	(72,313)	(137,014)	(149,216)	(37,357)	5,351	(1,701,038)
Amortisation of computer software license	(1,477)	(39,015)	(6,027)	(1,669)	(4,233)	(3,519)	(194)	–	(56,134)
Allowance for impairment on loans, advances and financing	(2,089)	(19,391)	(7,662)	(2,481)	–	(789)	–	–	(32,412)
Impairment losses on other assets	(56,924)	(205,132)	79,574	–	12,885	15,257	11,325	–	(143,015)
	(4,682)	134	1,297	(44,749)	–	–	–	–	(48,000)
Profit before taxation	416,952	895,863	409,840	446,526	161,989	84,326	(105,636)	–	2,309,860
Taxation									(564,798)
Net profit for the financial year									1,745,062



43 SEGMENT REPORTING (CONTINUED)

Group	Corporate Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Treasury and Money Market RM'000	Islamic Banking Business RM'000	Global Financial Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
<b>31.12.2012</b>									
Segment assets	36,526,387	43,370,241	11,700,066	51,792,837	16,379,292	12,011,758	104,880	(3,375,132)	168,510,329
Deferred tax assets									8,455
Tax recoverable									14
Unallocated assets									1,136,289
Total assets									169,655,087
Segment liabilities	25,753,892	34,247,828	8,058,227	62,602,871	10,402,188	9,642,888	8,912,587	(3,876,869)	155,743,612
Deferred tax liabilities									50,907
Taxation									125,663
Unallocated liabilities									1,702,387
Other segment items	4,661	60,526	21,814	5,761	5,976	11,434	-	-	157,622,569
Capital expenditure									110,172

## 43 SEGMENT REPORTING (CONTINUED)

Notes To The Financial Statements  
For The Financial Year Ended 31 December 2012

Group	Corporate Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Treasury and Money Market RM'000	Islamic Banking Business RM'000	Global Financial Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
<b>31.12.2011</b>									
Segment assets	30,757,058	41,589,787	10,649,511	38,590,247	13,547,471	9,073,853	87,410	(2,181,570)	142,113,767
Deferred tax assets									11,298
Tax recoverable									127,265
Unallocated assets									963,801
Total assets									143,216,131
Segment liabilities	20,200,422	30,654,840	6,671,467	54,557,005	8,314,699	6,697,865	6,153,369	(2,687,558)	130,562,109
Deferred tax liabilities									55,845
Taxation									3,704
Unallocated liabilities									1,863,240
Other segment items	8,519	116,923	32,557	3,653	3,929	6,969	-	-	132,484,898
Capital expenditure									172,550

### 43 SEGMENT REPORTING (CONTINUED)

The geographical information is prepared based on the location of the assets.

	Group	
	31.12.2012 RM'000	31.12.2011 RM'000
<b>Segment revenue</b>		
Malaysia	<b>4,224,999</b>	3,987,046
Outside Malaysia	<b>264,134</b>	214,867
Total	<b>4,489,133</b>	4,201,913
<b>Segment assets</b>		
Malaysia	<b>157,463,866</b>	133,996,491
Outside Malaysia	<b>12,191,221</b>	9,219,640
Total	<b>169,655,087</b>	143,216,131
<b>Capital expenditure</b>		
Malaysia	<b>98,738</b>	165,581
Outside Malaysia	<b>11,434</b>	6,969
Total	<b>110,172</b>	172,550

### 44 TRANSITION FROM FINANCIAL REPORTING STANDARDS (FRS) TO MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRS)

The Group and the Bank do not take advantage on certain mandatory exceptions and optional exceptions provided in MFRS 1 for first time adoption of MFRS, except those mentioned below.

(a) MFRS 1 mandatory exceptions

(i) Estimates

MFRS estimates as at transition date is consistent with the estimates as at the same date made in conformity with FRS.

(ii) Hedge Accounting

Hedge accounting can only be applied prospectively from the transition date to a hedging relationship that qualifies for hedge accounting under MFRS 139 "Financial instruments: Recognition and measurement" at that date. Hedging relationships cannot be designated retrospectively.

#### **44 TRANSITION FROM FINANCIAL REPORTING STANDARDS (FRS) TO MALAYSIAN FINANCIAL REPORTING STANDARDS (MFRS) (CONTINUED)**

- (b) MFRS 1 exemption options
  - (iii) Exemption for business combinations

MFRS 1 provides the option to apply MFRS 3 “Business combinations” prospectively for business combination that occurred from the transition date or from a designated date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date or a designated date prior to the transition date. The Group and Bank elected to apply MFRS 3 prospectively to business combinations that occurred after 1 January 2012. Business combinations that occurred prior to 1 January 2012 have not been restated. In addition, the Group and Bank have also applied MFRS 127 ‘Consolidated and Separate financial statements’ from the same date.

The above transition from FRS to MFRS had no effect on the reported equity, total comprehensive income and cash flow for prior years. As such, no reconciliations to explain the effects of transition from FRS to MFRS are disclosed in these financial statements.

#### **45 EFFECT ON CHANGES IN ACCOUNTING POLICIES**

##### **MFRS 139 “Financial Instruments: Recognition and measurement”**

Previously, the Group and the Bank have applied the amendment to FRS 139 “Financial Instruments: Recognition and measurement”, which included an additional transitional arrangement for financial sectors, whereby Bank Negara Malaysia (BNM) prescribed the use of an alternative basis for collective assessment of impairment on loans, advances and financing. This transitional arrangement is prescribed in BNM’s Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines. With effect from 1 January 2012, BNM has removed the transitional provision for banking institutions on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

Previously, when a collectively assessed loans, advances and financing is deemed impaired, the Group and Bank have reversed out the interest income recognised in profit or loss and set off against the interest receivable in the statements of financial position. Upon the adoption of MFRS 139 on 1 January 2012, once a collectively assessed loan, advances and financing has been written down as a result of an impairment loss, interest income is thereafter recognised using the original effective interest rate in the profit or loss.

##### **Reclassification of software to other intangibles assets**

Previously, software licences were classified under property, plant and equipment. Upon the full adoption of MFRS, software licenses are now reclassified to other intangibles assets.

## 45 EFFECT ON CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Impact on the Group's statements of financial position

Group	As previously reported RM'000	Effect on full adoption of MFRS 139 RM'000	Effect of reclassification of software to other intangible assets RM'000	As restated RM'000
As at 1 January 2011				
<b>Assets</b>				
Loans, advances and financing	81,531,003	(15,216)	–	<b>81,515,787</b>
– Gross loans, advances and financing	84,011,511	176,364	–	<b>84,187,875</b>
– Collective impairment allowances	(1,625,609)	(191,580)	–	<b>(1,817,189)</b>
Deferred tax assets	260,089	4,540	–	<b>264,629</b>
Property, plant and equipment	701,158	–	(103,101)	<b>598,057</b>
Goodwill and other intangible assets	1,004,017	–	103,101	<b>1,107,118</b>
<b>Liabilities</b>				
Other liabilities	1,002,387	662	–	<b>1,003,049</b>
Equity	9,163,984	(11,338)	–	<b>9,152,646</b>
Translation reserves	(79,815)	(31)	–	<b>(79,846)</b>
Retained profits	2,827,885	(11,307)	–	<b>2,816,578</b>
Loans, advances and financing of which:				
– Impaired loans, advances and financing	3,671,258	176,364	–	<b>3,847,622</b>
As at 31 December 2011				
<b>Assets</b>				
Loans, advances and financing	95,083,373	234,502	–	<b>95,317,875</b>
– Gross loans, advances and financing	97,553,684	142,845	–	<b>97,696,529</b>
– Collective impairment allowances	(1,657,809)	91,657	–	<b>(1,566,152)</b>
Deferred tax assets	14,266	(2,968)	–	<b>11,298</b>
Property, plant and equipment	787,865	–	(111,876)	<b>675,989</b>
Goodwill and other intangible assets	1,004,017	–	111,876	<b>1,115,893</b>
<b>Liabilities</b>				
Other liabilities	992,384	823	–	<b>993,207</b>
Deferred tax liabilities	39	55,806	–	<b>55,845</b>
Equity	10,556,328	174,905	–	<b>10,731,233</b>
Translation reserves	(61,408)	19	–	<b>(61,389)</b>
Retained profits	3,736,207	174,886	–	<b>3,911,093</b>
Loans, advances and financing of which:				
– Impaired loans, advances and financing	3,350,486	142,845	–	<b>3,493,331</b>

#### 45 EFFECT ON CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Impact on the Bank's statements of financial position

Bank	As previously reported RM'000	Effect on full adoption of MFRS 139 RM'000	Effect of reclassification of software to other intangible assets RM'000	As restated RM'000
As at 1 January 2011				
<b>Assets</b>				
Loans, advances and financing	71,125,558	43,867	–	<b>71,169,425</b>
– Gross loans, advances and financing	73,245,217	145,862	–	<b>73,391,079</b>
– Collective impairment allowances	(1,437,137)	(101,995)	–	<b>(1,539,132)</b>
Deferred tax assets	220,303	(10,801)	–	<b>209,502</b>
Property, plant and equipment	540,483	–	(97,225)	<b>443,258</b>
Goodwill and other intangible assets	905,519	–	97,225	<b>1,002,744</b>
<b>Liabilities</b>				
Other liabilities	868,165	662	–	<b>868,827</b>
Equity	8,397,474	32,404	–	<b>8,429,878</b>
Retained profits	2,220,855	32,404	–	<b>2,253,259</b>
Loans, advances and financing of which:				
– Impaired loans, advances and financing	2,927,024	145,862	–	<b>3,072,886</b>
As at 31 December 2011				
<b>Assets</b>				
Loans, advances and financing	80,369,613	224,046	–	<b>80,593,659</b>
– Gross loans, advances and financing	82,469,654	125,304	–	<b>82,594,958</b>
– Collective impairment allowances	(1,433,823)	98,742	–	<b>(1,335,081)</b>
Property, plant and equipment	625,567	–	(104,118)	<b>521,449</b>
Goodwill and other intangible assets	905,519	–	104,118	<b>1,009,637</b>
<b>Liabilities</b>				
Other liabilities	924,953	823	–	<b>925,776</b>
Deferred tax liabilities	35	55,806	–	<b>55,841</b>
Equity	9,642,596	167,417	–	<b>9,810,013</b>
Retained profits	3,049,635	167,417	–	<b>3,217,052</b>
Loans, advances and financing of which:				
– Impaired loans, advances and financing	2,727,004	125,304	–	<b>2,852,308</b>

#### 45 EFFECT ON CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Impact on the Group's and the Bank's income statements/statements of comprehensive income:

	As previously reported RM'000	Effect on full adoption of MFRS 139 RM'000	As restated RM'000
<b>Group</b>			
For the financial year ended 31 December 2011			
Interest income	5,395,651	65,855	<b>5,461,506</b>
Income from Islamic Banking business	436,211	2,545	<b>438,756</b>
Allowance for impairment on loans, advances and financing	(324,121)	181,106	<b>(143,015)</b>
Property, plant and equipment			
– depreciation	88,546	(32,412)	<b>56,134</b>
Amortisation of computer software license	–	32,412	<b>32,412</b>
Profit before taxation	2,060,354	249,506	<b>2,309,860</b>
Taxation	(501,485)	(63,313)	<b>(564,798)</b>
Net profit for the financial year	1,558,869	186,193	<b>1,745,062</b>
Earnings per share (sen) – basic	23.49	2.81	<b>26.30</b>
<b>Bank</b>			
For the financial year ended 31 December 2011			
Interest income	5,358,325	65,855	<b>5,424,180</b>
Allowance for impairment on loans, advances and financing	(254,723)	114,161	<b>(140,562)</b>
Property, plant and equipment			
– depreciation	83,355	(32,335)	<b>51,020</b>
Amortisation of computer software license	–	32,335	<b>32,335</b>
Profit before taxation	1,886,540	180,016	<b>2,066,556</b>
Taxation	(464,291)	(45,003)	<b>(509,294)</b>
Net profit for the financial year	1,422,249	135,013	<b>1,557,262</b>
Earnings per share (sen) – basic	21.40	2.07	<b>23.47</b>

#### **46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

**(a) Issuance of RM750.0 million nominal value of Subordinated Notes and/or Senior Notes under a Multi-Currency Medium Term Note Programme (MCMTN Programme)**

On 7 May 2012, the Bank issued RM750.0 million nominal value of Subordinated Notes, being part of the RM3.0 billion in nominal value (or its equivalent in other currencies) under MCMTN Programme. The issuance comprises of 4.30% 10 non-call 5 years subordinated Notes of RM750.0 million due on 6 May 2022.

**(b) Issuance of USD500.0 million nominal value of Senior Unsecured Notes under a Euro Medium Term Note Programme (EMTN Programme)**

On 11 May 2012 and 28 September 2012, the Bank issued USD300.0 million and USD 200.0 million respectively nominal value of Senior Unsecured Notes under EMTN Programme. The issuance comprises of 3.25% Senior Notes of USD500.0 million due on 11 May 2017.

**(c) Issuance of RM1,300.0 million nominal value of Subordinated Notes and/or Senior Notes under a Multi-Currency Medium Term Note Programme (MCMTN Programme)**

On 30 November 2012, the Bank issued RM1,300.0 million nominal value of Subordinated Notes, being part of the RM3.0 billion in nominal value (or its equivalent in other currencies) under MCMTN Programme. The issuance comprises of 4.40% 10 non-call 5 years subordinated Notes of RM1,300.0 million due on 30 November 2022.

**(d) Proposed acquisition of the issued and paid-up share capital in Bank Mestika**

RHB Capital Berhad (RHB Capital), the Bank's holding company had on 19 October 2009 entered into a conditional sale and purchase agreement with PT Mestika Benua Mas (Vendor) for the proposed acquisition of 80% of the issued and paid-up share capital in PT Bank Mestika Dharma (Bank Mestika), comprising 654,414 ordinary shares of Indonesian Rupiah (Rp) 1,000,000 each, for a total cash consideration of Rp3,118,300,347,760 (equivalent to approximately RM1,163,126,030 based on an assumed exchange rate of Rp100,000=RM37.3 (CSPA) (Proposed Acquisition). Simultaneous with the execution of, and in accordance to the CSPA, RHB Capital had also on even date entered into an agreement with the Vendor and The Hongkong and Shanghai Banking Corporation Limited, acting as the escrow agent, (Escrow Agreement) for the purpose of facilitating the payment of deposit for the Proposed Acquisition.

In addition, RHB Capital and the Vendor had also on even date entered into an option agreement pertaining to 9% of the issued and paid-up share capital in Bank Mestika (Proposed Options) held by the Vendor after Bank Mestika's proposed initial public offering (Option Shares) for a total cash consideration of approximately Rp350,809 million (equivalent to approximately RM131 million) plus additional performance related returns of up to 15% per annum compounded annually (adjusted for dividends paid), payable only in the event the Vendor opts to dispose of the Option Shares to RHB Capital or RHB Capital opts to acquire the Option Shares from the Vendor on any of the anniversary dates of the completion of the Proposed Acquisition during the Option Period (as defined in Section 2.8.3(iii) of the announcement of the Proposed Acquisition dated 19 October 2009) (Option Agreement). (The CSPA, Escrow Agreement and the Option Agreement are collectively to be referred to as 'Transaction Agreements').

On 23 October 2009, RHB Capital had assigned all of its rights, title, interest, benefit and entitlement, and novated all of its obligations and liabilities as contained in the Transaction Agreements to RHB Venture Capital Sdn Bhd (RHB VC).



## 46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

### (d) Proposed acquisition of the issued and paid-up share capital in Bank Mestika (continued)

On 20 December 2010, RHB Capital announced that in consultation with the relevant authorities and the Vendor, it is proposed that the Bank will be the new entity to hold the investment in Bank Mestika pursuant to the Proposed Acquisition and the Proposed Options, in place of RHB VC. In this respect, RHB VC has on 17 December 2010 assigned all of its rights, title, interest, benefit and entitlement, and novated all of its obligations and liabilities as contained in the Transaction Agreements to the Bank. Accordingly, the Bank has on 20 December 2010, submitted the relevant applications to Bank Indonesia and BNM as the acquirer for the Proposed Acquisition and the Proposed Options. BNM had on 31 January 2011, granted its approval to the Bank for the Proposed Acquisition. The Proposed Options is conditional upon the Proposed Acquisition but not vice versa.

On 19 April 2011, the Bank and the Vendor had subsequently on 18 April 2011, by way of an exchange of letter, mutually agreed to further extend the period to satisfy or waive the condition precedent based on the terms of the CSPA to 31 December 2011. The extension of the CSPA is conditional upon, inter-alia, permission and approval from RHB Bank for Bank Mestika to distribute dividend to the Vendor no later than 19 May 2011, pending which, the CSPA will only be extended until 19 May 2011 (Initial Extension Period). In the event the Initial Extension Period lapses, the CSPA will be deemed automatically terminated.

RHB Bank has subsequently agreed to give its permission and approval for Bank Mestika to distribute dividend out of the retained earnings accumulated subsequent to the financial year ended 31 December 2008 to the Vendor and the dividend distribution will not have any impact on the purchase consideration for the Proposed Acquisition or the price-to-book ratio represented by the purchase consideration for the Proposed Acquisition.

On 21 December 2011, RHB Investment Bank on behalf of the RHB Capital, announced that the Bank and the Vendor had on 16 December 2011, by way of exchange of letters, mutually agreed to further extend the period to satisfy or waive the conditions precedent of the CSPA for the Proposed Acquisition to 29 February 2012. On 24 February 2012, RHB Bank and the Vendor had mutually agreed to further extend such period to 30 June 2012. Both parties had subsequently, on 29 June 2012, mutually agreed to further extend such period to 30 November 2012. On 30 November 2012, both parties had mutually agreed to further extend such period to 31 January 2013.

On 31 January 2013, RHB Investment Bank had, on behalf of the RHB Capital, announced that RHB Bank had, on 30 January 2013, entered into an amended agreement to the CSPA with the Vendor to revise the proposed acquisition from up to 89% of the issued and paid-up share capital in Bank Mestika to 40%, comprising 327,207 fully-paid ordinary shares, each with a nominal value of Rp1,000,000, for a total cash consideration of Rp2,066,437,000,000 (equivalent to approximately RM651,134,299 based on an assumed exchange rate of Rp100,000: RM31.51 as at 23 January 2013) (Proposed 40% Acquisition).

Simultaneously, RHB Bank had on even date, entered into an option termination agreement with the Vendor to terminate the Proposed Options.

The Proposed 40% Acquisition and Proposed Rights Issue did not have any material effect on the earnings of the Bank for the financial year ended 31 December 2012. The Proposed 40% Acquisition is expected to contribute positively to the future revenue and earnings of the Bank.

## 47 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 February 2013.

## Statement By Directors

Pursuant To Section 169(15) of The Companies Act, 1965

We, Tan Sri Azlan Zainol and Johari Abdul Muid, being two of the directors of RHB Bank Berhad state that, in the opinion of the directors, the financial statements set out on pages 72 to 249 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2012 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

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

**TAN SRI AZLAN ZAINOL**  
CHAIRMAN

**JOHARI ABDUL MUID**  
MANAGING DIRECTOR

Kuala Lumpur  
28 February 2013

## Statutory Declaration

Pursuant To Section 169(16) of The Companies Act, 1965

I, Prem Kumar A/L Shambunath Kirparam, 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 72 to 249 are, in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**PREM KUMAR A/L SHAMBUNATH KIRPARAM**

Subscribed and solemnly declared by the abovenamed Prem Kumar A/L Shambunath Kirparam at Kuala Lumpur in Wilayah Persekutuan on 28 February 2013.

before me:  
COMMISSIONER FOR OATHS  
Kuala Lumpur  
28 February 2013

# Independent Auditors' Report

To The Member of RHB Bank Berhad

(Incorporated in Malaysia)

(Company No. 6171-M)

## REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Bank Berhad on pages 70 to 247, which comprise the statements of financial position as at 31 December 2012 of the Group and the Bank, and the income statements, statements of comprehensive income, changes in equity and cash flow of the Group and the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on notes 1 to 47.

### Directors' Responsibility for the Financial Statements

The directors of the Bank are responsible for the preparation and fair presentation of financial statements 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, 1965 for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and the Bank as of 31 December 2012 and of their financial performance and cash flows for the year then ended.

## ► Independent Auditors' Report

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

### OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

#### PRICEWATERHOUSECOOPERS

(No. AF: 1146)  
Chartered Accountants

Kuala Lumpur  
28 February 2013

#### SRIDHARAN NAIR

(No. 2656/05/14 (J))  
Chartered Accountant

# Basel II Pillar 3 Disclosures

31st December 2012

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## ▸ Statement by Managing Director

In accordance with the requirements of Bank Negara Malaysia's Guideline on Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), and on behalf of the Board of Directors and Senior Management of RHB Bank Berhad, I am pleased to provide an attestation that the Basel II Pillar 3 disclosures of the Bank for the year ended 31st December 2012 are accurate and complete.

**JOHARI ABDUL MUID**  
Managing Director

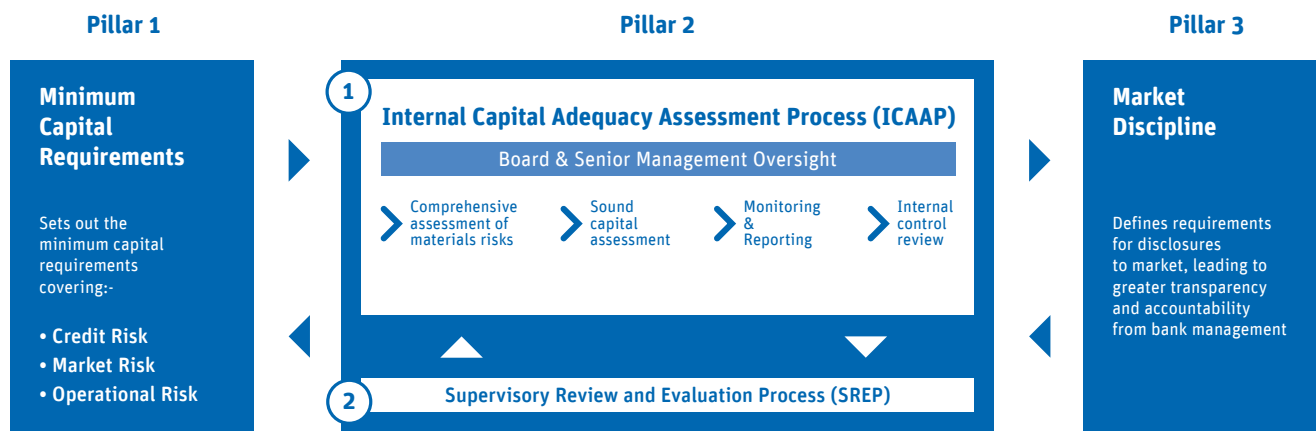
## 1.0 INTRODUCTION

This document discloses 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).

In December 2009, BNM had issued the requirements and guidance on the adoption of the Internal Ratings-Based (IRB) Approach for credit risk under the Risk-Weighted Capital Adequacy Framework (Basel II – Risk-Weighted Assets Computation (RWCAF) and the Capital Adequacy Framework for Islamic Banks (CAFIB).

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.

Pillar 2 comprises two components as follows:-

1. Placing obligations on banks to develop an Internal Capital Adequacy Assessment Process (ICAAP), and setting capital targets that commensurate with the banking institution's risk profile and control environment; and
2. Placing obligations on the supervisory authority to evaluate how well banking institutions are assessing their capital needs relative to their risks and to intervene, where appropriate.

Pillar 3 covers external communication of risk and capital information by banks. The purpose of the Pillar 3 disclosures is to complement the minimum capital requirements under Pillar 1 and the supervisory review process under Pillar 2 by encouraging market efficiency through the development of 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.

## 1.0 INTRODUCTION (CONTINUED)

Under the Internal Ratings-Based (IRB) Approach for credit risk, banking institutions are allowed to use internal estimates of risk parameters (namely the probability of default, loss given default and exposure at default) to determine regulatory capital requirements. Banking institutions are required to obtain explicit approval from BNM to adopt the IRB Approach. The requirements set out under the IRB Approach are largely based on the Framework on International Convergence of Capital Measurement and Capital Standards (commonly referred to as 'Basel II), issued by the Basel Committee on Banking Supervision (BCBS), but which had been appropriately adjusted to calibrate risk parameters more closely to the domestic operating environment and default experience.

The table below lists the various methodologies applicable to the capital requirements calculation for the various types of risks under Pillar 1.

### Type of Approaches

Credit Risk	Market Risk	Operational Risk
1. Standardised Approach (SA)	1. Standardised Approach (SA)	1. Basic Indicator Approach (BIA)
2. Foundation Internal Ratings-Based Approach (F-IRB)	2. Internal Models Approach (IMA)	2. The Standardised Approach (TSA)
3. Advanced Internal Ratings-Based Approach (A-IRB)		3. Advanced Measurement Approach (AMA)

For purpose of credit risk measurement, RHB Bank Berhad has applied the Internal Ratings-Based principles for credit risk since January 2010, following preliminary approval by BNM in December 2009 for the Bank to migrate directly to the IRB approach. Upon approval from BNM, RHB Bank Berhad has migrated to IRB for credit risk in July 2010. For RHB Islamic Bank Berhad, the Standardised Approach (SA) has been adopted for credit risk since January 2008.

For market risk, both RHB Bank Berhad and RHB Islamic Bank Berhad apply the Standardised Approach while for operational risk; both banks apply the Basic Indicator Approach.

The approaches adopted by the respective entities are summarised as follows:-

Entity	Credit Risk	Market Risk	Operational Risk
RHB Bank Berhad	IRB Approach	SA	BIA
RHB Islamic Bank Berhad	SA	SA	BIA

This document covers the qualitative and quantitative information for financial year ended 31st December 2012 with comparative quantitative information of the preceding financial year 2011. The comparative figures for the financial year 2011 in this report have been restated to give effect to changes in the accounting policies, in relation to the Malaysian Financial Reporting Standards 139 (MFRS 139), as reflected in Note 45: Effect on changes in accounting policies, in the Financial Statements.

This is RHB Bank Berhad's third annual Pillar 3 disclosure report published in accordance with the Guideline. This disclosure report has been verified and approved internally in line with the RHB Banking Group Pillar 3 Disclosure Policy.

The Bank's Pillar 3 disclosure report will be made available under the Investor Relations section of the Bank's website at [www.rhb.com.my](http://www.rhb.com.my) as a separate report in the Bank's annual report 2012, 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, i.e. RHB Bank Berhad and its overseas operations (Singapore, Brunei and Thailand) and its subsidiaries, and is referred to as 'RHB Bank Group' or 'the Bank'.

In accordance with the accounting standards for financial reporting, all subsidiaries of the RHB Bank Group are fully consolidated from the date the Group obtains control until the date such control ceases. Refer to Note 12 to the financial statements for list of consolidated entities.

The Bank's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, except where the types of investments to be excluded from eligible capital are required under BNM's Guideline on 'Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components)' Part B Paragraph 4.

RHB Bank Group offers Islamic banking financial services via the Bank's wholly-owned subsidiary company, RHB Islamic Bank Berhad (RHB Islamic Bank).

The transfer of funds or regulatory capital within the RHB Bank Group is subject to shareholders' and regulatory approval.

During the financial year 2012, 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 ensure that the Bank has adequate capital to maintain stability, while meeting its business objectives and in line with its risk appetite. Capital adequacy is the degree to which capital resources on the Bank's balance sheet are sufficient to cover the business capital requirements now and in the foreseeable future. It also indicates the ability of the Bank to provide credit across the business cycles and in meeting any contingency without compromising the interest of the depositors and investors. The Bank aims to maintain a strong capital position to drive sustainable business growth through an optimal capital structure while meeting the regulatory requirements.

With comprehensive capital management, the Bank aims to assist the Board of Directors (Board) and the management in overseeing and ensuring that the Bank has a sound capital management practice that is aligned to BNM's ICAAP requirements.

The management of capital involves capital strategy, capital planning, capital structuring and dividend pay-out.

- **Capital Strategy**

Capital strategy includes the determination of target capital under both normal and stress 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 directions and regulatory requirements, the Bank formulates a capital plan to support its overall risk profile and forecast the capital demand for material risks for which capital held is deemed appropriate. The capital plan describes the actions required to raise capital in a timely manner in both normal and stress conditions as assumed in the stress scenarios. For capital planning purposes, capital adequacy is assessed in the multi-year financial projection under both normal and stressed scenarios, the objective of which is to ensure that the Bank maintains adequate capital on a forward-looking basis. The Bank also establishes a capital contingency funding plan that forms part of the capital plan. The capital plan, together with the analysis and proposed actions, are reviewed by the Group Chief Financial Officer and deliberated at the Group Capital and Strategic Risk Management Committee (GCSRMC) for endorsement, and submitted to Group Risk Management Committee (GRMC) and the Board for approval.

- **Capital Structuring**

Capital structuring affects the Bank through its impact on cash flow and cost of capital. The Bank adopts capital structuring that maximises value and minimises overall cost of capital. In order to achieve optimum capital structure, the Bank determines the levels, mix and structure of internal and regulatory capital in line with its current and planned levels of business activities, risk appetite and desired level of capital adequacy.

- **Dividend Pay-Out**

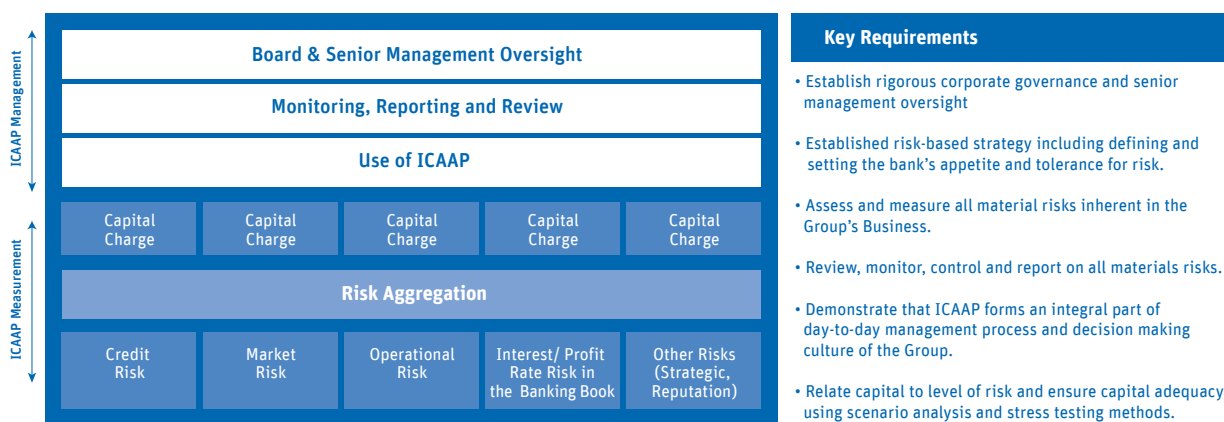
The Bank aims to achieve a balance between dividend pay-out and the need to retain earnings in order to be consistent with its capital strength and to support business expansion. The Board reviews the dividend pay-out recommendation on an annual basis.

### 3.0 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) issued in December 2011, the Bank has embarked on implementing ICAAP with the objective to forge a strong alignment between risk and capital. Capital adequacy will be assessed in relation to the Bank's risk profiles, and strategies will be put in place to maintain appropriate capital levels. An implementation plan and roadmap has been established in order to meet BNM's requirement on ICAAP by end of March 2013.

The ICAAP Framework developed and adopted across the Bank summarises the key ICAAP requirements into two functional categories, namely; ICAAP Measurement and ICAAP Management as depicted below:-



#### 3.2 Capital Adequacy Ratios

BNM's Guideline on 'Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components)', Part B Paragraph 5 on Capital Adequacy Requirements, sets out the current requirements relating to the minimum capital adequacy ratios for a bank incorporated in Malaysia shall use in calculating these ratios.

With effect from 1st July 2010, the capital ratios of RHB Bank Group are computed based on BNM's Guideline on 'Risk-Weighted Capital Adequacy Framework (RWCAF): IRB Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II)'.

The capital ratios of RHB Islamic Bank Berhad are computed based on BNM's Guideline on 'Capital Adequacy Framework for Islamic Banks (CAFIB): Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II)'.

### 3.0 CAPITAL MANAGEMENT (CONTINUED)

#### 3.2 Capital Adequacy Ratios (continued)

The core capital ratios and capital adequacy ratios of RHB Bank Berhad on consolidated basis (RHB Bank Group), RHB Bank Berhad on global basis (RHB Bank) and RHB Islamic Bank as at 31st December 2012 and 31st December 2011 are as follows:-

**Table 1: Capital Adequacy Ratios**

	RHB Bank Group		RHB Bank		RHB Islamic Bank	
	2012	2011	2012	2011	2012	2011
<b>Before proposed final dividends payment:</b>						
Core capital ratio	11.60%	12.20%	12.15%	13.07%	14.06%	12.88%
Risk-weighted capital ratio	15.67%	16.41%	15.36%	16.49%	14.74%	13.93%
<b>After proposed final dividends payment:</b>						
Core capital ratio	11.36%	11.78%	11.88%	12.59%	14.06%	12.88%
Risk-weighted capital ratio	15.42%	15.99%	15.09%	16.01%	14.74%	13.93%

The above capital ratios and risk-weighted capital ratios are above the minimum level required by BNM.

#### 3.3 Minimum Capital Requirements and Risk-Weighted Assets (RWA)

**Table 2: Risk-Weighted Assets (RWA) by Risk Types**

	RHB Bank Group (RM'000)		RHB Bank (RM'000)		RHB Islamic Bank (RM'000)	
	2012	2011	2012	2011	2012	2011
Credit RWA	87,475,701	72,775,638	77,934,597	64,303,739	12,622,768	9,136,385
Credit RWA Absorbed by PSIA	-	-	-	-	(1,569,046)	-
Market RWA	2,565,380	2,478,476	2,676,807	1,884,914	265,386	565,103
Operational RWA	7,999,184	7,585,528	7,283,570	6,939,645	689,105	608,028
<b>Total RWA</b>	<b>98,040,265</b>	<b>82,839,642</b>	<b>87,894,974</b>	<b>73,128,298</b>	<b>12,008,213</b>	<b>10,309,516</b>

Total RWA for the RHB Bank Group increased by RM15.2 billion from RM82.8 billion as at 31st December 2011 to RM98 billion as at 31st December 2012, mainly due to

- Increase in Credit RWA by RM14.7 billion mainly from RHB Bank (RM13.6 billion) and RHB Islamic Bank (RM3.5 billion).
- Increase in Operational RWA by RM414 million, of which RM344 million (83%) is from RHB Bank.
- Slight increase in overall Market RWA of RM86.9 million. RHB Bank registered an increase in RM792 million while RHB Islamic Bank showed a decrease by RM300 million.

During the financial year 2012, RHB Bank had entered into an arrangement with its subsidiary; RHB Islamic Bank for placement of Profit Sharing Investment Accounts (PSIA) qualified as risk absorbent, to finance RHB Islamic Bank's corporate and regulatory retail exposures. As at 31st December 2012, the total placement was for credit exposures amounting to RM1.9 billion and the corresponding Credit RWA was RM1.57 billion.

### 3.0 CAPITAL MANAGEMENT (CONTINUED)

#### 3.3 Minimum Capital Requirements and Risk-Weighted Assets (RWA) (continued)

The following table shows the breakdown of RHB Bank Group's RWA by risk types and the corresponding capital requirement as at 31st December 2012 and 31st December 2011:-

**Table 3: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements**

Risk Types	RHB Bank Group (RM'000)		RHB Bank Group (RM'000)	
	RWA		Capital Requirement	
	2012	2011	2012	2011
<b>Credit Risk, of which</b>	87,475,701	72,775,638	6,998,056	5,822,051
Under F-IRB	36,141,797	25,338,538	2,891,344	2,027,083
Under A-IRB	15,304,023	16,349,499	1,224,322	1,307,960
Under Standardised Approach	36,029,881	31,087,601	2,882,390	2,487,008
<b>Market Risk</b>				
<i>Under Standardised Approach</i>	2,565,380	2,478,476	205,230	198,278
<b>Operational Risk</b>				
<i>Under Basic Indicator Approach</i>	7,999,184	7,585,528	639,935	606,842
<b>Total</b>	<b>98,040,265</b>	<b>82,839,642</b>	<b>7,843,221</b>	<b>6,627,171</b>

Capital requirements for the three risk types are derived by multiplying the risk-weighted assets by 8%.

The increase in Credit RWA from RM72.8 billion as at 31st December 2011 to RM87.5 billion as at 31st December 2012 is due to the following:-

- Increase in Credit RWA under F-IRB from RHB Bank's Corporate and SME portfolios (amounting to RM10.8 billion), and the migration of corporate exposures from RHB Bank (L) Ltd from the Standardised Approach (SA) to the F-IRB Approach.
- Increase in Credit RWA under SA from RHB Islamic Bank (RM3.5 billion) and RHB Bank's Singapore Operations (RM2.0 billion).

Credit RWA under A-IRB Approach as at 31st December 2012 decreased by RM1.05 billion as a result of more granular pools being applied to the Cards, Residential Mortgages and Program Lending portfolios.

The RHB Bank Group did not have any capital requirement for Large Exposure Risk as there was no amount in excess of the lowest threshold arising from equity holdings as specified in the BNM's RWCAF.

## 4.0 CAPITAL STRUCTURE

The constituents of total eligible capital are set out in BNM's Guideline on 'Risk-Weighted Capital Adequacy Framework (General Requirements and Capital Components)' Parts C and D. These include shareholders' funds, after regulatory-related adjustments, and eligible capital instruments issued by the RHB Bank Group.

Tier I capital consists primarily of ordinary share capital, hybrid Tier I capital securities, share premium, retained profits and other reserves. Tier II capital consists of subordinated obligations and collective impairment allowance. Refer to Notes 19 and 20 to the Financial Statements for the terms of these capital instruments.

The following table represents the capital position of the RHB Bank Group and RHB Bank as at 31st December 2012 and 31st December 2011.

**Table 4: Capital Structure**

	RHB Bank Group (RM'000)		RHB Bank Group (RM'000)	
	2012	2011	2012	2011
<b>Tier I Capital</b>				
Paid-up ordinary share capital	3,318,085	3,318,085	3,318,085	3,318,085
Hybrid Tier I Capital Securities	597,744	597,475	597,744	597,475
Share premium	8,563	8,563	8,563	8,563
Retained profits	4,719,036	3,911,093	4,235,058	3,504,750
Other reserves	3,764,812	3,297,315	3,446,935	3,042,879
<b>Total Tier I Capital</b>	<b>12,408,240</b>	<b>11,132,531</b>	<b>11,606,385</b>	<b>10,471,752</b>
<b>Less:</b>				
Goodwill	(1,004,017)	(1,004,017)	(905,519)	(905,519)
Net deferred tax assets	(31,437)	(20,804)	(21,742)	(7,145)
<b>Eligible Tier I Capital</b>	<b>11,372,786</b>	<b>10,107,710</b>	<b>10,679,124</b>	<b>9,559,088</b>
<b>Tier II Capital</b>				
Subordinated obligations	3,996,781	3,250,000	3,996,781	3,250,000
Collective impairment allowance	422,827	491,664	278,703	320,334
<b>Total Tier II Capital</b>	<b>4,419,608</b>	<b>3,741,664</b>	<b>4,275,484</b>	<b>3,570,334</b>
<b>Less:</b>				
Excess of total Expected Loss over total Eligible Provision under the IRB approach	(422,888)	(247,793)	(372,197)	(194,906)
Other deductions	(10,792)	(3,811)	(5,701)	(3,787)
Investment in subsidiary companies	-	-	(1,072,656)	(872,656)
<b>Eligible Tier II Capital</b>	<b>3,985,928</b>	<b>3,490,060</b>	<b>2,824,930</b>	<b>2,498,985</b>
<b>Capital Base</b>	<b>15,358,714</b>	<b>13,597,770</b>	<b>13,504,054</b>	<b>12,058,073</b>

## 5.0 RISK MANAGEMENT

Risk is inherent in the Bank's activities and is managed through a process of on-going identification, measurement and monitoring, subject to limits and other controls. Besides credit risk, the Bank is exposed to a range of other risk types such as market, liquidity, operational, legal, and 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 generate profits consistently while sustaining competitive advantage, and is thus a central part of the financial and operational management of the Bank.

To this extent, the RHB Group Risk Management Framework governs the management of risks in the RHB Banking Group. The framework operates on two interlocking layers:-

- It provides a holistic overview of the risk and control environment of the Group, with risk management moving towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and balances in the organisation, as well as deficiencies in the risk management culture.
- 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 using the improvement in risk quantification to optimise risk-adjusted (or economic) returns.

The following sections describe some of these risk management content areas.

### OVERARCHING RISK MANAGEMENT PRINCIPLES

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

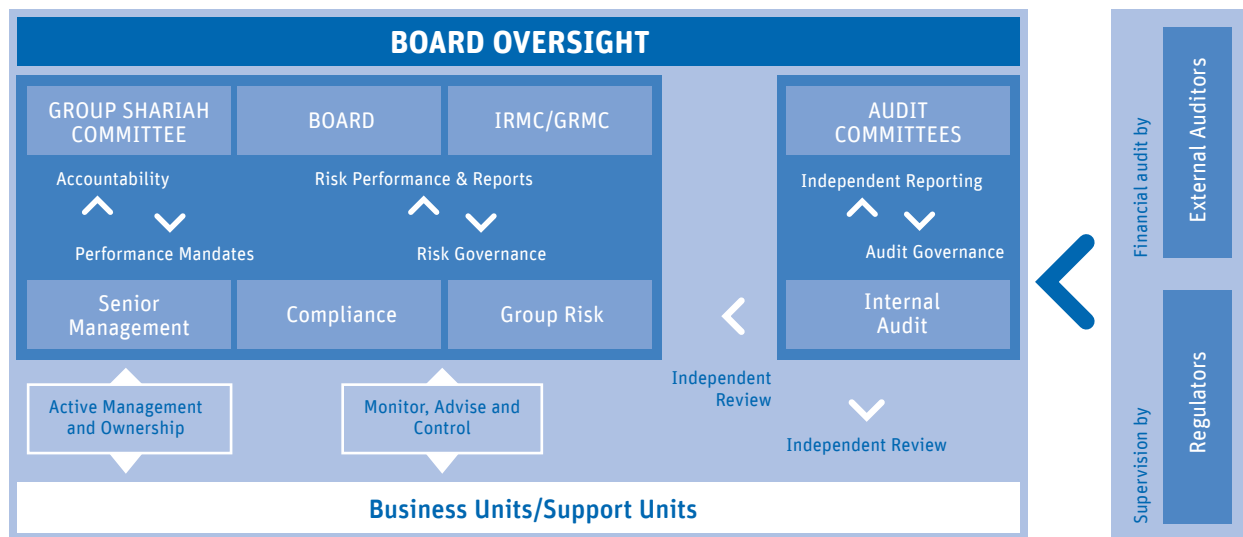
- Risk governance from the Boards of Directors of companies within the Group,
- Clear understanding of risk management ownership,
- Institutionalisation of a risk-focused organisation,
- Alignment of risk management to business strategies, and
- Optimisation of risk-adjusted economic and financial returns.

## 5.0 RISK MANAGEMENT (CONTINUED)

### Principle 1: Risk Governance from the Boards of Directors of Companies in the Group

The ultimate responsibility of the Boards of Directors in the RHB Banking 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 which is depicted in the accompanying diagram:

#### Structured Framework to Support Board Oversight Role in Risk Management



### RISK GOVERNANCE AND ORGANISATION

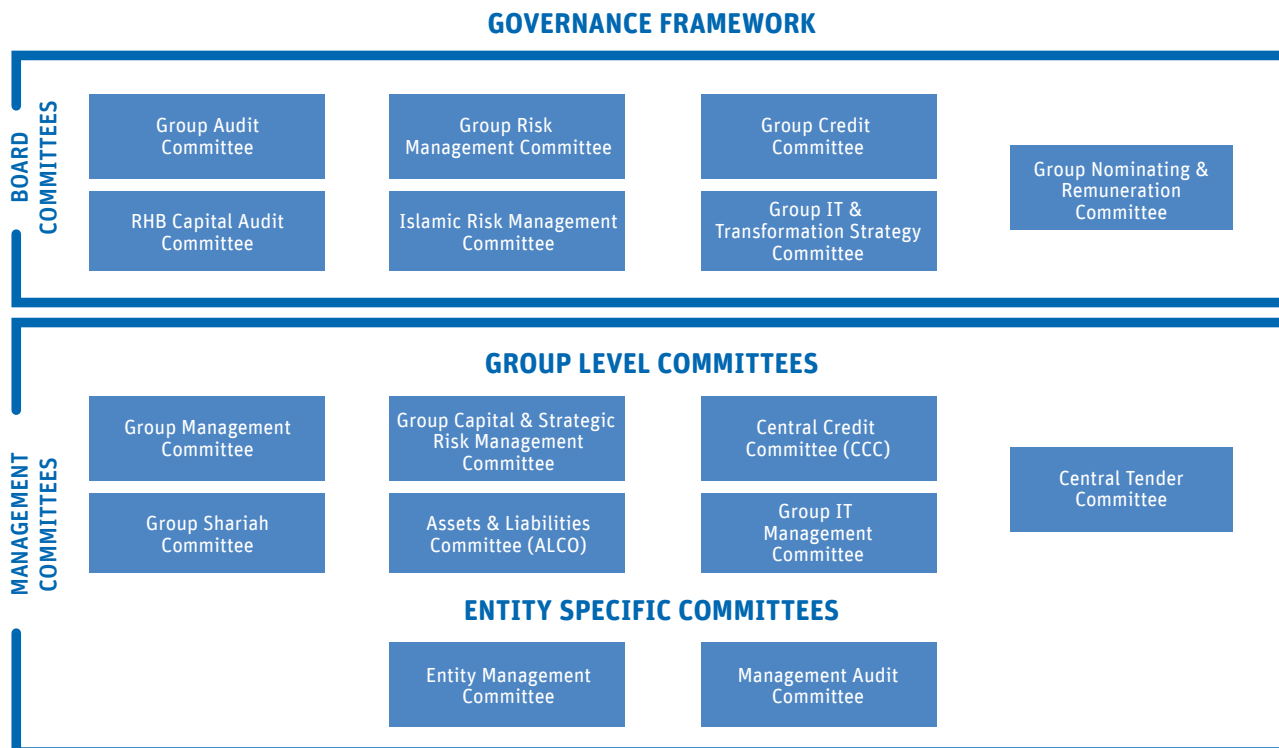
The Board of Directors (Board) through the Group Risk Management Committee (GRMC) and the Group Risk Management function (GRM function) establishes the Group's risk appetite and risk principles. The GRMC is the principal Board Committee that provides oversight on risk management for the Group to ensure that the risk management process of the Group is in place and functional. GRMC assists the Board to review the Group's overall risk management philosophy; risk management framework, risk management policies and risk management models.

An Islamic Risk Management Committee (IRMC) has also been established at RHB Islamic Bank Berhad to focus on the risk management issues of the Islamic Bank, particularly in relation to risk issues unique to Islamic finance. This has promoted the achievement of the intended objectives of enhancing the risk management of the Islamic Bank's business.



## 5.0 RISK MANAGEMENT (CONTINUED)

There are other committees set up to manage specific areas of risks in the Group. An overview of this governance framework at Group level is as below:-



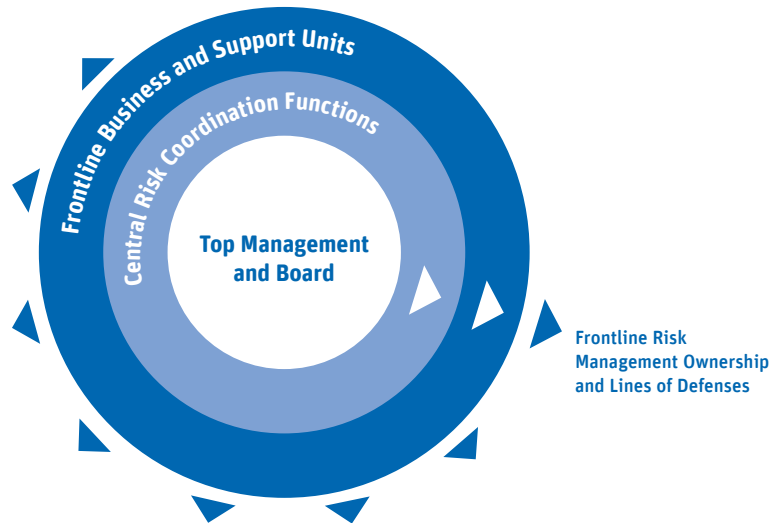
### Principle 2: Clear Understanding of Risk Management Ownership

Proactive risk ownership is important for effective management of risk. This promotes a risk awareness culture throughout the RHB Banking Group. The business and functional units of the Group are collectively responsible for identifying, managing and reporting their risks. The business units manage certain defined risks through the use of facilities and services provided by the functional units.

## 5.0 RISK MANAGEMENT (CONTINUED)

Risk management processes are a collective responsibility and warrant the cooperation of the Group's business and functional units, risk management units, top management and the Board. This leads to risk management ownership with differing levels of focus established across the RHB Banking Group as shown below.

### Risk Management Ownership and Lines of Defence



### Principle 3: Institutionalisation of a Risk-Focused Organisation

In addition to risk ownership, a risk-focused culture is promoted throughout the organisation through a number of measures. Two of these are:-

- Strengthening of the central risk coordination functions, and
- Continuous reinforcing of a risk and control environment within the Group.

They are described in further detail in the succeeding sections:

### Central Risk Coordination Functions

The following summarises the key differences in perspectives (which are also strategically complementary) between the Risk Management, Compliance and Internal Audit functions.

The **Risk Management** function is independent of the origination and business functions to ensure that the necessary balance in risk/return decisions is not compromised by short-term pressures to generate revenues. This risk management function is responsible for formulating risk related policies and presents risk performance and reports to GRMC for recommendation to the Board.

## 5.0 RISK MANAGEMENT (CONTINUED)

The risk management function is headed by the Director of Group Risk Management, who reports to the Group Managing Director. Among the roles and responsibilities of the Director of Group Risk Management are:-

- 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 underwriting models;
- Developing a pro-active, balanced and risk attuned culture within the Group;
- Advising senior management, the GRMC and the Board on risk issues and impact on the Group, and
- Administering the delegation of discretionary powers to management personnel within the Group.

The **Compliance** function is centrally managed and provides assurance to management that the Group's activities are in compliance with external requirements and internal policies and procedures.

The **Audit** function independently reviews and reports on the adequacy and integrity of the Group's internal control systems and information management systems, including compliance with applicable laws, regulations, rules, directives and guidelines.

### **Risk and Control Environment**

Business and functional heads are accountable for risk management in their businesses and functions, and for countries where they have governance responsibilities. The business and functional units have a clear segregation of duties with sufficient check and balance to ensure that business processes are functioning effectively. There is appropriate accountability and responsibility delegated to the appropriate authority to execute their respective authorities in meeting the business strategies without compromising the risk management strategies.

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

### **Principle 4: Alignment of Risk Management to Business Strategies**

A statement of intent of the Group Risk Management Framework is to align the Group's business strategy to risk strategy, and vice versa. This is articulated through the Group's annual business and financial budgetary plan, which is facilitated by the integration of risk measures in economic capital management. It is also implemented through the Group's construction of a sustaining risk-focused organisation as described in the preceding sections where business and functional units are required to be responsible and accountable for risk management.

### **Principle 5: Optimisation of Risk-Adjusted Economic and Financial Returns**

An objective of economic capital management is to reflect a risk-adjusted return assumed by 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 whose value creation exceeds the internal targeted threshold. The medium to long-term strategy and principle of risk management of the Group is to deepen the integration of economic capital management within the Group. The Group has implemented 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 arises as a result of customers' or counterparties' inability to fulfil their financial and contractual obligations as and when they arise. These obligations arise from the Bank's direct lending obligations, trade finance and its funding, investment and trading activities.

### 6.1 Credit Risk Management Oversight and Organisation

The Central Credit Committee (CCC) is the senior management committee that reviews the Group's credit risk philosophy, framework and policies, aligns credit risk management with business strategy and planning, recommends credit approval authority limits, reviews the credit profile of material portfolios, and recommends actions where necessary to ensure that credit risk remains within established risk tolerances. CCC also approves and renews loans/facilities and submits to the Group Credit Committee (GCC) for affirmation or veto if the loan/facilities exceed a pre-defined threshold.

The GCC's main functions are affirming, imposing additional covenants or vetoing credits which are duly approved by the CCC, as well as to oversee the management of non-performing loans/non-performing accounts (NPL/NPA) and high risk accounts, as well as affirming, imposing additional covenants or vetoing credits under NPL/NPA from Credit Recovery for amounts above the defined thresholds of the CCC.

Within Group Risk Management, the Credit Risk Management Department has the functional responsibility for credit risk management, portfolio risk monitoring and risk reporting. Group Risk Management units also conduct regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

Regular risk reporting is made to the Board and GRMC. These reports include various credit risk aspects such as portfolio quality, credit migration, expected losses, and concentration risk exposures by business portfolio. Such reporting allows senior management to identify adverse credit trends, take prompt corrective actions, and ensure appropriate risk-adjusted decision making.

### 6.2 Credit Risk Management Approach

RHB Banking Group's credit risk management framework which is founded upon BNM's Guideline on 'Best Practices for the Management of Credit Risk' is documented under the Group Credit Policy. The Bank abides by this 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 credit risk policies.

The Bank ensures that stringent measures and processes are in place before credit proposals are approved. All corporate credit proposals are first evaluated by the originating business units before being evaluated by an independent credit evaluation and management function. All credit exposure limits are approved within a defined credit approval authority framework. Large loan exposures are further subject to post approval credit review by Group Internal Audit.

## 6.0 CREDIT RISK (CONTINUED)

### 6.2 Credit Risk Management Approach (continued)

The Bank's credit risk management process is documented in the Group Credit Procedures Manual (GCPM) which sets out the operational procedures and guidelines governing the credit processes of the Bank's Retail Banking, Business Banking, Treasury, Corporate and Investment Banking, and Finance Business operations.

The GCPM has been designed to ensure that:-

- The process of credit initiation, administration, supervision and management of loans and advances are carried out consistently and uniformly by the business origination and other credit support functions within the RHB Banking Group.
- Procedures and guidelines governing the credit function are in compliance with the credit policies laid down by the respective Boards of the RHB Banking Group.

#### **Lending to Corporate and Institutional Customers**

Loans to corporate and institutional customers are individually evaluated and risk-rated. Credit Officers identify and assess the credit risks of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support.

#### **Credit Risk from Investment or Trading Activities**

In the course of its trading or investment banking activities, the Bank is also exposed to credit risks from trading, derivative and debt securities activities. The credit risk exposure from these products is derived from the positive mark-to-market value of the underlying instruments, and an additional component to cater for potential market movements.

#### **Lending to Consumers and Small Businesses**

For the consumer and small business sectors, credit risks are managed on a portfolio basis. Such products include mortgages, credit cards, auto loans, commercial property loans, personal financing and business loans. Loans are underwritten under product programmes that clearly define the target market, underwriting criteria, terms of lending, 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)

#### Credit Risk Measurement

Along with judgement and experience, risk measurement plays a critical role in making informed risk taking and portfolio management decisions. As the nature of credit risk varies by credit type, the Bank applies different credit risk measuring tools, so that the credit risk of each credit type is appropriately reflected.

Credit risk is calculated from 3 key factors as follows:-

#### 1. Probability of Default (PD)

For corporate/non-retail credit, the probability of default is measured from obligor rating obtained from the risk rating system to determine borrower's level of risk. The risk rating of each borrower is regularly reviewed to ensure that it actually reflects the debtor's risk. For retail credit, active accounts of each portfolio are classified into a specific segment (or pool), which can be classified by various factors, e.g., age, application score, behaviour score, utilisation, and payment history, etc.

#### 2. Loss Given Default (LGD)

For corporate credit, LGD value will be determined via the credit risk mitigant adjustment, in which collateral and security will determine the level of LGD for a specific transaction. For retail credit, LGD is captured at respective segment (or pool) level.

#### 3. Exposure at Default (EAD)

Exposure at default is calculated from the current outstanding balance and availability of committed credit line. In this regard, the key factor is the Bank's obligations related to the available credit line. For corporate credit, credit risk is measured at an individual exposure. For retail credit, principles of credit risk measurement are similar, but measured on a pooled basis.

### 6.3 Internal Credit Rating Models

Internal credit rating models are an integral part of the Bank's credit risk management, decision-making process, and regulatory capital calculations. These internal credit rating models are developed with active participation by the relevant credit experts from the Bank's functional units and/or business units.

Internal rating model development and implementation process have been established to govern the development and validation of ratings models and the application of these models. Specifically, all newly developed models prior to implementation, its material changes (of the rating systems) and validation results must be approved by GRMC and Board. All models are also subject to independent validation by the Quantitative Model Validation Unit (QMVU) 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 QMVU to ensure that they are performing as expected.

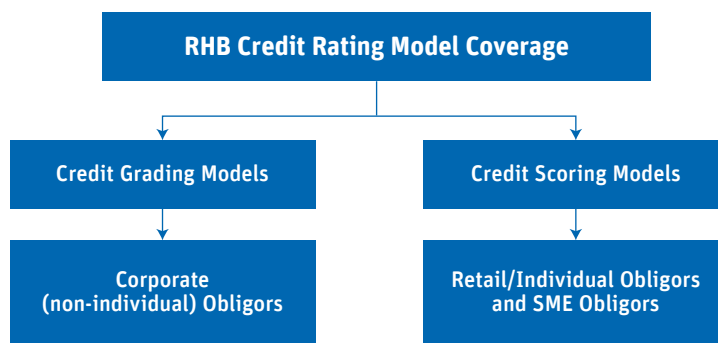
Credit risk/rating models can be classified into types:-

- Credit Grading Models
- Credit Scoring Models

## 6.0 CREDIT RISK (CONTINUED)

### 6.3 Internal Credit Rating Models

The diagram below shows a broad perspective of the current credit rating model coverage of the Bank for the different customers/obligors:-



The credit grading models for corporate (or non-individual) obligors are used to risk rate the credit worthiness of the corporate borrowers/guarantors/debt issuers based on their financial standing (including gearing, expenses and profit) and qualitative aspects (including management effectiveness and industry environment). Different rating models will be applied subject to the obligor's asset and sales volume, in order 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 type of lending for small and medium size enterprises (SMEs). These models are developed through data intensive 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.

#### Application of Internal Ratings

The three components; 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 approval process in both retail and non-retail portfolios. In high-volume retail portfolios, application and behaviour scorecards are used as one of the risk management tools.
- Credit Grading: Implemented since 2007 to provide a common measure of risk across the Bank.

This credit grading scale is summarised as below:-

PD Grade Range	Interpretation
PD1	Highest Credit Quality
PD2 to PD7	Strong Credit Quality
PD8 to PD12	Good Credit Quality
PD13 to PD16	Average Credit Quality
PD17 to PD18	Below Average Credit Quality
PD19 to PD20	On Selective Basis
UG0	Un-graded
PN20	Impaired but Performing
N20 to N23	Impaired/Non-Performing

## 6.0 CREDIT RISK (CONTINUED)

### 6.3 Internal Credit Rating Models (continued)

- Risk Reward and Pricing: PD, EAD and LGD metrics are used to assess profitability of deals to allow for risk-based pricing and strategic decisions.
- Risk Management Information: Group Risk Management and the business units generate risk reports to inform senior management on issues such as business performance and consumption of regulatory capital.

#### **F-IRB for Non-Retail Portfolios**

For RHB Bank Berhad, the major non-retail portfolios are on the Foundation Internal Ratings-Based (F-IRB) approach for regulatory capital requirements. Under this approach, internal rating model is 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.

During the year 2012, corporate exposures from RHB Bank (L) Ltd, a subsidiary of RHB Bank Berhad, were migrated to the F-IRB approach.

#### **A-IRB for Retail Portfolios**

For regulatory capital requirements, RHB Bank Berhad has adopted the Advanced Internal Ratings-Based (A-IRB) approach for the retail portfolios, i.e. residential mortgages, credit cards, auto loans and program lending. The risk estimates – probability of default (PD), loss given default (LGD), and exposure at default (EAD) – are calibrated for these retail portfolios/pools. In addition, credit scorecard and behavioural models are developed and implemented for use in credit approval decision support such as limit setting, credit score cut-off and approval, monitoring and reporting.

The following tables set out the exposures under IRB Approach by PD bands, expected loss (EL) range, exposure weighted-average LGD and exposure weighted-average risk weight.



## 6.0 CREDIT RISK (CONTINUED)

### 6.3 Internal Credit Rating Models (continued)

**Table 5a: Exposures under the IRB Approach by PD Band, Exposure Weighted-Average LGD and Exposure Weighted-Average Risk Weight as at 31st December 2012**

PD Range (%)	EAD (RM'000)	Exposure Weighted- Average LGD (%)	Exposure Weighted- Average Risk Weight (%)	Undrawn Commitments (RM'000)
<b>Non-Retail Exposures</b>				
<b>Corporate Exposures (excluding exposures with firm-size adjustments)</b>				
0 to 0.22	12,728,224	43.00	39.98	4,271,246
>0.22 to 1.65	14,806,422	41.75	64.13	5,701,415
>1.65 to 5.57	6,228,665	40.61	119.76	1,997,015
>5.57 to 21.68	4,901,462	15.94	61.97	500,827
>21.68 to <100	285,308	42.30	229.05	6,360
Default or 100	1,049,045	40.70	135.34	–
<b>Total Corporate Exposures (excluding exposures with firm-size adjustments)</b>	<b>39,999,126</b>			<b>12,476,863</b>
<b>Corporate Exposures (with firm-size adjustments)</b>				
0 to 0.22	417,003	38.56	28.47	229,812
>0.22 to 1.65	2,945,160	38.04	53.68	1,381,009
>1.65 to 5.57	2,946,221	33.87	73.37	1,004,126
>5.57 to 21.68	2,230,650	37.00	106.19	571,305
>21.68 to <100	123,654	37.80	168.88	24,675
Default or 100	483,178	39.58	70.35	–
<b>Total Corporate Exposures (with firm-size adjustments)</b>	<b>9,145,866</b>			<b>3,210,927</b>
<b>Total Non-Retail Exposures</b>	<b>49,144,992</b>			<b>15,687,790</b>
<b>Retail Exposures</b>				
<b>Residential Mortgages</b>				
0 to 2.48	7,515,895	16.35	25.12	69,943
>2.48 to 8.35	4,921,483	14.19	48.05	18,857
>8.35 to 24.63	1,903,059	15.07	74.35	4,421
>24.63 to <100	564,142	15.00	74.27	545
Default or 100	639,003	27.04	29.12	–
<b>Total Residential Mortgages Exposures</b>	<b>15,543,582</b>			<b>93,766</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.3 Internal Credit Rating Models (continued)

**Table 5a: Exposures under the IRB Approach by PD Band, Exposure Weighted-Average LGD and Exposure Weighted-Average Risk Weight as at 31st December 2012 (continued)**

PD Range (%)	EAD (RM'000)	Exposure Weighted- Average LGD (%)	Exposure Weighted- Average Risk Weight (%)	Undrawn Commitments (RM'000)
<b>Qualifying Revolving Retail Exposures</b>				
0 to 0.78	706,402	60.19	10.74	1,289,552
>0.78 to 2.48	568,976	63.61	32.40	666,890
>2.48 to 4.86	853,740	62.40	60.59	2,307,581
>4.86 to <100	177,446	67.69	117.18	69,277
Default or 100	24,472	80.92	32.59	-
<b>Total Qualifying Revolving Retail Exposures</b>	<b>2,331,036</b>			<b>4,333,300</b>
<b>Hire Purchase Exposures</b>				
0 to 3.71	3,733,528	30.00	33.86	-
>3.71 to 10.95	1,336,971	29.70	46.70	-
>10.95 to 18.79	617,202	30.61	63.47	-
>18.79 to <100	340,313	30.39	80.04	-
Default or 100	142,307	62.72	30.20	-
<b>Total Hire Purchase Exposures</b>	<b>6,170,321</b>			<b>-</b>
<b>Other Retail Exposures</b>				
0 to 3.71	1,809,957	29.16	35.58	1,341,704
>3.71 to 8.35	3,804,016	57.26	87.65	2,120,786
>8.35 to 24.63	1,337,321	20.49	36.09	1,433,811
>24.63 to <100	29,647	15.98	42.43	3,156
Default or 100	256,111	52.93	40.07	-
<b>Total Other Retail Exposures</b>	<b>7,237,052</b>			<b>4,899,457</b>
<b>Total Retail Exposures</b>	<b>31,281,991</b>			<b>9,326,523</b>
<b>Total Non-Retail &amp; Retail Exposures under IRB Approach</b>	<b>80,426,983</b>			<b>25,014,313</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.3 Internal Credit Rating Models (continued)

**Table 5a: Exposures under the IRB Approach by PD Band, Exposure Weighted-Average LGD and Exposure Weighted-Average Risk Weight as at 31st December 2011 (continued)**

PD Range (%)	EAD (RM'000)	Exposure Weighted- Average LGD (%)	Exposure Weighted- Average Risk Weight (%)	Undrawn Commitments (RM'000)
<b>Non-Retail Exposures</b>				
<b>Corporate Exposures (excluding exposures with firm-size adjustments)</b>				
0 to 0.22	9,760,097	43.19	40.92	3,812,806
>0.22 to 1.65	8,248,924	42.57	62.51	5,027,404
>1.65 to 5.57	3,568,277	38.75	110.42	1,899,567
>5.57 to 20	2,093,596	40.05	144.84	695,060
>20 to <100	350,918	38.35	211.92	96,555
Default or 100	1,029,559	41.08	219.43	–
<b>Total Corporate Exposures (excluding exposures with firm-size adjustments)</b>	<b>25,051,371</b>			<b>11,531,392</b>
<b>Corporate Exposures (with firm-size adjustments)</b>				
0 to 0.22	269,978	34.99	24.62	149,879
>0.22 to 1.65	1,471,223	35.31	48.66	944,776
>1.65 to 5.57	2,355,332	32.48	70.07	1,234,913
>5.57 to 20	1,569,188	35.32	104.91	435,658
>20 to <100	234,248	36.20	162.45	38,670
Default or 100	499,187	38.87	63.95	–
<b>Total Corporate Exposures (with firm-size adjustments)</b>	<b>6,399,156</b>			<b>2,803,896</b>
<b>Total Non-Retail Exposures</b>	<b>31,450,527</b>			<b>14,335,288</b>
<b>Retail Exposures</b>				
<b>Residential Mortgages</b>				
0 to 2.48	7,749,508	16.29	25.10	994,966
>2.48 to 8.35	5,584,206	14.38	49.97	722,882
>8.35 to 24.63	2,405,615	15.26	78.08	255,093
>24.63 to <100	589,415	14.83	81.23	4,179
Default or 100	966,868	28.85	31.46	–
<b>Total Residential Mortgages Exposures</b>	<b>17,295,612</b>			<b>1,977,120</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.3 Internal Credit Rating Models (continued)

**Table 5a: Exposures under the IRB Approach by PD Band, Exposure Weighted-Average LGD and Exposure Weighted-Average Risk Weight as at 31st December 2011 (continued)**

PD Range (%)	EAD (RM'000)	Exposure Weighted- Average LGD (%)	Exposure Weighted- Average Risk Weight (%)	Undrawn Commitments (RM'000)
<b>Qualifying Revolving Retail Exposures</b>				
0 to 3.71	1,954,117	63.93	63.20	4,404,784
>3.71 to <100	55,968	19.85	30.62	146,483
Default or 100	31,310	63.60	125.48	–
<b>Total Qualifying Revolving Retail Exposures</b>	<b>2,041,395</b>			<b>4,551,267</b>
<b>Hire Purchase Exposures</b>				
0 to 3.71	3,964,676	28.85	33.70	–
>3.71 to 10.95	1,807,437	29.05	46.02	–
>10.95 to 18.79	887,880	29.39	60.29	–
>18.79 to <100	520,849	29.95	78.17	–
Default or 100	162,640	61.13	34.36	–
<b>Total Hire Purchase Exposures</b>	<b>7,343,482</b>			<b>–</b>
<b>Other Retail Exposures</b>				
0 to 3.71	77,524	39.01	47.26	390,853
>3.71 to 7.30	3,813,981	56.38	86.53	2,594,587
>7.30 to 20.00	5,729	36.58	66.57	28,643
>20.00 to <100	4,839	39.50	99.60	24,196
Default or 100	102,780	62.54	216.71	–
<b>Total Other Retail Exposures</b>	<b>4,004,853</b>			<b>3,038,279</b>
<b>Total Retail Exposures</b>	<b>30,685,342</b>			<b>9,566,666</b>
<b>Total Non-Retail &amp; Retail Exposures under IRB Approach</b>	<b>62,135,869</b>			<b>23,901,954</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.3 Internal Credit Rating Models (continued)

Table 6a: Exposures under the A-IRB Approach by EL Range and Exposure Weighted-Average Risk Weight as at 31st December 2012

EL Range (%)	EAD (RM'000)	Exposure Weighted- Average Risk Weight (%)	Undrawn Commitments (RM'000)
<b>Retail Exposures</b>			
<b>Residential Mortgages</b>			
0 to 0.5	9,892,097	28.34	73,604
>0.5 to 1.5	2,901,488	55.93	15,476
>1.5 to 2.5	1,641,443	77.53	3,998
>2.5 to 3.5	40,109	73.26	162
>3.5 to 30.0	848,187	55.12	526
>30.0 to <100	220,258	34.79	–
100	–	–	–
<b>Total Residential Mortgages Exposures</b>	<b>15,543,582</b>		<b>93,766</b>
<b>Qualifying Revolving Retail Exposures</b>			
0 to 0.5	700,131	10.64	1,288,779
>0.5 to 1.5	534,180	30.82	657,353
>1.5 to 2.5	797,149	58.23	2,298,308
>2.5 to 3.5	95,386	75.48	20,027
>3.5 to 30.0	179,718	116.90	68,833
>30.0 to <100	24,472	32.59	–
100	–	–	–
<b>Total Qualifying Revolving Retail Exposures</b>	<b>2,331,036</b>		<b>4,333,300</b>
<b>Hire Purchase Exposures</b>			
0 to 0.5	1,978,680	26.35	–
>0.5 to 1.5	1,798,403	41.92	–
>1.5 to 2.5	418,570	38.61	–
>2.5 to 3.5	864,732	51.31	–
>3.5 to 30.0	967,629	69.45	–
>30.0 to <100	140,831	30.42	–
100	1,476	8.91	–
<b>Total Hire Purchase Exposures</b>	<b>6,170,321</b>		<b>–</b>
<b>Other Retail Exposures</b>			
0 to 0.5	1,377,602	19.76	949,561
>0.5 to 1.5	1,582,067	34.09	1,721,263
>1.5 to 2.5	403,031	57.23	349,711
>2.5 to 3.5	1,128,167	67.62	79,172
>3.5 to 30.0	2,594,026	104.02	1,799,750
>30.0 to <100	133,799	51.66	–
100	18,360	19.53	–
<b>Total Other Retail Exposures</b>	<b>7,237,052</b>		<b>4,899,457</b>
<b>Total Retail Exposures</b>	<b>31,281,991</b>		<b>9,326,523</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.3 Internal Credit Rating Models (continued)

Table 6b: Exposures under the A-IRB Approach by EL Range and Exposure Weighted-Average Risk Weight as at 31st December 2011

EL Range (%)	EAD (RM'000)	Exposure Weighted- Average Risk Weight (%)	Undrawn Commitments (RM'000)
<b>Retail Exposures</b>			
<b>Residential Mortgages</b>			
0 to 0.5	9,560,226	26.72	996,760
>0.5 to 1.5	3,870,943	56.78	668,927
>1.5 to 2.5	2,200,484	77.72	217,578
>2.5 to 3.5	90,943	98.64	41,473
>3.5 to 30.0	1,218,020	57.98	52,382
>30.0 to <100	354,996	38.81	-
100	-	-	-
<b>Total Residential Mortgages Exposures</b>	<b>17,295,612</b>		<b>1,977,120</b>
<b>Qualifying Revolving Retail Exposures</b>			
0 to 0.5	-	-	-
>0.5 to 1.5	57,355	35.47	146,483
>1.5 to 2.5	1,954,117	63.20	4,404,784
>2.5 to 3.5	-	-	-
>3.5 to 30.0	-	-	-
>30.0 to <100	29,923	120.60	-
100	-	-	-
<b>Total Qualifying Revolving Retail Exposures</b>	<b>2,041,395</b>		<b>4,551,267</b>
<b>Hire Purchase Exposures</b>			
0 to 0.5	2,037,483	26.25	-
>0.5 to 1.5	2,041,102	41.06	-
>1.5 to 2.5	640,580	39.15	-
>2.5 to 3.5	1,080,992	50.86	-
>3.5 to 30.0	1,380,685	67.84	-
>30.0 to <100	160,218	34.74	-
100	2,422	8.91	-
<b>Total Hire Purchase Exposures</b>	<b>7,343,482</b>		<b>-</b>
<b>Other Retail Exposures</b>			
0 to 0.5	40,912	109.56	176,097
>0.5 to 1.5	540,323	39.43	2,564,680
>1.5 to 2.5	29,788	187.00	189,026
>2.5 to 3.5	1,247,502	80.79	61,027
>3.5 to 30.0	2,056,180	112.17	47,449
>30.0 to <100	90,148	82.46	-
100	-	-	-
<b>Total Other Retail Exposures</b>	<b>4,004,853</b>		<b>3,038,279</b>
<b>Total Retail Exposures</b>	<b>30,685,342</b>		<b>9,566,666</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.3 Internal Credit Rating Models (continued)

**Table 7: Exposures under IRB Approach by Actual Losses and Loss Rates**

Exposure Class	2012			2011		
	Actual Losses (RM'000)	Loss Rates (%)	Expected Losses (%)	Actual Losses (RM'000)	Loss Rates (%)	Expected Losses (%)
<b>Exposures under IRB Approach</b>						
<b>Corporates</b> , of which						
Corporate Exposures (excluding exposures with firm-size adjustments)	<b>562,086</b>	<b>1.43</b>	<b>2.15</b>	530,222	2.12	2.62
Corporate Exposures (with firm-size adjustments)	<b>305,125</b>	<b>3.34</b>	<b>4.18</b>	320,135	5.00	5.55
<b>Retail</b> , of which						
Residential Mortgages	<b>134,141</b>	<b>0.86</b>	<b>1.76</b>	299,310	1.73	2.35
Qualifying Revolving Retail Exposures	<b>14,594</b>	<b>0.63</b>	<b>2.41</b>	18,079	0.89	3.10
Hire Purchase Exposures	<b>44,728</b>	<b>0.72</b>	<b>3.50</b>	51,080	0.70	3.69
Other Retail Exposures	<b>187,427</b>	<b>2.59</b>	<b>4.44</b>	49,632	1.24	4.97
<b>Total</b>	<b>1,248,101</b>			1,268,458		

**Notes:**

1. Actual Losses in 2011 and 2012 are derived from Individual Impairment Allowances plus Impaired Collective Impairment Allowances and Partial Write-offs.
2. Loss Rate is Actual Losses divided by EAD after CRM.
3. EL is Expected Losses divided by EAD after CRM.

Expected losses (EL) are showing higher value as compared to the actual losses.

This is a result of the loss given default (LGD) incorporating down-turn economic cycle and conservative adjustment on probability of default (PD).

Reduction in EL for the Qualifying Revolving Retail Exposures is due to implementation of more granular pools being introduced during the financial year 2012.

## 6.0 CREDIT RISK (CONTINUED)

### 6.4 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

The management of the following off-balance sheet exposures of the Bank is in accordance to the credit risk management approach as set out under Section 6.2 of this report.

- Financial guarantees and standby letters of credit, which represent undertakings that RHB Bank 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 Bank on behalf of its customers. These exposures are usually collateralised by the underlying shipment of goods to which they relate.
- Commitments to extend credit, which includes the unutilised or undrawn portions of credit facilities,
- Unutilised credit card lines, and
- Principal or notional amount of derivative financial instruments.

Counterparty Credit Risk (CCR) on derivative financial instruments is the risk that the Bank's counterparty in a foreign exchange, interest rate, commodity, equity, options or credit derivative contract defaults prior to the maturity date of the contract and that the Bank at the relevant time has a claim on the counterparty. Derivative financial instruments are primarily entered into for hedging purposes. The Bank may also take trading derivative positions, within pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates.

Any financial loss is calculated based on the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at the time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default.

All outstanding financial derivative positions are marked-to-market on a daily basis. The Bank's Treasury Operations Department monitors counterparties' positions and promptly escalates any shortfall in the threshold levels to the relevant parties.

### 6.5 Credit Exposures and Risk-Weighted Assets (RWA) By Portfolio and Approaches

The subsequent tables reflect the Bank's credit exposures (EAD) as at 31st December 2012 compared with 31st December 2011, 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 requirement,
- disclosure on off-balance sheet and counterparty credit risk,
- geographical distribution, which is based on the booking location of the exposure,
- industry sector, and
- residual maturity; breakdown into exposures with maturity of one year or less, one to five years, and over five years.



## 6.0 CREDIT RISK (CONTINUED)

### 6.5 Credit Exposures and Risk-Weighted Assets (RWA) By Portfolio and Approaches (continued)

Table 8a: Summary of Credit Exposures with CRM by Asset Class and Capital Requirement (On- & Off-Balance Sheet Exposures) as at 31st December 2012

Exposure Class	Gross Exposures/ EAD before CRM (RM'000)	Net Exposures/ EAD after CRM (RM'000)	Risk- Weighted Assets (RM'000)	Minimum Capital Requirement at 8% (RM'000)
<b>Credit Risk</b>				
<b>Exposures under the Standardised Approach (SA)</b>				
<u>On-Balance-Sheet Exposures</u>				
<b>Sovereigns/Central Banks</b>	42,841,400	42,841,400	125,324	10,026
<b>Public Sector Entities</b>	348,638	348,638	69,727	5,578
<b>Banks, Development Financial Institutions &amp; MDBs</b>	14,476,122	14,476,122	3,965,909	317,273
<b>Insurance Cos, Securities Firms &amp; Fund Managers</b>	170,227	170,227	170,227	13,618
<b>Corporates</b>	19,038,679	18,537,087	10,879,700	870,376
<b>Regulatory Retail</b>	23,068,785	17,256,772	13,167,570	1,053,406
<b>Residential Mortgages</b>	1,623,200	1,615,590	1,211,660	96,933
<b>Higher Risk Assets</b>	–	–	–	–
<b>Other Assets</b>	2,334,265	2,334,265	1,374,011	109,921
<b>Equity Exposures</b>	309,926	309,926	309,940	24,795
<b>Defaulted Exposures</b>	680,519	651,725	752,653	60,212
<b>Total On-Balance Sheet Exposures</b>	<b>104,891,761</b>	<b>98,541,752</b>	<b>32,026,721</b>	<b>2,562,138</b>
<u>Off-Balance Sheet Exposures</u>				
<b>OTC Derivatives</b>	1,598,873	1,598,873	678,649	54,292
<b>Off-balance sheet exposures other than OTC derivatives or credit derivatives</b>	4,820,909	4,424,434	3,324,204	265,936
<b>Defaulted Exposures</b>	205	205	307	24
<b>Total Off-Balance Sheet Exposures</b>	<b>6,419,987</b>	<b>6,023,512</b>	<b>4,003,160</b>	<b>320,252</b>
<b>Total On- and Off-Balance Sheet Exposures under SA</b>	<b>111,311,748</b>	<b>104,565,264</b>	<b>36,029,881</b>	<b>2,882,390</b>
<b>Exposures under F-IRB Approach</b>				
<u>On-Balance Sheet Exposures</u>				
<b>Corporates, of which</b>	<b>32,755,384</b>	<b>32,755,384</b>	<b>21,949,622</b>	<b>1,755,969</b>
Corporate Exposures (excluding exposures with firm-size adjustments)	27,000,993	27,000,993	17,491,830	1,399,346
Corporate Exposures (with firm-size adjustments)	5,754,391	5,754,391	4,457,792	356,623
<b>Defaulted Exposures</b>	1,498,237	1,498,237	1,792,754	143,420
<b>Total On-Balance Sheet Exposures</b>	<b>34,253,621</b>	<b>34,253,621</b>	<b>23,742,376</b>	<b>1,899,389</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.5 Credit Exposures and Risk-Weighted Assets ('RWA) By Portfolio and Approaches (continued)

**Table 8a: Summary of Credit Exposures with CRM by Asset Class and Capital Requirement (On- & Off-Balance Sheet Exposures) as at 31st December 2012 (continued)**

Exposure Class	Gross Exposures/ EAD before CRM (RM'000)	Net Exposures/ EAD after CRM (RM'000)	Risk- Weighted Assets (RM'000)	Minimum Capital Requirement at 8% (RM'000)
<u>Off-Balance Sheet Exposures</u>				
<b>Off-balance sheet exposures other than OTC derivatives or credit derivatives</b>	14,857,385	14,857,385	10,224,164	817,933
<b>Defaulted Exposures</b>	33,986	33,986	129,494	10,360
<b>Total Off-Balance Sheet Exposures</b>	<b>14,891,371</b>	<b>14,891,371</b>	<b>10,353,658</b>	<b>828,293</b>
<u>Exposures under the A-IRB Approach</u>				
<u>On-Balance-Sheet Exposures</u>				
<b>Retail, of which</b>	28,035,822	28,035,822	13,157,499	1,052,600
Residential Mortgages	14,893,170	14,893,170	6,082,091	486,567
Qualifying Revolving Retail Exposures	1,550,711	1,550,711	684,206	54,737
Hire Purchase Exposures	6,028,014	6,028,014	2,552,497	204,200
Other Retail Exposures	5,563,927	5,563,927	3,838,705	307,096
<b>Defaulted Exposures</b>	1,061,853	1,061,853	339,659	27,173
<b>Total On-Balance Sheet Exposures</b>	<b>29,097,675</b>	<b>29,097,675</b>	<b>13,497,158</b>	<b>1,079,773</b>
<u>Off-Balance Sheet Exposures</u>				
<b>Off-balance sheet exposures other than OTC derivatives or credit derivatives</b>	2,184,276	2,184,276	940,596	75,248
<b>Defaulted Exposures</b>	40	40	4	-
<b>Total Off-Balance Sheet Exposures</b>	<b>2,184,316</b>	<b>2,184,316</b>	<b>940,600</b>	<b>75,248</b>
<b>Total On- and Off-Balance Sheet Exposures before scaling factor under the IRB Approach</b>	<b>80,426,983</b>	<b>80,426,983</b>	<b>48,533,792</b>	<b>3,882,703</b>
<b>Total On- and Off-Balance Sheet Exposures after scaling factor, 1.06 under the IRB Approach</b>			<b>51,445,820</b>	<b>4,115,666</b>
<b>Total Exposures under both SA and IRB Approaches</b>	<b>191,738,731</b>	<b>184,992,247</b>	<b>87,475,701</b>	<b>6,998,056</b>

Note: The Bank did not have any credit risk-weighted assets absorbed by Profit Sharing Investment Accounts (PSIA), and exposures under securitisation. 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)

### 6.5 Credit Exposures and Risk-Weighted Assets (RWA) By Portfolio and Approaches (continued)

Table 8b: Summary of Credit Exposures with CRM by Asset Class and Capital Requirement (On- & Off- Balance Sheet Exposures) as at 31st December 2011

Exposure Class	Gross Exposures/ EAD before CRM (RM'000)	Net Exposures/ EAD after CRM (RM'000)	Risk-Weighted Assets (RM'000)	Minimum Capital Requirement at 8% (RM'000)
<b>Credit Risk</b>				
<b>Exposures under the Standardised Approach (SA)</b>				
<u>On-Balance-Sheet Exposures</u>				
<b>Sovereigns/Central Banks</b>	39,892,008	39,892,008	151,297	12,104
<b>Public Sector Entities</b>	263,768	263,768	61,906	4,953
<b>Banks, Development Financial Institutions &amp; MDBs</b>	9,263,705	9,263,705	2,369,444	189,555
<b>Insurance Cos, Securities Firms &amp; Fund Managers</b>	90	90	90	7
<b>Corporates</b>	14,361,345	13,836,676	10,419,321	833,544
<b>Regulatory Retail</b>	19,912,676	15,240,771	11,459,400	916,753
<b>Residential Mortgages</b>	1,520,142	1,511,135	528,897	42,312
<b>Higher Risk Assets</b>	–	–	–	–
<b>Other Assets</b>	2,837,125	2,837,125	1,984,434	158,755
<b>Equity Exposures</b>	339,031	339,031	339,042	27,123
<b>Defaulted Exposures</b>	800,161	757,840	849,538	67,963
<b>Total On-Balance Sheet Exposures</b>	<b>89,190,051</b>	<b>83,942,149</b>	<b>28,163,369</b>	<b>2,253,069</b>
<u>Off-Balance Sheet Exposures</u>				
<b>OTC Derivatives</b>	1,300,870	1,300,870	599,507	47,961
<b>Off-balance sheet exposures other than OTC derivatives or credit derivatives</b>	3,661,576	3,177,674	2,324,234	185,939
<b>Defaulted Exposures</b>	327	327	491	39
<b>Total Off-Balance Sheet Exposures</b>	<b>4,962,773</b>	<b>4,478,871</b>	<b>2,924,232</b>	<b>233,939</b>
<b>Total On- and Off-Balance Sheet Exposures under SA</b>	<b>94,152,824</b>	<b>88,421,020</b>	<b>31,087,601</b>	<b>2,487,008</b>
<b>Exposures under F-IRB Approach</b>				
<u>On-Balance Sheet Exposures</u>				
<b>Corporates, of which</b>	<b>24,841,372</b>	<b>24,841,372</b>	<b>17,767,922</b>	<b>1,421,433</b>
Corporate Exposures (excluding exposures with firm-size adjustments)	19,964,316	19,964,316	13,846,401	1,107,712
Corporate Exposures (with firm-size adjustments)	4,877,056	4,877,056	3,921,521	313,721
<b>Defaulted Exposures</b>	1,494,704	1,494,704	2,412,521	193,003
<b>Total On-Balance Sheet Exposures</b>	<b>26,336,076</b>	<b>26,336,076</b>	<b>20,180,443</b>	<b>1,614,436</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.5 Credit Exposures and Risk-Weighted Assets ('RWA) By Portfolio and Approaches (continued)

**Table 8b: Summary of Credit Exposures with CRM by Asset Class and Capital Requirement (On- & Off- Balance Sheet Exposures) as at 31st December 2011 (continued)**

Exposure Class	Gross Exposures/ EAD before CRM (RM'000)	Net Exposures/ EAD after CRM (RM'000)	Risk- Weighted Assets (RM'000)	Minimum Capital Requirement at 8% (RM'000)
<u>Off-Balance Sheet Exposures</u>				
<b>Off-balance sheet exposures other than OTC derivatives or credit derivatives</b>	5,080,409	5,080,409	3,558,004	284,640
<b>Defaulted Exposures</b>	34,042	34,042	165,835	13,267
<b>Total Off-Balance Sheet Exposures</b>	<b>5,114,451</b>	<b>5,114,451</b>	<b>3,723,839</b>	<b>297,907</b>
<u>Exposures under the A-IRB Approach</u>				
<u>On-Balance-Sheet Exposures</u>				
<b>Retail</b> , of which	27,755,691	27,755,691	13,926,910	1,114,153
Residential Mortgages	15,826,042	15,826,042	6,768,372	541,470
Qualifying Revolving Retail Exposures	1,473,727	1,473,727	923,227	73,858
Hire Purchase Exposures	7,180,842	7,180,842	3,110,713	248,857
Other Retail Exposures	3,275,080	3,275,080	3,124,598	249,968
<b>Defaulted Exposures</b>	1,263,598	1,263,598	622,172	49,773
<b>Total On-Balance Sheet Exposures</b>	<b>29,019,289</b>	<b>29,019,289</b>	<b>14,549,082</b>	<b>1,163,926</b>
<u>Off-Balance Sheet Exposures</u>				
<b>Off-balance sheet exposures other than OTC derivatives or credit derivatives</b>	1,666,053	1,666,053	874,973	69,998
<b>Defaulted Exposures</b>	–	–	–	–
<b>Total Off-Balance Sheet Exposures</b>	<b>1,666,053</b>	<b>1,666,053</b>	<b>874,973</b>	<b>69,998</b>
<b>Total On- and Off-Balance Sheet Exposures before scaling factor under the IRB Approach</b>	<b>62,135,869</b>	<b>62,135,869</b>	<b>39,328,337</b>	<b>3,146,267</b>
<b>Total On- and Off-Balance Sheet Exposures after scaling factor, 1.06 under the IRB Approach</b>			<b>41,688,037</b>	<b>3,335,043</b>
<b>Total Exposures under both SA and IRB Approaches</b>	<b>156,288,693</b>	<b>150,556,889</b>	<b>72,775,638</b>	<b>5,822,051</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.5 Credit Exposures and Risk-Weighted Assets (RWA) By Portfolio and Approaches (continued)

**Table 9a: Exposures for Off-Balance Sheet and Counterparty Credit Risk (After Credit Risk Mitigation) as at 31st December 2012**

Nature of Item	Principal/ Notional Amount (RM'000)	Positive Fair Value of Derivative Contracts (RM'000)	Credit Equivalent Amount (RM'000)	RWA (RM'000)
Direct credit substitutes	2,180,636		2,143,725	1,425,061
Transaction-related contingent items	2,495,813		1,224,748	881,556
Short-term self-liquidating trade-related contingencies	1,009,851		199,301	128,967
Assets sold with recourse	932,585		932,585	705,629
NIFs & obligations under underwriting agreement	90,000		45,000	45,000
Foreign exchange related contracts	14,789,139	344,456	1,085,157	383,921
1 year or less	9,575,927	43,605	162,659	108,731
Over 1 year to 5 years	5,213,212	300,851	922,498	275,190
Over 5 years	–	–	–	–
Interest/profit rate related contracts	22,476,847	65,965	516,437	297,428
1 year or less	7,823,637	10,070	22,654	8,926
Over 1 year to 5 years	14,053,210	36,869	440,757	235,476
Over 5 years	600,000	19,026	53,026	53,026
Other commitments, such as formal standby facilities & credit lines, with original maturity of over 1 year	18,964,796		10,735,051	7,424,972
Other commitments, such as formal standby facilities & credit lines, with original maturity of up to 1 year	9,970,094		5,733,709	3,610,770
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	5,928,118		879,961	394,114
Unutilised credit card lines (under Standardised Approach)	–		–	–
<b>Total</b>	<b>78,837,879</b>	<b>410,421</b>	<b>23,495,674</b>	<b>15,297,418</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.5 Credit Exposures and Risk-Weighted Assets (RWA) By Portfolio and Approaches (continued)

**Table 9b: Exposures for Off-Balance Sheet and Counterparty Credit Risk (After Credit Risk Mitigation) as at 31st December 2011.**

Nature of Item	Principal/ Notional Amount (RM'000)	Positive Fair Value of Derivative Contracts (RM'000)	Credit Equivalent Amount (RM'000)	RWA (RM'000)
Direct credit substitutes	1,506,861		1,436,755	1,216,657
Transaction-related contingent items	2,189,069		1,070,325	870,657
Short-term self-liquidating trade-related contingencies	902,010		178,398	97,424
Assets sold with recourse	–		–	–
NIFs & obligations under underwriting agreement	208,500		104,250	104,250
Foreign exchange related contracts	15,326,412	616,602	913,646	471,454
1 year or less	13,558,443	223,847	377,570	175,414
Over 1 year to 5 years	1,767,969	392,755	536,076	296,040
Over 5 years	–	–	–	–
Interest/profit rate related contracts	17,812,064	81,353	392,499	130,307
1 year or less	4,195,536	2,572	9,651	2,812
Over 1 year to 5 years	13,016,528	57,583	321,650	110,735
Over 5 years	600,000	21,198	61,198	16,760
Other commitments, such as formal standby facilities & credit lines, with original maturity of over 1 year	18,026,419		4,440,352	3,086,707
Other commitments, such as formal standby facilities & credit lines, with original maturity of up to 1 year	9,788,013		1,962,417	1,301,101
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	7,348,017		757,485	518,055
Unutilised credit card lines (under Standardised Approach)	–		–	–
<b>Total</b>	<b>73,107,365</b>	<b>697,955</b>	<b>11,256,127</b>	<b>7,796,612</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.5 Credit Exposures and Risk-Weighted Assets (RWA) By Portfolio and Approaches (continued)

**Table 10a: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31st December 2012**

Exposure Class	Malaysia (RM'000)	Singapore (RM'000)	Thailand (RM'000)	Brunei (RM'000)	Total (RM'000)
<b>Exposures under Standardised Approach</b>					
<b>Sovereigns &amp; Central Banks</b>	41,970,847	858,855	327,617	70,035	43,227,354
<b>Public Sector Entities</b>	320,224	–	45,514	–	365,738
<b>Banks, Development Financial Institutions &amp; MDBs</b>	11,834,393	3,571,388	23,159	142,314	15,571,254
<b>Insurance Cos, Securities Firms &amp; Fund Managers</b>	170,227	19,484	–	–	189,711
<b>Corporates</b>	16,523,699	4,416,573	473,364	21,352	21,434,988
<b>Regulatory Retail</b>	24,522,909	1,357,710	5,482	75,692	25,961,793
<b>Residential Mortgages</b>	755,618	1,138,482	–	1,198	1,895,298
<b>Higher Risk Assets</b>	9,407	–	–	–	9,407
<b>Other Assets</b>	2,139,266	188,780	11,620	3,991	2,343,657
<b>Total Exposures under Standardised Approach</b>	<b>98,246,590</b>	<b>11,551,272</b>	<b>886,756</b>	<b>314,582</b>	<b>110,999,200</b>
<b>Exposures under IRB Approach</b>					
<b>Corporates, of which</b>	49,144,992	–	–	–	49,144,992
Corporate Exposures (excluding exposures with firm-size adjustments)	39,999,126	–	–	–	39,999,126
Corporate Exposures (with firm-size adjustments)	9,145,866	–	–	–	9,145,866
<b>Retail, of which</b>	31,281,991	–	–	–	31,281,991
Residential Mortgages	15,543,582	–	–	–	15,543,582
Qualifying Revolving Retail Exposures	2,331,036	–	–	–	2,331,036
Hire Purchase Exposures	6,170,321	–	–	–	6,170,321
Other Retail Exposures	7,237,052	–	–	–	7,237,052
<b>Total Exposures under IRB Approach</b>	<b>80,426,983</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>80,426,983</b>
<b>Total Exposures under Standardised and IRB Approaches</b>	<b>178,673,573</b>	<b>11,551,272</b>	<b>886,756</b>	<b>314,582</b>	<b>191,426,183</b>

Note: This table excludes equity exposures.

## 6.0 CREDIT RISK (CONTINUED)

### 6.5 Credit Exposures and Risk-Weighted Assets (RWA) By Portfolio and Approaches (continued)

Table 10b: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31st December 2011

Exposure Class	Malaysia (RM'000)	Singapore (RM'000)	Thailand (RM'000)	Brunei (RM'000)	Total (RM'000)
<b>Exposures under Standardised Approach</b>					
Sovereigns & Central Banks	38,875,279	922,568	299,010	53,580	40,150,437
Public Sector Entities	249,232	–	30,508	–	279,740
Banks, Development Financial Institutions & MDBs	8,151,319	2,129,634	2,225	82,802	10,365,980
Insurance Cos, Securities Firms & Fund Managers	90	56,544	2,010	–	58,644
Corporates	12,478,641	3,632,086	304,754	34,232	16,449,713
Regulatory Retail	20,473,721	1,080,732	23,080	99,130	21,676,663
Residential Mortgages	958,818	992,146	–	1,928	1,952,892
Higher Risk Assets	29,160	–	–	–	29,160
Other Assets	2,669,921	161,852	10,606	5,953	2,848,332
<b>Total Exposures under Standardised Approach</b>	<b>83,886,181</b>	<b>8,975,562</b>	<b>672,193</b>	<b>277,625</b>	<b>93,811,561</b>
<b>Exposures under IRB Approach</b>					
Corporates, of which	31,450,527	–	–	–	31,450,527
Corporate Exposures (excluding exposures with firm-size adjustments)	25,051,371	–	–	–	25,051,371
Corporate Exposures (with firm-size adjustments)	6,399,156	–	–	–	6,399,156
Retail, of which	30,685,342	–	–	–	30,685,342
Residential Mortgages	17,295,612	–	–	–	17,295,612
Qualifying Revolving Retail Exposures	2,041,395	–	–	–	2,041,395
Hire Purchase Exposures	7,343,482	–	–	–	7,343,482
Other Retail Exposures	4,004,853	–	–	–	4,004,853
<b>Total Exposures under IRB Approach</b>	<b>62,135,869</b>	<b>–</b>	<b>–</b>	<b>–</b>	<b>62,135,869</b>
<b>Total Exposures under Standardised and IRB Approaches</b>	<b>146,022,050</b>	<b>8,975,562</b>	<b>672,193</b>	<b>277,625</b>	<b>155,947,430</b>

Note: This table excludes equity exposures.



## 6.0 CREDIT RISK (CONTINUED)

### 6.5 Credit Exposures and Risk-Weighted Assets (RWA) By Portfolio and Approaches (continued)

Table 11a: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31st December 2012

Exposure Class	(RM'000)											Total
	Agriculture	Mining & Quarrying	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance, Real Estate & Business	Education, Health & Others	Household	Others	
<b>Exposures under Standardised Approach (SA)</b>												
Sovereigns & Central Banks	-	-	-	-	-	-	-	3,369,607	39,857,747	-	-	43,227,354
Public Sector Entities	-	-	-	10,114	-	-	25,240	10,983	319,401	-	-	365,738
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	15,571,254	-	-	-	15,571,254
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	189,711	-	-	-	189,711
Corporates	181,660	25,109	1,917,591	1,650,811	1,712,249	1,099,744	996,412	9,818,141	408,041	1,756,642	1,868,588	21,434,988
Regulatory Retail	52,068	3,807	120,432	5,566	101,664	142,025	79,155	176,272	81,253	25,111,700	87,851	25,961,793
Residential Mortgages	-	-	-	-	-	-	-	-	-	1,895,298	-	1,895,298
Higher Risk Assets	-	-	-	-	-	-	-	9,407	-	-	-	9,407
Other Assets	-	-	-	-	-	-	-	49,265	-	-	2,294,392	2,343,657
<b>Total Exposures under SA</b>	<b>233,728</b>	<b>28,916</b>	<b>2,038,023</b>	<b>1,666,491</b>	<b>1,813,913</b>	<b>1,241,769</b>	<b>1,100,807</b>	<b>29,194,640</b>	<b>40,666,442</b>	<b>28,763,640</b>	<b>4,250,831</b>	<b>110,999,200</b>
<b>Exposures under IRB Approach</b>												
Corporates of which	3,918,165	965,345	12,247,465	2,676,842	6,869,441	5,685,979	3,418,287	11,641,986	1,694,722	2,502	24,258	49,144,992
Corporates (excluding exposures with firm-size adjustments)	2,769,278	919,614	9,755,854	2,664,928	5,838,337	2,749,676	3,007,030	10,700,812	1,590,749	607	2,241	39,999,126
Corporates (with firm-size adjustments)	1,148,887	45,731	2,491,611	11,914	1,031,104	2,936,303	411,257	941,174	103,973	1,895	22,017	9,145,866
Retail of which	148,391	17,029	732,450	6,956	496,186	2,248,767	152,597	375,010	102,347	27,000,788	1,470	31,281,991
Residential Mortgages	-	-	-	-	-	-	-	-	-	15,543,582	-	15,543,582
Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	2,331,036	-	2,331,036
Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	6,170,321	-	6,170,321
Other Retail Exposures	148,391	17,029	732,450	6,956	496,186	2,248,767	152,597	375,010	102,347	2,955,849	1,470	7,237,052
<b>Total Exposures under IRB Approach</b>	<b>4,066,556</b>	<b>982,374</b>	<b>12,979,915</b>	<b>2,683,798</b>	<b>7,365,627</b>	<b>7,934,746</b>	<b>3,570,884</b>	<b>12,015,996</b>	<b>1,797,069</b>	<b>27,003,290</b>	<b>25,728</b>	<b>80,426,983</b>
<b>Total Exposures under SA and IRB Approaches</b>	<b>4,300,284</b>	<b>1,011,290</b>	<b>15,017,938</b>	<b>4,350,289</b>	<b>9,179,540</b>	<b>9,176,515</b>	<b>4,671,691</b>	<b>41,211,636</b>	<b>42,463,511</b>	<b>55,766,930</b>	<b>4,276,559</b>	<b>191,426,183</b>

Note: This table excludes equity exposures.

## 6.0 CREDIT RISK (CONTINUED)

## 6.5 Credit Exposures and Risk-Weighted Assets (RWA) By Portfolio and Approaches (continued)

Table 11b: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31st December 2011

Exposure Class	(RM'000)											Total
	Agriculture	Mining & Quarrying	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance, Real Estate & Business	Education, Health & Others	Household	Others	
<b>Exposures under Standardised Approach (SA)</b>												
Sovereigns & Central Banks	6,964	-	-	-	-	-	9,491	11,104,925	19,155,410	-	9,873,647	40,150,437
Public Sector Entities	-	-	-	10,169	-	-	20,339	826	96,215	-	152,191	279,740
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	10,365,980	-	-	-	10,365,980
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	58,644	-	-	-	58,644
Corporates	162,551	23,563	1,308,228	1,551,041	1,272,283	1,084,419	744,913	6,230,351	478,229	1,692,095	1,902,041	16,449,714
Regulatory Retail	59,916	4,182	139,654	1,153	92,566	125,235	121,538	142,649	84,881	20,890,339	14,549	21,676,662
Residential Mortgages	-	-	-	-	-	-	-	-	-	1,952,892	-	1,952,892
Higher Risk Assets	-	-	-	-	-	-	-	29,160	-	-	-	29,160
Other Assets	-	-	-	-	-	-	-	47,923	-	-	2,800,409	2,848,332
<b>Total Exposures under SA</b>	<b>229,431</b>	<b>27,745</b>	<b>1,447,882</b>	<b>1,562,363</b>	<b>1,364,849</b>	<b>1,209,654</b>	<b>896,281</b>	<b>27,980,456</b>	<b>19,814,735</b>	<b>24,535,326</b>	<b>14,742,837</b>	<b>93,811,561</b>
<b>Exposures under IRB Approach</b>												
Corporates of which	2,047,110	128,377	8,057,314	269,783	5,593,805	4,120,347	2,916,202	6,962,681	1,349,783	1,103	4,022	31,450,527
Corporates (excluding exposures with firm-size adjustments)	1,249,511	103,162	6,355,296	262,083	4,883,241	2,038,973	2,568,671	6,310,277	1,276,702	250	3,205	25,051,371
Corporates (with firm-size adjustments)	797,599	25,215	1,702,018	7,700	710,564	2,081,374	347,531	652,404	73,081	853	817	6,399,156
Retail of which	130,881	16,111	726,873	4,014	484,074	2,010,173	146,045	362,361	96,792	26,706,950	1,068	30,685,342
Residential Mortgages	-	-	-	-	-	-	-	-	-	17,295,612	-	17,295,612
Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	2,041,395	-	2,041,395
Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	7,343,482	-	7,343,482
Other Retail Exposures	130,881	16,111	726,873	4,014	484,074	2,010,173	146,045	362,361	96,792	26,461	1,068	4,004,853
<b>Total Exposures under IRB Approach</b>	<b>2,177,991</b>	<b>144,488</b>	<b>8,784,187</b>	<b>273,797</b>	<b>6,077,879</b>	<b>6,130,520</b>	<b>3,062,247</b>	<b>7,325,042</b>	<b>1,446,575</b>	<b>26,708,053</b>	<b>5,090</b>	<b>62,135,869</b>
<b>Total Exposures under SA and IRB Approaches</b>	<b>2,407,422</b>	<b>172,233</b>	<b>10,232,069</b>	<b>1,836,160</b>	<b>7,442,728</b>	<b>7,340,174</b>	<b>3,958,528</b>	<b>35,305,500</b>	<b>21,261,310</b>	<b>51,243,379</b>	<b>14,747,927</b>	<b>155,947,430</b>

Note: This table excludes equity exposures.

## 6.0 CREDIT RISK (CONTINUED)

### 6.5 Credit Exposures and Risk-Weighted Assets (RWA) By Portfolio and Approaches (continued)

Table 12a: Credit Risk Exposures (Before Credit Risk Mitigation) by Maturity as at 31st December 2012

Exposure Class	One year or less (RM'000)	More than one to five years (RM'000)	Over five years (RM'000)	Total (RM'000)
<b>Exposures under Standardised Approach</b>				
Sovereigns & Central Banks	17,475,906	6,826,702	18,924,746	43,227,354
Public Sector Entities	86,193	35,618	243,927	365,738
Banks, Development Financial Institutions & MDBs	10,426,913	3,909,037	1,235,304	15,571,254
Insurance Cos, Securities Firms & Fund Managers	19,484	–	170,227	189,711
Corporates	3,815,923	10,016,677	7,602,388	21,434,988
Regulatory Retail	2,897,853	4,231,085	18,832,855	25,961,793
Residential Mortgages	661,151	30,307	1,203,840	1,895,298
Higher Risk Assets	9,407	–	–	9,407
Other Assets	53,083	7,666	2,282,908	2,343,657
<b>Total Exposures under Standardised Approach</b>	<b>35,445,913</b>	<b>25,057,092</b>	<b>50,496,195</b>	<b>110,999,200</b>
<b>Exposures under IRB Approach</b>				
Corporates, of which	37,326,443	5,588,950	6,229,599	49,144,992
Corporates (excluding exposures with firm-size adjustments)	31,477,736	4,504,290	4,017,100	39,999,126
Corporates (with firm-size adjustments)	5,848,707	1,084,660	2,212,499	9,145,866
Retail, of which	5,012,200	3,489,972	22,779,819	31,281,991
Residential Mortgages	15,033	264,412	15,264,137	15,543,582
Qualifying Revolving Retail Exposures	2,331,036	–	–	2,331,036
Hire Purchase Exposures	91,549	2,483,799	3,594,973	6,170,321
Other Retail Exposures	2,574,582	741,761	3,920,709	7,237,052
<b>Total Exposures under IRB Approach</b>	<b>42,338,643</b>	<b>9,078,922</b>	<b>29,009,418</b>	<b>80,426,983</b>
<b>Total Exposures under Standardised and IRB Approaches</b>	<b>77,784,556</b>	<b>34,136,014</b>	<b>79,505,613</b>	<b>191,426,183</b>

Note: This table excludes equity exposures.

## 6.0 CREDIT RISK (CONTINUED)

### 6.5 Credit Exposures and Risk-Weighted Assets (RWA) By Portfolio and Approaches (continued)

Table 12b: Credit Risk Exposures (Before Credit Risk Mitigation) by Maturity as at 31st December 2011

Exposure Class	One year or less (RM'000)	More than one to five years (RM'000)	Over five years (RM'000)	Total (RM'000)
<b>Exposures under Standardised Approach</b>				
Sovereigns & Central Banks	14,740,766	6,165,398	19,244,273	40,150,437
Public Sector Entities	84,321	10,568	184,851	279,740
Banks, Development Financial Institutions & MDBs	7,435,531	1,673,676	1,256,773	10,365,980
Insurance Cos, Securities Firms & Fund Managers	3,123	55,431	90	58,644
Corporates	5,624,243	6,390,483	4,434,987	16,449,713
Regulatory Retail	3,540,718	2,997,797	15,138,148	21,676,663
Residential Mortgages	839,436	42,607	1,070,849	1,952,892
Higher Risk Assets	29,160	–	–	29,160
Other Assets	60,245	8,991	2,779,096	2,848,332
<b>Total Exposures under Standardised Approach</b>	<b>32,357,543</b>	<b>17,344,951</b>	<b>44,109,067</b>	<b>93,811,561</b>
<b>Exposures under IRB Approach</b>				
Corporates, of which	24,455,341	3,295,747	3,699,439	31,450,527
Corporates (excluding exposures with firm-size adjustments)	20,474,874	2,640,580	1,935,917	25,051,371
Corporates (with firm-size adjustments)	3,980,467	655,167	1,763,522	6,399,156
Retail, of which	4,771,819	3,386,219	22,527,304	30,685,342
Residential Mortgages	23,872	300,652	16,971,088	17,295,612
Qualifying Revolving Retail Exposures	2,041,395	–	–	2,041,395
Hire Purchase Exposures	89,623	2,489,322	4,764,537	7,343,482
Other Retail Exposures	2,616,929	596,245	791,679	4,004,853
<b>Total Exposures under IRB Approach</b>	<b>29,227,160</b>	<b>6,681,966</b>	<b>26,226,743</b>	<b>62,135,869</b>
<b>Total Exposures under Standardised and IRB Approaches</b>	<b>61,584,703</b>	<b>24,026,917</b>	<b>70,335,810</b>	<b>155,947,430</b>

Note: This table excludes equity exposures.

## 6.0 CREDIT RISK (CONTINUED)

### 6.5 Credit Exposures and Risk-Weighted Assets (RWA) 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. The portfolios that are in transition to the IRB approach are exposures to RHB Islamic Bank and exposures from overseas branches' operations.

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 exposure for its portfolios with the corresponding risk weights and risk-weighted assets under the Standardised Approach, after credit risk mitigation (CRM).

**Table 13a: Portfolios under the Standardised Approach by Risk Weights as at 31st December 2012**

Exposures Class	Exposure after CRM (RM'000)							Total Exposures (RM'000)
	Risk Weight (%)							
	0%	20%	35%	50%	75%	100%	150%	
Sovereigns & Central Banks	42,884,501	269,034	-	3,784	-	70,035	-	43,227,354
Public Sector Entities	-	365,346	-	-	-	-	-	365,346
Banks, Development Financial Institutions & MDBs	152,121	11,049,241	-	4,147,362	-	222,530	-	15,571,254
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	189,711	-	189,711
Corporates	3,393,788	5,710,541	-	350,894	-	11,181,028	192,674	20,828,925
Regulatory Retail	57,161	5,179	-	43,244	18,397,902	1,178,686	148,978	19,831,150
Residential Mortgages	-	-	80	-	1,885,832	-	-	1,885,912
Higher Risk Assets	-	-	-	-	-	-	9,407	9,407
Other Assets	924,933	44,152	-	-	-	1,374,572	-	2,343,657
Equity Exposures	-	-	-	-	-	312,520	28	312,548
<b>Total Exposures after CRM (RM'000)</b>	<b>47,412,504</b>	<b>17,443,493</b>	<b>80</b>	<b>4,545,284</b>	<b>20,283,734</b>	<b>14,529,082</b>	<b>351,087</b>	<b>104,565,264</b>
<b>Total Risk-Weighted Assets (RM'000)</b>	<b>-</b>	<b>3,488,699</b>	<b>28</b>	<b>2,272,642</b>	<b>15,212,801</b>	<b>14,529,082</b>	<b>526,629</b>	<b>36,029,881</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.5 Credit Exposures and Risk-Weighted Assets (RWA) By Portfolio and Approaches (continued)

Table 13b: Portfolios under the Standardised Approach by Risk Weights as at 31st December 2011

Exposures Class	Exposure after CRM (RM'000)							Total Exposures (RM'000)
	Risk Weight (%)							
	0%	20%	35%	50%	75%	100%	150%	
Sovereigns & Central Banks	39,639,412	446,530	-	-	-	64,495	-	40,150,437
Public Sector Entities	-	248,992	-	30,508	-	-	-	279,500
Banks, Development Financial Institutions & MDBs	-	8,214,314	-	2,121,597	-	30,069	-	10,365,980
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	58,644	-	58,644
Corporates	35,304	4,114,758	-	333,287	-	11,072,543	211,575	15,767,467
Regulatory Retail	25,041	4,927	-	35,854	16,113,305	329,683	131,555	16,640,365
Residential Mortgages	-	-	1,897,495	42,377	-	-	-	1,939,872
Higher Risk Assets	-	-	-	-	-	-	29,160	29,160
Other Assets	814,353	47,923	-	-	-	1,986,056	-	2,848,332
Equity Exposures	-	-	-	-	-	341,240	23	341,263
<b>Total Exposures after CRM (RM'000)</b>	<b>40,514,110</b>	<b>13,077,444</b>	<b>1,897,495</b>	<b>2,563,623</b>	<b>16,113,305</b>	<b>13,882,730</b>	<b>372,313</b>	<b>88,421,020</b>
<b>Total Risk-Weighted Assets (RM'000)</b>	<b>-</b>	<b>2,615,489</b>	<b>664,123</b>	<b>1,281,811</b>	<b>12,084,979</b>	<b>13,882,730</b>	<b>558,469</b>	<b>31,087,601</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.6 Use of External Ratings

For sovereigns, corporate and banking institutions, external ratings from approved external credit assessment institutions (ECAI), where available, are used to determine the risk-weighted assets and regulatory capital.

The process used to map ECAI issuer ratings or comparable ECAI issue ratings, are in accordance to BNM standards. Approved ECAIs are as follows:-

- Standard & Poors (S&P),
- Moody's Investor Services (Moody's),
- Fitch Ratings (Fitch),
- Malaysian Rating Corporation Berhad (MARC),
- Rating Agency Malaysia (RAM), and
- Rating and Investment Information, Inc (R&I).

External ratings for the counterparties are determined as soon as relationship is established and these ratings are tracked and kept updated. Only publicly available credit ratings are used for regulatory risk weighting purpose. Where the counterparty is not rated, the corresponding exposure is mapped as 'unrated' and the appropriate risk weight for unrated exposures is assigned.

The following tables show RHB Bank Group's credit exposures to sovereigns, corporate and banking institutions as at 31st December 2012 compared with 31st December 2011 position, according to the ratings by ECAIs.

**Table 14a: Rated Exposures According to Ratings by ECAIs as at 31st December 2012**

	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
Ratings of Corporates by Approved ECAIs	R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
<b>On- &amp; Off-Balance Sheet Exposures</b>						
Public Sector Entities (RM'000)		-	-	-	-	365,346
Insurance Cos, Securities Firms & Fund Managers (RM'000)		-	-	-	-	189,711
Corporates (RM'000)		6,452,142	307,424	86,929	-	13,982,430

## 6.0 CREDIT RISK (CONTINUED)

### 6.6 Use of External Ratings (continued)

Table 14a: Rated Exposures According to Ratings by ECAIs as at 31st December 2012 (continued)

	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
Ratings of Sovereigns and Central Banks by Approved ECAIs	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
<b>On- &amp; Off-Balance Sheet Exposures</b>							
Sovereigns and Central Banks (RM'000)		591,874	42,234,043	331,402	-	-	70,035
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
Ratings of Banking Institutions by Approved ECAIs	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
<b>On- &amp; Off-Balance Sheet Exposures</b>							
Banks, Development Financial Institutions & MDBs (RM'000)		4,255,634	3,472,357	1,218,975	226,490	-	6,397,798

Table 14b: Rated Exposures According to Ratings by ECAIs as at 31st December 2011

	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
Ratings of Corporates by Approved ECAIs	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
<b>On- &amp; Off-Balance Sheet Exposures</b>						
Public Sector Entities (RM'000)		-	-	-	-	279,500
Insurance Cos, Securities Firms & Fund Managers (RM'000)		-	-	-	-	58,644
Corporates (RM'000)		4,109,534	271,240	109,072	58,478	11,219,143



## 6.0 CREDIT RISK (CONTINUED)

### 6.6 Use of External Ratings (continued)

Table 14b: Rated Exposures According to Ratings by ECAIs as at 31st December 2011 (continued)

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
	<b>On- &amp; Off-Balance Sheet Exposures</b>						
Sovereigns and Central Banks (RM'000)		633,241	39,350,045	102,757	10,814	-	53,580
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
	<b>On- &amp; Off-Balance Sheet Exposures</b>						
Banks, Development Financial Institutions & MDBs (RM'000)		3,286,295	2,657,428	865,778	474	-	3,556,005

### 6.7 Credit Risk Monitoring and Control

#### Credit Risk Mitigation

The Bank generally does not grant credit facilities solely on the basis of collateral provided. All credit facilities are granted based on the credit standing of the borrower, source of repayment and debt servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed; subject to the Bank's policies that govern the eligibility of collateral used for credit risk mitigation. Reliance on collateral when taken is carefully assessed in the light of issues such as legal certainty and enforceability, market valuation and counterparty risk of the guarantor.

The main types of collaterals obtained by the Bank are:-

- Fixed Deposits, Mudharabah General Investment Account, Negotiable Instrument of Deposits, Foreign Currency Deposits, and Cash Deposits/Cash Margins
- Land and Buildings
- Vessels and Automobiles
- Quoted Shares, Unit Trusts, Malaysian Government Bonds and Securities, and Private Debt Securities
- Endowment Life Policies with Cash Surrender Value
- Other tangible business assets, such as inventory and equipment.

## 6.0 CREDIT RISK (CONTINUED)

### 6.7 Credit Risk Monitoring and Control (continued)

Collateral is valued in accordance with the Bank's policy on collateral valuation, which prescribes the frequency of valuation for different collateral/securities types, based on liquidity and volatility of the collateral value and the underlying product or risk exposure. The value of collaterals/securities pledged is monitored periodically; analysed and updated concurrently with the annual/periodic renewal of facilities, as well as updated into the relevant Bank's system.

The Bank also accepts non-tangible securities as support, such as guarantees from individuals, corporates and institutions, bank guarantees, debenture and assignment of contract payments, subject to internal guidelines on eligibility. Currently, the Bank does not use on-balance sheet netting to mitigate its credit exposures.

Equity securities or collaterals acquired arising from debt conversions are accounted for as a disposal of the loan and an acquisition of equity securities or investment properties. Any further impairment of the assets or business acquired is treated as an impairment of the relevant asset or business rather than as an impairment of the original instrument.

**Table 15a: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31st December 2012**

Exposure Class	Exposures Before Credit Risk Mitigation (RM'000)	Exposures Covered by Guarantees/ Credit Derivatives (RM'000)	Exposures Covered by Eligible Financial Collateral (RM'000)
<b>Credit Risk</b>			
<b>On-Balance Sheet Exposures</b>			
Sovereigns and Central Banks	42,841,400	2,213,314	-
Public Sector Entities	348,638	-	-
Banks, Development Financial Institutions & MDBs	14,476,122	152,122	-
Insurance Companies, Securities Firms & Fund Managers	170,227	-	-
Corporates	19,038,679	3,296,315	594,486
Regulatory Retail	23,068,785	4,148	5,866,979
Residential Mortgages	1,623,200	-	7,610
Higher Risk Assets	-	-	-
Other Assets	2,334,265	-	-
Equity Exposures	309,926	-	-
Defaulted Exposures	680,519	2,311	34,286
<b>Total On-Balance Sheet Exposures</b>	<b>104,891,761</b>	<b>5,668,210</b>	<b>6,503,361</b>
<b>Off-Balance Sheet Exposures</b>			
OTC Derivatives	1,598,873	-	-
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	4,820,909	-	396,475
Defaulted Exposures	205	-	-
<b>Total Off-Balance Sheet Exposures</b>	<b>6,419,987</b>	<b>-</b>	<b>396,475</b>
<b>Total On- and Off-Balance Sheet Exposures</b>	<b>111,311,748</b>	<b>5,668,210</b>	<b>6,899,836</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.7 Credit Risk Monitoring and Control (continued)

Table 15b: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31st December 2011

Exposure Class	Exposures Before Credit Risk Mitigation (RM'000)	Exposures Covered by Guarantees/ Credit Derivatives (RM'000)	Exposures Covered by Eligible Financial Collateral (RM'000)
<b>Credit Risk</b>			
<b>On-Balance Sheet Exposures</b>			
Sovereigns and Central Banks	39,892,008	224,120	–
Public Sector Entities	263,768	–	–
Banks, Development Financial Institutions & MDBs	9,263,705	–	–
Insurance Companies, Securities Firms & Fund Managers	90	–	–
Corporates	14,361,345	4,110	538,865
Regulatory Retail	19,912,676	–	4,701,873
Residential Mortgages	1,520,142	–	9,006
Higher Risk Assets	–	–	–
Other Assets	2,837,125	100	–
Equity Exposures	339,031	–	–
Defaulted Exposures	800,161	–	42,321
<b>Total On-Balance Sheet Exposures</b>	<b>89,190,051</b>	<b>228,330</b>	<b>5,292,065</b>
<b>Off-Balance Sheet Exposures</b>			
OTC Derivatives	1,300,870	–	–
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	3,661,576	25,487	483,903
Defaulted Exposures	327	–	–
<b>Total Off-Balance Sheet Exposures</b>	<b>4,962,773</b>	<b>25,487</b>	<b>483,903</b>
<b>Total On- and Off-Balance Sheet Exposures</b>	<b>94,152,824</b>	<b>253,817</b>	<b>5,775,968</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.7 Credit Risk Monitoring and Control (continued)

Table 16a: Credit Risk Mitigation of Portfolios under the IRB Approach as at 31st December 2012

Exposure Class	Exposures Before Credit Risk Mitigation (RM'000)	Exposures Covered by Guarantees/ Credit Derivatives (RM'000)	Exposures Covered by Eligible Financial Collateral (RM'000)	Exposures Covered by Other Eligible Collateral (RM'000)
<b>Credit Risk</b>				
<b>On-Balance Sheet Exposures</b>				
<b>Corporates</b> , of which	<b>32,755,384</b>	<b>139,836</b>	<b>4,562,360</b>	<b>8,799,610</b>
Corporate Exposures (excluding exposures with firm-size adjustments)	27,000,993	27,075	3,905,198	6,044,426
Corporate Exposures (with firm-size adjustments)	5,754,391	112,761	657,162	2,755,184
<b>Retail</b> , of which	<b>28,035,822</b>	<b>-</b>	<b>9</b>	<b>7,075,972</b>
Residential Mortgages	14,893,170	-	-	7,072,236
Qualifying Revolving Retail Exposures	1,550,711	-	-	-
Hire Purchase Exposures	6,028,014	-	-	-
Other Retail Exposures	5,563,927	-	9	3,736
<b>Defaulted Exposures</b>	<b>2,560,090</b>	<b>-</b>	<b>49,676</b>	<b>816,785</b>
<b>Total On-Balance Sheet Exposures</b>	<b>63,351,296</b>	<b>139,836</b>	<b>4,612,045</b>	<b>16,692,367</b>
<b>Off-Balance Sheet Exposures</b>				
OTC Derivatives	-	-	-	-
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	17,041,661	11,954	769,063	3,651,324
Defaulted Exposures	34,026	-	9,676	11,066
<b>Total Off-Balance Sheet Exposures</b>	<b>17,075,687</b>	<b>11,954</b>	<b>778,739</b>	<b>3,662,390</b>
<b>Total On- and Off-Balance Sheet Exposures</b>	<b>80,426,983</b>	<b>151,790</b>	<b>5,390,784</b>	<b>20,354,757</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.7 Credit Risk Monitoring and Control (continued)

Table 16b: Credit Risk Mitigation of Portfolios under the IRB Approach as at 31st December 2011

Exposure Class	Exposures Before Credit Risk Mitigation (RM'000)	Exposures Covered by Guarantees/ Credit Derivatives (RM'000)	Exposures Covered by Eligible Financial Collateral (RM'000)	Exposures Covered by Other Eligible Collateral (RM'000)
<b>Credit Risk</b>				
<b>On-Balance Sheet Exposures</b>				
<b>Corporates</b> , of which	<b>24,841,372</b>	<b>170,359</b>	<b>1,030,455</b>	<b>8,745,958</b>
Corporate Exposures (excluding exposures with firm-size adjustments)	19,964,316	170,359	426,531	6,206,586
Corporate Exposures (with firm-size adjustments)	4,877,056	–	603,924	2,539,372
<b>Retail</b> , of which	<b>27,755,691</b>	<b>–</b>	<b>–</b>	<b>5,511</b>
Residential Mortgages	15,826,042	–	–	–
Qualifying Revolving Retail Exposures	1,473,727	–	–	–
Hire Purchase Exposures	7,180,842	–	–	–
Other Retail Exposures	3,275,080	–	–	5,511
<b>Defaulted Exposures</b>	<b>2,758,302</b>	<b>–</b>	<b>80,355</b>	<b>379,069</b>
<b>Total On-Balance Sheet Exposures</b>	<b>55,355,365</b>	<b>170,359</b>	<b>1,110,810</b>	<b>9,130,538</b>
<b>Off-Balance Sheet Exposures</b>				
OTC Derivatives	–	–	–	–
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	6,746,462	10,692	578,380	1,192,961
Defaulted Exposures	34,042	–	2,477	17,589
<b>Total Off-Balance Sheet Exposures</b>	<b>6,780,504</b>	<b>10,692</b>	<b>580,857</b>	<b>1,210,550</b>
<b>Total On- and Off-Balance Sheet Exposures</b>	<b>62,135,869</b>	<b>181,051</b>	<b>1,691,667</b>	<b>10,341,088</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.7 Credit Risk Monitoring and Control (continued)

#### Credit Concentration Risk

The Bank manages the diversification of its portfolio to avoid undue credit risk concentrations. Credit risk concentrations exist in lending to single customer groups, borrowers engaged in similar activities, or diverse groups of borrowers that could be affected by similar economic or other factors. To manage these concentrations, exposure limits are established for single borrowing groups and industry segments. In this respect, analysis of large customer group exposures are regularly conducted, and the lending and financing units undertake regular account updates, monitoring and management of these exposures.

Industry and sectoral analysis are also incorporated within the overall credit risk management regiment. In this respect, the Group seeks to continually update lending and financing guidelines based on periodic reviews and updates of industry and sectoral risk factors and economic outlooks. This facilitates better management of credit concentration risks.

#### Credit Monitoring and Annual Reviews

The Bank regularly monitors credit exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are generated for senior management and risk committees, containing information on key environmental, political and economic trends across portfolios and countries, portfolio delinquency with major credit delinquency, and loan 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.

Group Internal Audit conducts independent post-approval reviews on sampling basis to ensure that the quality of credit appraisals and approval standards are in accordance with the credit standards and lending policies established by the Bank's management, and laws and regulations.

### 6.8 Impairment Allowances for Loans/Financing

The Bank has implemented the latest guidelines on 'Classification and Impairment Provisions for Loans/Financing' issued by Bank Negara Malaysia (BNM) in November 2011. The principles in this revised guidelines are in line with those applicable under the new International Financial Reporting Standards (IFRS) compliant framework, the Malaysia Financial Reporting Standards 139 (MFRS 139).

Under this revised guidelines, the Bank is to classify loans/financing as impaired:-

1. When the principal or interest/profit or both is past due for more than 90 days or 3 months.
2. In the case of revolving facilities (e.g., overdraft facilities), the facility shall be classified as impaired when the outstanding amount is in excess of the approved limit for a period of more than 90 days or 3 months, or
3. Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, the loan exhibits weaknesses that render a classification appropriate according to the Bank's credit risk grading framework.
4. Where repayments are scheduled on intervals of 3 months or longer, the loan/financing is classified as impaired as soon as a default occurs, unless it does not exhibit any weakness that would render it classified according to the Bank's credit risk grading framework.
5. For re-scheduled and restructured facilities, the account shall be classified as impaired in accordance with paragraphs (1), (2) and (3) above, based on the revised or restructured terms.
6. Where any one of the Mandatory Status Triggers (MST) or any two or more of the Ancillary Status Triggers (AST) have occurred. MST and AST are a set of pre-defined triggers events approved by the Bank, such as bankrupt/wound-up, ceased operations, etc.

## 6.0 CREDIT RISK (CONTINUED)

### 6.8 Impairment Allowances for Loans/Financing (continued)

#### Individual Assessment – Impairment Triggers

For borrowers (customers with threshold of RM5 million and above per customer under individual assessment, the Bank needs to perform impairment assessment when any one of the MSTs or any two of the ASTs events has occurred. Such borrower will be classified as impaired loan/financing even though no impairment provision is required after impairment assessment.

#### Mandatory Status Triggers (MST) are:-

- Aging more than 90 days.
- Borrowers that are rated N20 (Special Mentioned), N21 (Sub-standard), N22 (Doubtful) or N23 (Bad) and/or with recalled facility by the Bank when a writ of summons has been served on the borrower.
- Bankrupt/wound-up.
- Liquidator/Receiver and Manager appointed.
- Under PN1/PN17 of the main market listing requirements of Bursa Malaysia or Section 176 of the Companies Act 1965.
- Operations ceased.
- Material fraud discovered.
- Restructure or reschedule its loans/financing more than once in 2 years.

#### Ancillary Status Triggers (AST) are:-

- Habitually ageing, as reflected by:-
  - a) Ageing with at least 3 incidents of 1 month in arrears or more, or 1 incident of 2 months in arrears or more, for the past 6 months, or
  - b) Latest Central Credit Reference Information System (CCRIS) report (of no more than 3 months old) shows credit facilities with other financial institutions are ageing with at least 3 incidents of 1 month in arrears or more, or 2 months in arrears or more out of the past 6 months.
- Other lenders recalling credit facilities on demand or through legal action.
- Material loss of assets (including securities) or major disruption to operations.
- Significant deterioration in external/internal rating or financial performance, as reflected by one or more of the following:-
  - a) Deterioration of external rating (if available), where borrower's rating is downgraded by 2 notches or more,
  - b) Deterioration of internal rating where borrower's rating is downgraded by 3 notches or more and resulting in the new rating lower than PD15.
  - c) Negative cash-flow from operations for 2 or more consecutive years.
  - d) Negative shareholders' funds for 2 consecutive years (after taking into account of subordinated advances).
  - e) Loss making for 2 or more consecutive years.
- External auditors' report qualification/disclaimer (qualified financial report) not related to any AST triggers.
- A third-party petition for winding-up is presented and is not withdrawn or discharged after 90 days from the date of service of the petition.
- If there are changes in shareholders and Chief Executive Officer without the Bank's consent that may have major adverse impact to borrower's business.
- Other examples include adverse market information/development about borrower, guarantor(s) and related parties of the borrower.

Generally, borrowers with loans/financing guaranteed by the Government of Malaysia will be exempted from individual impairment assessment.

## 6.0 CREDIT RISK (CONTINUED)

### 6.8 Impairment Allowances for Loans/Financing (continued)

#### Individual Impairment Provisions

A borrower with loan/financing outstanding of RM5 million and above and triggered either by any one of the MSTs or any two of the ASTs will be classified as impaired loans/financing, which is subject to impairment provisions based on recovery cash-flow method, i.e., net present value of future cash flows are discounted based on original effective interest rates and compared against carrying amount. Any impairment will be provided in full immediately.

#### Collective Impairment Provisions

Collective impairment applies to all other accounts (performing and non-performing) that do not fall within the threshold of individual assessment. The impairment provisions for accounts under collective assessment are as follows:-

- Segmentation is applied to group of loans/financing, both performing and non-performing, based on similar credit risk characteristics, for the purpose of assessing impairment and computing historical default rates and loss rates.
- Probability of default (PD) model is established with standard loss identification period (by months) and Point of No Return (by months in arrears). PD model adopted could either be migration analysis model or flow rate model. The approaches to migration analysis model could be either by way of outstanding balances or number of accounts.
- Loss Given Default (LGD) model establishes loss rate at the point in time when the loss event occurred, i.e., based on actual incurred loss model.

#### Re-classification and Recovery of Impaired Borrowers

An impaired borrower may be re-classified as a non-impaired borrower under the following situations:-

- a) When the loan/financing repayment of the impaired borrower has improved with the principal or interest/profit (or both) of its facilities with the Bank being past due by 90 days or 3 months or less.
- b) Where the borrower exhibits weakness that render it to be classified as impaired, even though its loan/financing is past-due by 90 days or less than 3 months or less, such borrowers may be re-classified as non-impaired when these weaknesses have been subsequently addressed and resolved.
- c) Where the borrower has been individually assessed as impaired due to either any one of the MSTs or any two of the ASTs, the borrower may be re-classified as non-impaired when these triggers have been addressed and resolved subsequently with only one AST remaining or none at all.

However, for borrowers under approved rescheduling or restructuring, the reclassification to non-impaired status and the write-back of impairment provision can only be effected upon fulfilment of the specified cooling period.

#### Write-Off of Impaired Loans/Financing

All loans/financing that satisfy any one of the following criteria, and provided impairment loss has been fully made for shortfall, if any, may be recommended for write-off:-

- a) Deemed irrecoverable, worthless and with slim prospect of recovery.
- b) Waiver/discount already given under approved composite settlement schemes.
- c) For retail and scored loans/financing with ageing of 12 months and above, provided legal action has been initiated.

This policy of impairment loans/financing write-off is intended to provide a timely and consistent methodology for loans/financing to be written-off and to reflect the true value of assets in the Bank's books.



## 6.0 CREDIT RISK (CONTINUED)

### 6.8 Impairment Allowances for Loans/Financing (continued)

Table 17a: Impaired and Past Due Loans/Financing & Provision for Impairment by Industry Sector as at 31st December 2011

Industry Sector	Impaired Loans and Advances/ Financing (RM'000)	Past Due Loans/ Financing (RM'000)	Individual Impairment Provision (RM'000)	Collective Impairment Provision (RM'000)	Charges/ (Writeback) for Individual Impairment Provision (RM'000)	Write-Offs (RM'000)
Agriculture	43,284	33,893	4,010	58,812	6,575	29,685
Mining & Quarrying	26,717	8,481	3,518	8,287	(2,934)	–
Manufacturing	683,253	282,242	355,246	154,948	149,733	126,271
Electricity, Gas & Water Supply	–	44	–	30,614	(80)	–
Construction	312,418	85,059	143,874	73,601	12,670	31,280
Wholesale, Retail Trade, Restaurants & Hotels	213,083	119,596	72,497	142,662	28,283	67,457
Transport, Storage & Communication	97,805	51,131	47,256	54,685	30,000	1,444
Finance, Insurance, Real Estate & Business	322,106	68,748	116,158	148,928	40,650	72,149
Education, Health & Others	3,836	20,060	41	21,098	(1,042)	98
Household	1,384,628	5,559,133	37,469	695,319	5,902	255,178
Others	2,960	–	–	6,274	(1,816)	5,400
<b>Total</b>	<b>3,090,090</b>	<b>6,228,387</b>	<b>780,069</b>	<b>1,395,228</b>	<b>267,941</b>	<b>588,962</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.8 Impairment Allowances for Loans/Financing (continued)

Table 17b: Impaired and Past Due Loans/Financing & Provision for Impairment by Industry Sector as at 31st December 2011

Industry Sector	Impaired Loans and Advances/ Financing (RM'000)	Past Due Loans/ Financing (RM'000)	Individual Impairment Provision (RM'000)	Collective Impairment Provision (RM'000)	Charges/ (Writeback) for Individual Impairment Provision (RM'000)	Write-Offs (RM'000)
Agriculture	57,283	32,642	30,586	47,038	13,873	17,536
Mining & Quarrying	26,216	4,027	826	4,825	5,807	1,094
Manufacturing	610,375	127,263	257,604	179,830	74,554	124,565
Electricity, Gas & Water Supply	2,950	29	81	12,604	2,421	339
Construction	237,190	84,735	98,705	106,578	(12,180)	5,247
Wholesale, Retail Trade, Restaurants & Hotels	318,447	119,975	113,883	155,901	16,974	290,973
Transport, Storage & Communication	113,777	78,444	27,789	78,691	18,118	2,334
Finance, Insurance, Real Estate & Business	455,714	66,153	113,883	142,179	(2,906)	2,795
Education, Health & Others	64,460	13,387	4,945	22,156	(3,177)	3,455
Household	1,595,688	5,395,886	164,200	812,350	(6,373)	19,965
Others	11,231	-	-	4,000	3,303	81,640
<b>Total</b>	<b>3,493,331</b>	<b>5,922,541</b>	<b>812,502</b>	<b>1,566,152</b>	<b>110,414</b>	<b>549,943</b>

Table 18a: Impaired and Past Due Loans/Financing & Provision for Impairment by Geographical Distribution as at 31st December 2012

Geographical Distribution	Impaired Loans and Advances/ Financing (RM'000)	Past Due Loans/ Financing (RM'000)	Individual Impairment Provision (RM'000)	Collective Impairment Provision (RM'000)
Malaysia	2,990,526	5,390,102	735,896	1,370,043
Singapore	69,055	770,424	34,272	17,879
Thailand	21,905	39,106	8,801	6,019
Brunei	8,604	28,755	1,100	1,287
<b>Total</b>	<b>3,090,090</b>	<b>6,228,387</b>	<b>780,069</b>	<b>1,395,228</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.8 Impairment Allowances for Loans/Financing (continued)

**Table 18b: Impaired and Past Due Loans/Financing & Provision for Impairment by Geographical Distribution as at 31st December 2011**

Geographical Distribution	Impaired Loans and Advances/ Financing (RM'000)	Past Due Loans/ Financing (RM'000)	Individual Impairment Provision (RM'000)	Collective Impairment Provision (RM'000)
Malaysia	3,396,765	5,268,177	771,683	1,549,271
Singapore	66,581	570,197	29,917	12,061
Thailand	22,440	57,922	9,530	3,154
Brunei	7,545	26,245	1,372	1,666
<b>Total</b>	<b>3,493,331</b>	<b>5,922,541</b>	<b>812,502</b>	<b>1,566,152</b>

**Table 19a: Reconciliation of Changes to Loan Impairment Provisions as at 31st December 2012**

Impairment Provision Details	Individual Impairment Provision (RM'000)	Collective Impairment Provision (RM'000)
<b>Opening Balance</b>	<b>812,502</b>	<b>1,657,809</b>
Effect on full adoption of MFRS 139	-	(91,657)
Net Allowance Made	267,941	119,458
Re-classification	(10,895)	10,895
Amount Written-Off	(288,378)	(300,584)
Transfer to impairment of Investment Securities	(643)	-
Foreign Exchange Differences	(458)	(693)
<b>Closing Balance</b>	<b>780,069</b>	<b>1,395,228</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.8 Impairment Allowances for Loans/Financing (continued)

Table 19b: Reconciliation of Changes to Loan Impairment Provisions as at 31st December 2011

Impairment Provision Details	Individual Impairment Provision (RM'000)	Collective Impairment Provision (RM'000)
<b>Opening Balance</b>	<b>854,899</b>	<b>1,625,609</b>
Effect on full adoption of MFRS 139	–	191,580
Net Allowance Made	110,414	143,615
Re-classification	1,786	(1,786)
Amount Written-Off	(155,552)	(394,391)
Transfer to impairment of Investment Securities	–	–
Foreign Exchange Differences	955	1,525
<b>Closing Balance</b>	<b>812,502</b>	<b>1,566,152</b>

## 7.0 MARKET RISK

Market risk is the risk of loss arising from adverse movements in market variables, such as interest/profit rates, credit spreads, prices of bonds & equities and currency exchange rates. The market risk of Islamic activities of the Bank includes rate of return risk.

Market risk is segregated into trading market risk and non-trading market risk. Trading market risk arises from changes in interest/profit rates, foreign exchange rates, equity prices and credit spreads on the value of assets held for trading while non-trading market risk arises from changes in interest/profit rates, foreign exchange rates and equity prices, of which the main non-trading market risk is interest/profit rate risk arising from re-pricing mismatches of its assets & liabilities from banking activities.

The Bank transacts in money market, foreign exchange markets and capital markets which give rise to market risk exposures. Financial instruments transacted include debt and other securities and certain financial derivative instruments. Derivative instruments are contracts whose characteristics and value are derived from underlying financial instruments, interest/profit rates, exchange rates, or indices. They include futures, forwards, swaps, and options transactions in the foreign exchange and interest/profit rate markets. Derivative contracts entered into by the Bank are primarily over the counter derivatives.

The Bank has established a Trading Book Policy as guidance for market risk management. This is reviewed regularly at least once a year, and/or upon change in strategy or significant event that has a material impact on policy compliance.

The Group Asset and Liability Committee (Group ALCO) performs a critical role in the management of market risk that supports the Group Risk Management Committee in the overall market risk management. Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of market risk; this includes the development of the Bank's market risk strategy, market risk management structure and the policies as well as measurement techniques to be put in place.

## 7.0 MARKET RISK (CONTINUED)

The Market Risk Management is the working level that forms a centralised function to support senior management to operationalise the processes and methods, to ensure adequate risk control and oversight are in place.

### Market Risk Assessment

The Bank applies risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk (VaR), sensitivity analysis and stress testing.

The Bank adopts a systematic approach in managing these risks by types of instruments and nature of exposure. Market risk is primarily monitored and controlled via a structure of limits and triggers i.e. cut loss, VaR, trading and notional limit set in accordance with the size of positions and risk tolerance appetites.

In addition, the Bank conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

### Market Risk Monitoring and Reporting

For effective control of market risk, defined management action triggers and risk limits are established and actively monitored. Only authorised trading activities may be undertaken by the various business units within the allocated limits. All trading positions are monitored on a daily basis by independent support units. Should exposures or transactions set off pre-established triggers, management will deliberate and determine on the course of actions required on a timely basis.

### Hedging Activities

Hedging activities designated for hedge accounting are governed by the Bank's Hedging Policies that prescribe the overall hedge activities that can be executed by the Bank and the subsequent control procedures such as effectiveness measurement and reporting to Group ALCO.

A hedge is defined as a position that materially or entirely offsets the component risk elements of another position or portfolio.

Hedging instruments used to mitigate these risks include derivatives such as options, futures, forwards and swaps that are approved by the Board. Execution of the hedging is carried out by the relevant division through the Bank's treasury functions with the approval of Group ALCO.

## 7.0 MARKET RISK (CONTINUED)

### Capital Treatment for Market Risk

The Bank applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets (RWA) and the corresponding market risk capital charge for the Bank as at 31st December 2012 and 31st December 2011 are shown in the tables below:-

**Table 20a: Market Risk-Weighted Assets and Capital Requirement as at 31st December 2012**

Market Risk	Long Position (RM'000)	Short Position (RM'000)	RWA (RM'000)	Capital Charge (RM'000)
Interest Rate Risk	39,524,436	38,595,601	1,250,674	100,054
Foreign Currency Risk	1,292,289	131,860	1,314,706	105,176
<b>Total</b>			<b>2,565,380</b>	<b>205,230</b>

The increase in risk-weighted assets is due to the increase in the trading position.

**Table 20b: Market Risk-Weighted Assets and Capital Requirement as at 31st December 2011**

Market Risk	Long Position (RM'000)	Short Position (RM'000)	RWA (RM'000)	Capital Charge (RM'000)
Interest Rate Risk	34,948,095	34,192,723	1,174,670	93,974
Foreign Currency Risk	1,289,791	17,095	1,303,806	104,304
<b>Total</b>			<b>2,478,476</b>	<b>198,278</b>

Note 1:

The Bank did not have any exposure under

- Equity risk, commodity risk, inventory risk and options risk, and
- Market risk exposure absorbed by PSIA.

Note 2:

For the financial year 2012, RHB Bank and RHB Islamic Bank have adopted hedge accounting.

## 8.0 EQUITY EXPOSURES IN THE BANKING BOOK

Equity risk is the risk of decline in the net realisable value of investment assets arising from adverse movements in market prices or factors specific to the investment itself. The Bank holds positions as a result of debt equity conversions and for socio-economic and non socio-economic purposes, which are deemed as non-trading instruments.

Holding of publicly traded equity investments comprise quoted shares which are traded actively in the stock exchange. All publicly traded equity exposures are stated at fair value. Privately held equities are unquoted investments and stated at cost-adjusted for impairment loss, if any.

For debt equity conversions, the Bank has established a Policy on Debt & Equity Instruments that governs the management of such exposures to ensure that these exposures are effectively managed and accounted for in the Bank's books.

For regulatory capital purpose, the Bank adopts the Standardised Approach to calculate the risk-weighted exposures. The risk-weighted assets of equity investments of the Bank as at 31st December 2012 and 31st December 2011 are shown in the tables below:-

**Table 21a: Equity Exposures in the Banking Book as at 31st December 2012**

Equity Type	Gross Credit Exposures (RM'000)	Risk-Weighted Assets (RM'000)
Publicly traded		
– Holdings of equity investments	2,669	2,678
Privately held		
– For socio-economic purposes	309,009	309,009
– For non socio-economic purposes	9	14
Other equity	860	860
<b>Total</b>	<b>312,548</b>	<b>312,561</b>

	(RM'000)
Cumulative Realised Gains/(Loss) from Sale and Liquidation	–
Total Unrealised Gains/Loss	169,645

## 8.0 EQUITY EXPOSURES IN THE BANKING BOOK (CONTINUED)

Table 21b: Equity Exposures in the Banking Book as at 31st December 2011

Equity Type	Gross Credit Exposures (RM'000)	Risk-Weighted Assets (RM'000)
Publicly traded		
– Holdings of equity investments	3,782	3,782
Privately held		
– For socio-economic purposes	336,598	336,598
– For non socio-economic purposes	23	35
Other equity	860	860
<b>Total</b>	<b>341,263</b>	<b>341,275</b>

	(RM'000)
Cumulative Realised Gains/(Loss) from Sale and Liquidation	500
Total Unrealised Gains/Loss	200,418

## 9.0 LIQUIDITY RISK

There are two types of liquidity risk, namely funding liquidity and market liquidity risk. Funding liquidity risk is the risk that the Bank is unable to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals and/or the inability to meet contractual commitments when due. Market liquidity risk is the risk that the Bank will be unable to sell assets, quickly, close to its fair value without incurring an unacceptable loss, in order to generate cash required to meet payment obligations under a stress liquidity event.

The primary role of a bank in terms of financial intermediation is the transformation of short-term deposits into long-term loans. By fulfilling the role of maturity transformation, banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risks.

Through the Group's Liquidity Practices Guide, the Bank manages the funding and market liquidity risk to ensure that banking operations continue uninterrupted under normal and stressed conditions. The key objectives that underpin the Group's Liquidity Practices Guide include maintaining financial market confidence at all times, protecting key stakeholders' interests and meeting regulatory liquidity requirements.



## 9.0 LIQUIDITY RISK (CONTINUED)

The Group ALCO supports Group Risk Management Committee by performing the critical role in the management of liquidity risks, and is responsible in establishing strategies that assist in controlling and reducing any potential exposures to liquidity risk. The ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of liquidity risks and the Bank's balance sheet profile. Global and domestic economic data, information and events are deliberated at the ALCO meetings which enables the Bank to determine its actions and reactions in the capital markets. The ALCO is also the governance body which sets interest/profit rates for liabilities products as well as reference rates for lending and financing products and services.

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.

### Liquidity Contingency Plan

The Group's Liquidity Policy Statement establishes guidelines for managing a 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, the Group Liquidity Policy Statement identifies the individuals responsible for formulating and executing the Bank's response to a liquidity event.

It is also the Group's policy that every entity and foreign branch operations maintains a Liquidity Incident Management Country Plan, to serve as a guide in managing potential country specific liquidity incidents and to complement group-wide liquidity incident management.

## 10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk/rate of return risk in the banking book refers to any opportunity loss to the Bank's income and/or economic value to changes in interest rate/rate of return, which may arise from both on- and off-balance sheet positions in the banking book. Interest rate risk/rate of return risk occurs whenever there is a mismatch in the re-pricing period of assets and liabilities. Excessive interest rate risk/rate of return risk can pose a significant threat to the Bank's earnings and capital. Changes in interest rates/rate of returns may affect the Bank's earnings in terms of the net interest/profit income and economic value of equity.

Interest rate risk/rate of return risk in the banking book comprises:-

- Re-pricing risk (mismatch risk) – timing difference in the maturity (for fixed rate) and re-pricing (for floating rate) of the Bank's assets, liabilities and off-balance sheet positions,
- Basis risk – imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics,
- Yield curve risk – changes in the shape and slope of the yield curve, and
- Embedded optionality – the risk pertaining to interest-related options embedded in the Bank's products.

## 10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) are used to assess interest rate risk/rate of return risk of the banking book. They are computed based on the repricing gap profile of the book. Assets and liabilities are bucketed based on their remaining tenor to maturity or next re-price dates. For indefinite maturity products, the repricing behaviour will be reflected in the gapping profile. The measurement of EaR and EVE are conducted on a monthly basis.

The Group ALCO supports Group Risk Management Committee in establishing policies, strategies and limits for the management of balance sheet risk exposure. Group Risk Management supports the 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/rate of return exposures are maintained within defined risk tolerances.

In addition, the Bank has established the Interest Rate Risk/Rate of Return Risk Policy which provides for the governance of interest rate/rate of return. Interest rate/profit rate sensitivity triggers are applied on earnings for the respective profit centres within the Bank. The Bank regularly considers the economics and necessity of increasing or reducing its interest rate/profit rate risk hedges.

In line with the Bank's Interest Rate Risk/Rate of Return Risk Policy to achieve a balance between profitability from banking activities and minimising risk to earnings and capital from changes in interest rates, interest rate risk to earnings is controlled using Management Action Triggers (MATs) and identified escalation procedures.

Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest 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/rate of return risks in an environment of rapid financial market changes.

The impact of changes in interest rate/rate of return to net earnings and economic value for the Bank as at 31st December 2012 and 31st December 2011 are shown in the tables below:-

**Table 22a: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31st December 2012**

Currency	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings (RM'000)		Increase/(Decline) in Economic Value (RM'000)	
	Impact based on +100 basis points	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
MYR – Malaysian Ringgit	109,335	(109,335)	(1,285,520)	1,285,520
USD – US Dollar	(14,135)	14,135	(13,999)	13,999
Others*	(2,758)	2,758	(29,389)	29,389
<b>Total</b>	<b>92,442</b>	<b>(92,442)</b>	<b>(1,328,908)</b>	<b>1,328,908</b>

**Notes:**

\* Inclusive of GBP, EUR, SGD, etc.

1. The EaR and EVE exposures are additive and do not take into account any correlation impact in the aggregation.
2. For year 2012, the economic values were computed assuming that all interest/profit sensitive position that are of indeterminate maturity are classified under 1 week bucket. This is the more conservative approach that is adopted by BNM.
3. For year 2012, RHB Islamic Bank had adopted the Profit Rate Risk methodology instead of Interest Rate Risk/Rate of Return Risk in the Banking Book in deriving the Earnings and Economic Value.
4. Account placement of Profit Sharing Investment Accounts from RHB Islamic Bank which qualified as risk absorbent was executed.

## 10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

**Table 22b: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31st December 2011**

Currency	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings (RM'000)		Increase/(Decline) in Economic Value (RM'000)	
	Impact based on +100 basis points	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
MYR – Malaysian Ringgit	70,452	(70,452)	(1,234,598)	1,234,598
USD – US Dollar	(11,963)	11,963	(24,396)	24,396
Others*	(306)	306	(26,398)	26,398
<b>Total</b>	<b>58,183</b>	<b>(58,183)</b>	<b>(1,285,392)</b>	<b>1,285,392</b>

**Note:** \* Inclusive of GBP, EUR, SGD, etc.

The impact to net earnings above represents financial assets and liabilities that have been prepared on the following basis:-

- Interest 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 rate change impact.
- For assets and liabilities with non-fix maturity, e.g., current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of interest bearing items.

## 10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

Economic value is characterised by the impact of interest/profit rate changes on the value of all net cash flows, i.e., the effect on the economic value of the Bank's assets, liabilities and off-balance sheet positions. This provides a more comprehensive view of the potential long-term effects of changes in interest/profit rates than is offered by the earnings perspective.

However, the computation of net cash flows is derived taken into consideration a series of assumptions, for instance, assets and liabilities with non-fix maturity, e.g., current and savings accounts. Assumptions are made to reflect the behavioral changes against interest/profit rate movements. The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables.

## 11.0 OPERATIONAL RISK

Operational risk is the risk of direct or indirect losses resulting from inadequate or failed internal processes, people and systems and external events, which also includes IT and legal risks. Operational risks are inherent in the Bank's operations and can never be eliminated entirely. The impact can be in the form of actual financial loss as well as non-financial loss such as loss of reputation, non-compliance and unsatisfactory service level to customers.

One of the Bank's primary safeguards against operational risks is the existence of a sound internal control system, based on the principle of dual control, checks and balance, segregation of duties, independent checks and verification processes, segmented system access control and authorisation process. These controls are documented through a set of policies and procedures at the respective business level.

The Group's Operational Risk Management Framework comprises a wide range of activities and elements, broadly classified into:-

- Analysis & Enhancement – The RHB Banking Group has implemented a Basel II compliant operational risk management system to support its workflow and analytical capabilities.
- Education & Awareness – The RHB Banking Group undertakes change management activities to improve the risk management knowledge, culture and practices of the Bank personnel. This is aligned with the principle and requirement that the front-line business and support units of the Group, are by nature of their direct involvement in interfacing with customers and in operating the business, responsible for managing operational risk and acting as the first line of defence against operational losses.
- Monitoring & Intervention – This is where the principal head office risk control units, including the operations management function, compliance function and the internal audit function, actively manage operational non-compliances, incidences, and undertake recovery actions, including business continuity measures in cases of incidences causing disruption to business activities.

## 11.0 OPERATIONAL RISK (CONTINUED)

### Operational Risk Management Function and Organisation

The Operational Risk Management Department reporting directly to the Director of Group Risk Management, has the functional responsibility for the development of risk policies, frameworks and methodologies, and providing guidance and information to the business units on operational risk areas. Its function also includes generating a broader understanding and awareness of operational risk issues at all levels of the RHB Banking Group. It also ensures that operational risk 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, GRMC and the Board. These reports include various operational risk aspects such as reporting of significant operational loss events. Such reporting allows senior management to identify adverse operational lapses, take corrective actions promptly, and ensure appropriate risk mitigation decision making and action plans.

### Risk Management Process and Methodologies

The Bank has defined an operational risk management process, comprising risk identification, assessment, monitoring, and reporting. These are outlined as follows:-

- **Risk and Control Self Assessment (RCSA)**

Each business unit is required to identify and assess their own operational risks. RCSA is a risk profiling tool which facilitates effective operational risk management for the Bank, and focuses on future risk assessment by using past records of loss or near misses, key risk indicators, and related issues such as audit findings. The RCSA process is facilitated by the business units themselves who together with personnel from Operational Risk Management, would identify and assess key operational risks that could affect the effectiveness of controls and impact the achievement of business objectives. For identified risks lacking sufficient mitigation, the business units are required to establish action plans to improve the control environment so as to contain the risks to acceptable levels.

- **Key Risk Indicators (KRIs)**

Business 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 given frequencies of events as a mechanism for continuous risk assessment and monitoring.

- **Incident and Loss Management**

Business and support units are required to report operational losses for further analysis of root cause for further recurrence. This is also useful for reviewing the effectiveness of the RCSA and KRIs.

The Bank uses an operational risk management system. This system has integrated applications for supporting the entire operational risk management process for loss event data collection and management.

### Risk Mitigation and Controls

Risk mitigation tools and techniques are used to minimise risk to an acceptable level and aims to decrease the likelihood of an undesirable event and the impact on the business, should it occur.

## 11.0 OPERATIONAL RISK (CONTINUED)

The control tools and techniques, amongst others, are as follows:-

- **Business Continuity Management (BCM)**

To mitigate the impact of unforeseen operational risk events, the Bank has on-going and actively managed Business Continuity Planning (BCP) programmes for its major critical business operations and activities at the Head Office, data centre, and branches' locations. The BCP programmes are subject to regular testing to ensure efficacy, reliability and functionality, and come under the responsibility of the Business Continuity Management (BCM) Department.

The Board of Directors has an oversight function through the GRMC and Group Management Committee (GMC). The Group Business Continuity Management Steering Committee (GBCMSC) is the committee that oversees the Bank's business continuity framework, policies, budget and plans. The GBCMSC reports to the GMC.

- **Outsourcing**

With the increasing need to outsource for cost and operational efficiency, the Group's Policy on Outsourcing of the RHB Banking Group's Operations and Services ensures that outsourcing risks are adequately identified, assessed and managed prior to entering into any new arrangements and on an on-going basis.

- **Insurance Management**

The Bank considers risk transfer by means of insurance to mitigate operational risk. The Bank has a programme of insurances designed to reduce its exposure to liability and to protect its assets. The Bank purchases insurance from leading insurers 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 and will financially mitigate the economic consequences of risks.

### **New Product and Services Approval Process**

The Bank has established a Policy 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 risks for new product launches and/or significant changes in product features or related processes and working systems, as well as to ensure that operational risk is at an acceptable level at all times.

### **Legal Risk**

Legal risk is part of operational risk. It can arise from unenforceable, unfavourable, defective or unintended contracts; lawsuits or claims; developments in laws and regulations, or non-compliance with applicable laws and regulations. Business units work together with the Bank's legal counsel and external legal counsel to ensure that legal risks are effectively managed.

## 11.0 OPERATIONAL RISK (CONTINUED)

### Treatment for Operational Risk Capital Charge

Currently, the Bank adopts the Basic Indicator Approach (BIA) for the calculation of regulatory operational risk capital. The operational risk-weighted assets and the corresponding risk capital charge for RHB Bank Group, RHB Bank Berhad, and RHB Islamic Bank as at 31st December 2012 and 31st December 2011, are shown below:-

**Table 23a: Operational Risk-Weighted Assets and Capital Requirement as at 31st December 2012**

Operational Risk – BIA	RHB Bank Group (RM'000)	RHB Bank Berhad (RM'000)	RHB Islamic Bank (RM'000)
Risk-Weighted Assets	7,999,184	7,283,570	689,105
Risk Capital Charge	639,935	582,686	55,128

**Table 23b: Operational Risk-Weighted Assets and Capital Requirement as at 31st December 2011**

Operational Risk – BIA	RHB Bank Group (RM'000)	RHB Bank Berhad (RM'000)	RHB Islamic Bank (RM'000)
Risk-Weighted Assets	7,585,528	6,939,645	608,028
Risk Capital Charge	606,842	555,172	48,642

## 12.0 COUNTRY CROSS-BORDER RISK

Country cross-border risk is the risk that the Bank will be unable to obtain payment from customers or third-parties on their contractual obligations as a result of certain actions taken by foreign governments.

Cross border assets comprise loans and advances/financing, interest bearing deposits with other banks, trade and other bills, acceptances, derivatives, certificates of deposit and other negotiable instruments, investment securities and other formal commitments where the counterparty is resident in a country other than where the assets are recorded. Cross border assets also include exposures to local residents denominated in currencies other than the local currency.

The Bank is guided by the Group Guidance on Cross-Border Business, particularly on ethics in business practices, key success factors in managing such business, and the internal control measures which are essential to provide adequate protection to its customers as well as the Bank's interests, thus reducing the risks associated with business activities.

### 13.0 REPUTATIONAL RISK

Reputational risk is the risk that negative publicity regarding the conduct of the Bank or any of the entities within the RHB Banking Group, 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.

Negative publicity about an institution's business practices may involve any aspect of its operations, but usually relates to questions of business ethics and integrity, or quality of products and services. Reputational risk will arise from failure to effectively mitigate one or more of country, credit, liquidity, market, regulatory, operational, environmental or social risk.

Reputational risk in the Bank is managed and controlled through codes of conduct, governance practices and risk management practices, policies, procedures and training. Towards this end, the RHB Banking Group has developed and implemented a Reputational Risk Management Framework.

The key elements for management of reputational risk include:-

- Prompt and effective communication with all stakeholders,
- Strong and consistent enforcement of controls relating to governance, business compliance and legal compliance,
- Continuous monitoring of threats to reputation,
- Ensuring ethical practices throughout the organisation, and
- Establishing and continually updating crisis management plans.

For the Bank's overseas operations, it is the responsibility of the Country Heads to promote awareness and application of the Bank's policy and procedures regarding reputational risk, in all dealings with customers, potential investors and host regulators.

### 14.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE

Shariah non-compliance risk may arise from RHB Islamic Bank's failure to comply with the Shariah rules and principles as determined by the Shariah Committee of the Bank or any other relevant body, such as the BNM's Shariah Advisory Council.

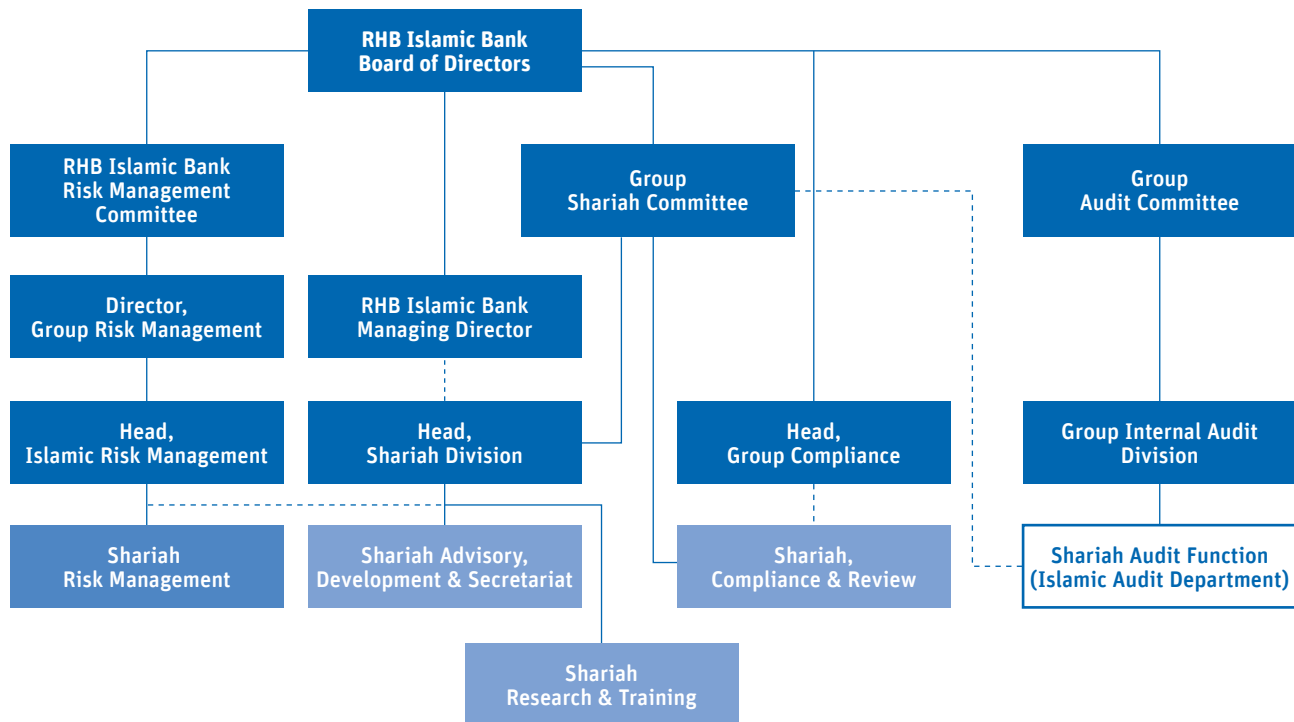
A Shariah Framework has been developed with the objective of governing the entire Shariah compliance process with Islamic banking operations, and to:

- ensure that the planning, development, and implementation of the 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 requirements and authorities' regulations related to the Shariah; and
- act as a guide on the Bank's expectations to all the personnel engaged in the Bank's activities; to ensure that all such functions are based on the Shariah principles, practices and prudence.



## 14.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE (CONTINUED)

The reporting structure of Shariah governance is as follows:-



The Group Shariah Committee (GSC) of the Bank was established under BNM's Shariah Governance Framework to advise the RHB Islamic Bank's Board on Shariah matters. Additionally, the Bank has also established a dedicated Islamic Risk Management Department in line with BNM's Shariah Governance Framework.

The GSC reports to the Board of Directors of RHB Islamic Bank. This reporting structure reflects the status of the GSC as an independent advisory body of the Bank. As for the day-to-day operations, RHB Islamic Bank has established its Shariah Division.

The main duties and responsibilities of GSC are to advise the Bank's Board of Directors on Shariah matters in its 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 the Bank's financial statements.

The Head of Shariah Division reports functionally to the GSC and administratively to the Managing Director of the Islamic Bank. The key functions of the Shariah Unit are undertaken by two sub-units, which are organised along the various functional lines of the Bank – 'Shariah Advisory, Development and Secretariat' and 'Shariah Research and Training'.

The main duties and responsibilities of Shariah Advisory, Development & Secretariat are to conduct reviews on the Islamic Bank's proposed new products and services, provide internal Shariah advisory support to the management of the Bank in its daily business and operational matters, and to represent the Bank in any Shariah-related matters. Meanwhile, the main duties and responsibilities of Shariah Research and Training function are to assist GSC in elaborating and discussing on pertinent Shariah issues, to provide in-depth research on competitive analysis in order to help GSC in making decision and to conduct Shariah-related training for the Bank.

#### **14.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE (CONTINUED)**

The Shariah Compliance and Review function is under the purview of Group Compliance. The main duties and responsibilities of Shariah Compliance and Review are to conduct post-approval review on Islamic Banking business activities on a regular basis to ensure that the Bank's business activities and all the processes as well as the conduct of the business are in compliance with Shariah principles and the endorsement by regulatory bodies and GSC.

Any incidences of Shariah non-compliance are reported to the GSC and the Islamic Bank's Risk Management Committee. 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 Bank's products or services during the financial year 2012.

#### **15.0 FORWARD LOOKING STATEMENTS**

This document could or may contain forward looking statements that are based on current expectations as well as assumptions or anticipation of future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts, and often use words such as anticipate, target, expect, estimate, intend, plan, believe, will, may, should, would, could or other words of similar expressions.

Undue reliance should not be placed on any of such statements. By their nature, forward looking statements are subject to risks and uncertainty because they relate to future events and circumstances, including, but not limited to domestic and global economic and business conditions, the effects of continued volatility in the credit markets, market-related risks such as changes in interest rates and exchange rates, changes in regulation, and future business combinations or dispositions. As a result, the Bank's actual future results may differ materially from the plans, goals, and the expectations contained in the forward looking statements.

The Bank undertakes no obligation to revise or update any forward looking statements contained in this document, regardless of whether these statements are affected as a result of new information, future events or otherwise.

**TABLE 24****GLOSSARY OF TERMS**

A-IRB	Approach Advanced Internal Ratings-Based Approach
BIA	Basic Indicator Approach
BCBS	Basel Committee on Banking Supervision
BCM	Business Continuity Management
BCP	Business Continuity Planning
BNM	Bank Negara Malaysia
Board	Board of Directors
CAFIB	Capital Adequacy Framework for Islamic Banks
CCC	Central Credit Committee
CCR	Counterparty Credit Risk
CCRIS	Central Credit Reference Information System
CRM	Credit Risk Mitigation
DFIs	Development Financial Institutions
EAD	Exposure at Default
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
GBCMSC	Group Business Continuity Management Steering Committee
GBP	Pound Sterling
Group ALCO	Group Asset and Liability Committee
GCSRMC	Group Capital & Strategic Risk Management Committee
GCPM	Group Credit Procedures Manual
GMC	Group Management Committee
GRM	Group Risk Management
GRMC	Group Risk Management Committee
GSC	Group Shariah Committee
IRB Approach	Internal Ratings-Based Approach
KRI	Key Risk Indicators
LGD	Loss Given Default
MARC	Malaysian Rating Corporation Berhad
MATs	Management Action Triggers
MDBs	Multilateral Development Banks
MFRS 139	Malaysia Financial Reporting Standards 139
Moody's	Moody's Investors Service
MYR	Malaysian Ringgit
OTC	Over-the-Counter
PD	Probability of Default
PSIA	Profit Sharing Investment Accounts
QMVU	Quantitative Model Validation Unit
R&I	Rating and Investment Information, Inc
RAM	Rating Agency Malaysia
RCSA	Risk and Control Self Assessment
RM'000	Malaysian Ringgit in nearest thousand
RWCAF	Risk-Weighted Capital Adequacy Framework
RWCR	Risk-Weighted Capital Ratio
RWA	Risk-Weighted Assets
SA	Standardised Approach
SGD	Singapore Dollar
S&P	Standard & Poors
SME	Small and Medium Enterprises
VaR	Value-at-Risk

## Branch Network

### NORTHERN REGION

#### Kedah

##### Jalan Bakar Arang

27 & 28, Jalan Bakar Arang,  
08000 Sungai Petani, Kedah  
Tel : (04) 422 2151/2152  
Fax : (04) 421 6632

##### Jalan Tunku Ibrahim

1519, Jalan Tunku Ibrahim,  
05700 Alor Setar, Kedah  
Tel : (04) 731 6066/6144  
Fax : (04) 733 3843

#### Jitra

No. 242, Jalan PJ 2/2, Pekan Jitra 2,  
06000 Jitra, Kedah  
Tel : (04) 917 3388/3588/4588  
Fax : (04) 917 5588

#### Kuala Kedah

Ground & First Floor, 262 & 263,  
Block C, Bangunan Peruda,  
06600 Kuala Kedah, Kedah  
Tel : (04) 762 5367/5366  
Fax : (04) 762 5393

#### Kulim

No. 8 & 9, Jalan KLC1,  
09000 Kulim, Kedah  
Tel : (04) 491 5912/3  
Fax : (04) 491 5916

#### Mergong

97J, Seberang Jalan Putra,  
05150 Alor Setar, Kedah  
Tel : (04) 733 9279/9304  
Fax : (04) 731 6059

#### Padang Serai

18 & 19, Jalan Taman Damai 11,  
Taman Damai,  
09400 Padang Serai, Kedah  
Tel : (04) 485 5951/5952  
Fax : (04) 485 0982

#### Pulau Langkawi

13 & 15, Jalan Pandak Mayah Satu,  
07000 Langkawi, Kedah  
Tel : (04) 966 7511/7512  
Fax : (04) 966 7513

#### Taman Pekan Baru

104 - 106, Jalan Pengkalan,  
Taman Pekan Baru,  
08000 Sungai Petani, Kedah  
Tel : (04) 421 0786/9090  
(04) 422 1600  
Fax : (04) 421 3401/423 0485

#### Perlis

##### Kangar

41 & 43, Persiaran Jubli Emas,  
Taman Suriani, 01000 Kangar, Perlis  
Tel : (04) 977 6864/6867  
Fax : (04) 977 6863

#### Pulau Pinang

##### Ayer Itam

15, Jalan Pasar, 11500 Ayer Itam,  
Pulau Pinang  
Tel : (04) 828 3522/5168  
Fax : (04) 828 8554

##### Bayan Baru

42A, 42B & 42C, Jalan Tengah,  
11950 Bayan Baru, Pulau Pinang  
Tel : (04) 642 1880/1882  
Fax : (04) 642 1884

##### Bukit Mertajam

1244 & 1246, Jalan Padang Lalang,  
Taman Desa Damai,  
14000 Bukit Mertajam, Pulau Pinang  
Tel : (04) 539 1171/1176  
Fax : (04) 539 4148

##### Burmah House

Ground & Mezzanine Floor,  
Suite G-02, Burmah House, 405,  
Jalan Burmah, 10350 Pulau Tikus,  
Pulau Pinang  
Tel : (04) 227 4367/4364  
Fax : (04) 227 4361

#### Butterworth

6774 - 6776, Jalan Kampung Gajah,  
12200 Butterworth, Pulau Pinang  
Tel : (04) 331 5871/5872  
Fax : (04) 332 3328

#### Jelutong

112 & 114,  
Jalan Tan Sri Teh Ewe Lim,  
11600 Pulau Pinang  
Tel : (04) 282 6922/6921  
Fax : (04) 282 6930

#### Lebuh Pantai

44, Lebuh Pantai, 10300 Georgetown,  
10300 Pulau Pinang  
Tel : (04) 262 1144/1109  
Fax : (04) 261 8019

#### Prai

2784 & 2785, Jalan Chain Ferry,  
Taman Inderawasih, Prai,  
13600 Pulau Pinang  
Tel : (04) 390 9255/9257/9258  
Fax : (04) 390 3976

#### Raja Uda Light Industrial Park

Ground & Mezzanine Floor,  
6957 & 6958, Jalan Raja Uda,  
Raja Uda Light Industrial Park,  
12300 Butterworth, Pulau Pinang  
Tel : (04) 332 4937/4860/4837  
Fax : (04) 332 4946

#### Sungai Bakap

1433-1434, Jalan Besar,  
Sungai Bakap, Seberang Prai Selatan,  
14200 Sungai Jawi, Pulau Pinang  
Tel : (04) 582 3629/3630  
Fax : (04) 582 3580

#### Sungai Dua

4H & 4J, Desa Universiti Commercial  
Complex, Jalan Sungai Dua,  
11700 Gelugor, Pulau Pinang  
Tel : (04) 658 5617/5620/5621  
Fax : (04) 658 5609

## **NORTHERN REGION (CONTINUED)**

### **Perak**

#### **Air Tawar**

33A & B, Jalan Besar,  
Taman Ayer Tawar 2,  
32400 Air Tawar, Perak  
Tel : (05) 672 2385/4148  
Fax : (05) 672 2168

#### **Bagan Serai**

243, Jalan Besar,  
34300 Bagan Serai, Perak  
Tel : (05) 721 5715/5716  
Fax : (05) 721 2486

#### **Gopeng**

67 & 69, High Street, Gopeng,  
31600 Perak  
Tel : (05) 359 1169/4524  
Fax : (05) 359 3291

#### **Gunung Rapat**

57 & 59, Medan Gopeng, 1,  
Jalan Gopeng, Gunung Rapat, Ipoh,  
31350 Perak  
Tel : (05) 312 3599/3851/1690  
Fax : (05) 312 6570

#### **Ipoh**

2, 4, 6 & 8, Jalan Tun Sambanthan,  
Ipoh, 30000 Perak  
Tel : (05) 254 2135/2136  
Fax : (05) 255 0050

#### **Ipoh Garden South**

12 & 14 Tingkat, Taman Ipoh 6, Ipoh  
Garden South, 31400 Ipoh, Perak  
Tel : (05) 548 2532/547 7888  
Fax : (05) 547 8899

#### **Jelapang**

433 & 435, Jalan Silibin, Taman  
Silibin, 30760 Ipoh, Perak  
Tel : (05) 526 6515/8518  
Fax : (05) 526 2418

### **Kampar**

81, 83 & 85, Jalan Gopeng,  
31900 Kampar, Perak  
Tel : (05) 466 6202/6203/  
(05) 465 1592/1599  
Fax : (05) 465 2216

### **Kuala Kangsar**

6 & 7, Jalan Daeng Selili,  
33000 Kuala Kangsar, Perak  
Tel : (05) 776 3772/1762  
Fax : (05) 776 6836

### **Kuala Kurau**

Ground & First Floor, 19, Jalan Besar,  
34350 Kuala Kurau, Perak  
Tel : (05) 727 7953/0939  
Fax : (05) 727 7155

### **Menglembu**

Ground & First Floor, 50 & 52,  
Jalan Besar, 31450 Menglembu, Perak  
Tel : (05) 281 6011/6017  
Fax : (05) 281 6010

### **Parit Buntar**

No 1 & 3, Jalan Wawasan Jaya,  
Taman Wawasan Jaya, Parit Buntar,  
34200 Perak  
Tel : (05) 716 1626/1627  
Fax : (05) 716 2019

### **Persiaran Greenhill**

62, Persiaran Greenhill, 30450, Ipoh,  
Perak  
Tel : (05) 253 3355/255 4195  
Fax : (05) 253 5053

### **Simpang Empat**

Lot P.T 1374 & 1375,  
Jalan Hutan Melintang, Taman Seri  
Perak, 36400 Simpang Empat, Perak  
Tel : (05) 641 2363/2362  
Fax : (05) 641 3310

### **Sitiawan**

25C, Jalan Datuk Ahmad Yunus,  
32000 Sitiawan, Perak  
Tel : (05) 691 1411/4669  
Fax : (05) 691 9012

### **Sungai Siput**

139 & 140, Jalan Besar,  
31100 Sungai Siput, Perak  
Tel : (05) 598 2233/2234/8922  
Fax : (05) 598 4094

### **Sungkai**

18 & 19, Jalan Besar,  
35600 Sungkai, Perak  
Tel : (05) 438 6708/6710  
Fax : (05) 438 6720

### **Taiping**

68 & 70, Jalan Kota, Taiping,  
34000 Perak  
Tel : (05) 807 3276/3257/808 3350  
Fax : (05) 806 3275

### **Tasek**

699 & 701, Jalan Tasek,  
Taman Musim Bunga,  
31400 Ipoh, Perak  
Tel : (05) 546 7363/7386/7370  
Fax : (05) 548 7566

### **Teluk Intan**

31 & 33, Jalan Intan 2,  
Bandar Baru Teluk Intan,  
36000 Teluk Intan, Perak  
Tel : (05) 622 1654/1655  
Fax : (05) 621 1228

## **CENTRAL REGION**

### **Kuala Lumpur**

#### **Ampang Point**

37 & 38, Jalan Memanda 7,  
Taman Dato Ahmad Razali,  
Jalan Ampang, 68000 Ampang,  
Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 4252 1898

#### **Bandar Baru Ampang**

27G-29G, Ground Floor & 29A First  
Floor, Jalan Wawasan Ampang 2/3,  
Bandar Baru Ampang,  
68000 Ampang, Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 4270 2060

## ► Branch Network

### CENTRAL REGION (CONTINUED)

#### **Bangsar Shopping Centre**

Lot G-01, Ground Floor,  
Bangsar Shopping Centre Office Tower,  
Jalan Maarof, Bangsar,  
59100 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 2284 6896

#### **Bukit Bintang**

58-60, Jalan Bukit Bintang,  
55100 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 2143 0645

#### **Damansara Heights**

Lot C9-C12, Block C, Pusat Bandar  
Damansara, Damansara Heights,  
50490 Petaling Jaya, Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 2093 7515

#### **Jalan Ipoh**

14-16, Jalan Ipoh,  
51200 Kuala Lumpur  
Tel : (03) 4042 8068/8601/2573  
Fax : (03) 4041 1411/4043 0653

#### **Jalan Pasar**

50-52, Jalan Pasar,  
55100 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 2142 8390/2148 8967

#### **Jinjang Utara**

Ground Floor, 3471- A, Jalan Besar,  
Jinjang Utara, 52000 Kuala Lumpur  
Tel : (03) 6257 7053/7808  
Fax : (03) 6252 7158

#### **Kenanga Wholesale City**

Lot LGF 019-021, Lower Ground Floor,  
Kenanga Wholesale City 28,  
Jalan Gelugor of Jalan Kenanga,  
52200 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 9222 6466

#### **Kepong**

321, Batu 7, Jalan Kepong,  
Kepong Baru, 52100 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 6272 6521

#### **KL Main**

Ground Floor, RHB Centre,  
426 Jalan Tun Razak,  
50400 Kuala Lumpur  
Tel : (03) 9281 3030  
Fax : (03) 9287 4173

#### **KL Sentral**

Unit 7, Level 1 Arrival Hall,  
City Air Terminal KL Sentral Station,  
50470 Kuala Lumpur  
Tel : (03) 2273 5000  
Fax : (03) 2274 7000

#### **KLCC**

Lot LC-C03, Concourse Floor,  
Suria KLCC, Kuala Lumpur City Centre,  
50088 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 2164 6213

#### **Menara Yayasan Tun Razak**

Ground Floor,  
Menara Yayasan Tun Razak, 200,  
Jalan Bukit Bintang,  
55100 Kuala Lumpur  
Tel : (03) 2162 5068  
Fax : (03) 2162 1609

#### **Mid Valley**

17-G & 17-1, The Boulevard,  
Mid Valley City, Lingkaran Syed Putra,  
59200 Kuala Lumpur  
Tel : (03) 2284 4339/4360/4353  
Fax : (03) 2284 4350

#### **Overseas Union Garden**

140 & 142, Jalan Mega Mendung,  
Bandar Complex, Batu 4 1/2,  
Jalan Kelang Lama,  
58200 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 7980 8081

#### **Pasar Borong Selayang**

53 & 55, Jalan 2/3A, Off KM 12,  
Jalan Ipoh, Batu Caves,  
68100 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 6136 3243

#### **Plaza Damas 3, Sri Hartamas**

Unit No: B2-08 & B2-09, Block B  
Plaza Damas 3, No. 63 Jln Sri  
Hartamas, 50480 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 6143 8863

#### **Plaza OSK**

Ground & Mezzanine Floor, Podium  
Block, Plaza OSK, 114 – 116,  
Jalan Ampang, 50450 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 2161 2972/2164 3679

#### **Putrajaya (Precinct 8)**

Block C - T.00 - U.02 & U.03,  
1, Jalan P8D, Putrajaya,  
62250 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 8889 2900

#### **Salak South**

178-180, Main Street, Salak South,  
57100 Kuala Lumpur  
Tel : (03) 7983 9177/9458/9306  
Fax : (03) 7981 3357

#### **Segambut**

42 & 42A, Jalan Segambut Tengah,  
Segambut, 51200 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 6252 2801

#### **Setapak**

257 & 259, Jalan Genting Kelang,  
Setapak, 53300 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 4024 1353

## CENTRAL REGION (CONTINUED)

### Taman Midah

18 & 20, Jalan Midah Satu,  
Taman Midah, 56000 Cheras,  
Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 9130 0588

### Taman Shamelin

38-1-5, Shamelin Business Center,  
Jalan 4/91, Taman Shamelin Perkasa,  
Cheras, 56100 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 9282 7380

### Taman Sungai Besi

30, Jalan 7/108C, Taman Sungai  
Besi, 57100 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 7981 8875

### Taman Tun Dr. Ismail

15 & 17, Jalan Tun Mohd Fuad 3,  
Taman Tun Dr. Ismail, Petaling Jaya,  
60000 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 7729 4077

### The Sphere, Bangsar South

Unit G10 & 3A, The Sphere, No. 1  
Avenue 1, Bangsar South, No. 8 Jalan  
Kerinci, 59200 Kuala Lumpur  
Tel : (03) 2240 0102/104/107  
Fax : (03) 2240 0092

### Tun H.S. Lee

75, Jalan Tun H.S. Lee,  
50000 Kuala Lumpur  
Tel : 1300 888 742 (RHB)  
Fax : (03) 2072 7591

## Selangor

### Bandar Baru Klang

Unit A6, 22A, Jalan Tiara 2A/KU1,  
Pusat Perniagaan BBK,  
41150 Klang, Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 323 3652

### Bandar Baru Sungai Buloh

391 & 392, Jalan 1A/1, Bandar Baru  
Sungai Buloh, 47000 Sungai Buloh,  
Selangor  
Tel : (03) 6156 1712/1713/  
1711/4034/5707  
Fax : (03) 6156 7803

### Bandar Bukit Tinggi

Lot No. 53, Jalan Batu Nilam 1,  
Bandar Bukit Tinggi 1, Klang,  
41200 Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 3323 7957

### Bandar Sri Damansara

1 & 2, Jalan Tanjung SD 13/1,  
Bandar Sri Damansara,  
52200 Sri Damansara, Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 6274 2917

### Damansara Jaya

22 & 24, Jalan SS 22/25,  
Damansara Jaya,  
47400 Petaling Jaya, Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 7729 9169

### Damansara Utama

2M & 2G, Jalan SS 21/39,  
Damansara Utama,  
47400 Petaling Jaya, Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 7726 2305

### First Avenue, Bandar Utama

Lot G.01A, Ground Floor, 1, First  
Avenue, Bandar Utama, Petaling Jaya,  
47800 Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 7728 3496

### Giant Shah Alam

B26-27, Giant Hypermarket Shah  
Alam, 2, Jalan Persiaran Sukan,  
Section 13, Shah Alam,  
40100 Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 5512 8899

### IOI Boulevard

No. B-G-5 & B-1-5, Ground Floor & 1st  
Floor, IOI Boulevard, Jalan Kenari 5,  
Bandar Puchong Jaya,  
47100 Puchong, Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 8070 8563

### Jalan Niaga

11, 13 & 15, Jalan Niaga 16/3A,  
Section 16, 40000 Shah Alam,  
Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 5519 6166

### Jalan Stesen

24 & 26, Jalan Stesen, 41000  
Kelang, Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 3372 9613

### Jalan Tengku Ampuan Zabedah

16 & 18, Ground & First Floor,  
Jalan Tengku Ampuan Zabedah D9/D,  
Section 9, Shah Alam, 40100 Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 5513 1834

### Jenjarom

M38 & M40, Jalan Besar,  
42600, Jenjarom, Selangor  
Tel : (03) 3191 3422/3433/3477  
Fax : (03) 3191 4328

### Kajang

25, Jalan Raja Harun, Taman Hijau,  
43000 Kajang, Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 8733 8570

### Kampung Baru Sungai Buloh

25, Jalan Public,  
Kampung Baru Sungai Buloh,  
47000 Sungai Buloh, Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 6156 8645

## ► Branch Network

### CENTRAL REGION (CONTINUED)

#### Kota Damansara

No. 27-G & 27-I, Jalan PJU 5/3,  
Dataran Sunway, Kota Damansara,  
47810 Petaling Jaya, Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 6141 8838

#### Meru

Lot 31 & 33, Jalan Batu 6,  
Pekan Meru, Meru Klang,  
41050 Kang, Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 3392 4504

#### Mines Shopping Fair

G20, The Mines Shopping Fair,  
Mines Resort City, Jalan Dulang,  
Off Jalan Balakong, 43300 Seri  
Kembangan, Selangor  
Tel : (03) 8942 5055/5157  
Fax : (03) 8942 5218

#### New Town Centre

1, 3 & 5, Jalan 52/18,  
New Town Centre, Petaling Jaya,  
46200 Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 7957 8984

#### Pandan Indah

Ground & Mezzanine, Floor 7 & 9,  
Jalan Pandan Indah 4/2,  
55100 Pandan Indah, Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 4295 7127

#### Paradigm

Lot CF-17 (Concourse Level),  
Paradigm Mall, No. 1 Jalan SS 7/26A,  
Kelana Jaya, 47301 Petaling Jaya,  
Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 7887 1550

#### Persiaran Sultan Ibrahim

33, Persiaran Sultan Ibrahim, 41300  
Kelang, Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 3344 6405

#### Port Klang

Persiaran Raja Muda Musa,  
42000 Port Klang, Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 3167 6533/3166 1351

#### Rawang

Ground, First & Second Floor,  
10 & 11, Jalan Maxwell, Rawang,  
48000 Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 6092 4788

#### Section 14, PJ

1, Jalan 14/20, Petaling Jaya,  
46100 Selangor  
Tel : (03) 7957 4742/4460  
Fax : (03) 7955 6219

#### Seri Kembangan

Lot 1484A & B, Jalan Besar,  
43300 Seri Kembangan, Selangor  
Tel : (03) 8943 1455/1357/0276  
Fax : (03) 8943 0441

#### SS2

157 & 159, Jalan SS2/24,  
Sungai Way, Subang, 47300 Petaling  
Jaya, Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 7875 6600

#### Subang Jaya

Lot 48-50, Jln SS15/4D,  
47500 Subang Jaya, 47500 Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 5634 4848

#### Sungai Pelek

76 & 77, Jalan Besar,  
43950 Sungai Pelek, 58000 Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 3141 1100

#### Taman Indah

7 & 9, Jalan SS 2/1,  
Off Jalan Balakong, Taman Indah,  
Batu 11, 43200 Cheras, Selangor  
Tel : (03) 9074 0998/0997/1000  
Fax : (03) 9074 1344

#### Taman Megah

11-15, Jalan SS 24/11,  
Taman Megah, 47301 Petaling Jaya,  
Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 7804 1629

#### Taman Permata

Lot 6 & 7, Ground Floor,  
Giant Hypermarket Complex,  
Jalan Changkat Permata,  
Taman Permata,  
53300 Setapak, Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 4106 9810

#### Taman Suntex

5 & 6, Jalan Kijang 1, Taman Suntex,  
Batu 9, 43200 Cheras, Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 9074 7879

#### Taman Taming Jaya

1, Jalan Taming Kanan 2,  
Taman Taming Jaya, Balakong,  
43300 Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 8961 1197

#### Tanjong Karang

Lot 1 & 3, Jalan Satu,  
Taman Tanjong Karang Baru,  
45500 Tanjong Karang, Selangor  
Tel : (03) 3269 5039/8171/1812  
Fax : (03) 3269 8078

#### Tanjung Sepat

1 & 3, Jalan Senangin Satu,  
Taman Tanjung, Tanjung Sepat,  
42809 Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 3197 4568

#### UEP Subang Jaya

47 & 49, Jalan USJ 10/1,  
UEP Subang Jaya, Petaling Jaya,  
47620 Selangor  
Tel : 1300 888 742 (RHB)  
Fax : (03) 5637 3941



## CENTRAL REGION (CONTINUED)

### Negeri Sembilan

#### Bahau

Ground & First Floor, Lot 982 & 983,  
Wisma UMNO Jempol Jalan Gurney,  
72100 Bahau, Negeri Sembilan  
Tel : (06) 454 1305/2722  
Fax : (06) 454 4015

#### Bandar Baru Nilai

PT 7460 & 7461, Jalan Bandar Baru  
Nilai 1/1A, Putra Point, Bandar Baru  
Nilai, 71800 Nilai, Negeri Sembilan  
Tel : (06) 794 1006/1007/  
1008/1009  
Fax : (06) 799 6095

#### Kuala Pilah

Lot P.T. 9 & 10, Jalan Melewar,  
72000, Kuala Pilah, Negeri Sembilan  
Tel : (06) 481 1442/1513/3995  
Fax : (06) 481 6478

#### Rantau

158 & 159, Jalan Besar, 71200  
Rantau, Negeri Sembilan  
Tel : (06) 694 1969/1589  
(06) 634 3371  
Fax : (06) 694 2690

#### Seremban

10 & 11, Jalan Dato Abdul Rahman,  
Seremban, 70000 Negeri Sembilan  
Tel : 1300 888 742 (RHB)  
Fax : (06) 762 0192

#### Simpang Pertang

15, Jalan Helang, Taman Sri  
Pertang, Simpang Pertang,  
72300 Negeri Sembilan  
Tel : 1300 888 742 (RHB)  
Fax : (06) 492 9190

#### Taipan Senawang

163G & 164G, Jalan Taman  
Komersial Senawang 1,  
Taman Komersil Senawang, Seremban,  
70450 Negeri Sembilan  
Tel : 1300 888 742 (RHB)  
Fax : (06) 678 1477

## SOUTHERN REGION

### Melaka

#### 1 Lagenda

No.2 Jalan Lagenda 2,  
Taman 1 Lagenda, 75400 Melaka  
Tel : 1300 888 742 (RHB)  
Fax : (06) 282 8515

#### Bukit Baru

5 & 6, Jalan Delima Raya 1,  
Taman Delima Raya,  
75150 Bukit Baru, Melaka  
Tel : (06) 232 1302/1298  
Fax : (06) 232 1319

#### Jalan Hang Tuah

477, Plaza Melaka, Jalan Hang Tuah,  
75300 Melaka, Melaka  
Tel : 1300 888 742 (RHB)  
Fax : (06) 284 4699

#### Melaka Raya

No. 19, 21 & 23, Jalan Merdeka,  
Taman Melaka Raya, 75000 Melaka  
Tel : (06) 282 5029/5030  
Fax : (06) 282 5076

### Johor

#### Bandar Baru UDA

No. 14 & 16, Jalan Padi Emas 6/1,  
Bandar Baru UDA,  
81200 Johor Bahru, Johor  
Tel : (07) 234 0678/0729  
Fax : (07) 234 0680

#### Batu Pahat

89, Jalan Rahmat, Batu Pahat,  
83000 Johor  
Tel : (07) 431 7000/7011/7022  
Fax : (07) 431 1077

#### Bekok

G34 & G36, Jalan Wijaya, Bekok,  
86500 Johor  
Tel : (07) 922 1639/1643  
Fax : (07) 922 1525

### Jalan Bandar

10A, Pusat Perdagangan, Jalan  
Bandar, Pasir Gudang, 81700 Johor  
Tel : 1300 888 742 (RHB)  
Fax : (07) 251 1584/252 7719

### Jalan Dato Rauf

18 & 20, Jalan Dato Rauf,  
86000 Kluang, Johor  
Tel : (07) 772 4111/4112  
Fax : (07) 772 4094

### Jementah

Ground Floor MCA Building,  
Jalan Muar, 85200 Jementah, Johor  
Tel : (07) 947 1578/1353  
Fax : (07) 947 2404

### Johor Bahru City Square

Lot J1-22 & J2-31, Johor Bahru City  
Square, 106 & 108, Jalan Wong Ah  
Fook, Johor Bahru, 80000 Johor  
Tel : (07) 224 5333/0333  
(07) 223 0573  
Fax : (07) 224 1264/223 8316

### Kulai

4 & 5, Taman Seraya Kulai Besar,  
81000 Kulai, Johor  
Tel : (07) 663 1911/1912  
Fax : (07) 663 2159

### Muar

9, Jalan Abdullah, 84000 Muar, Johor  
Tel : (06) 952 2234/951 9080  
Fax : (06) 952 9503

### Permas Jaya

35 & 37, Jalan Permas 10/2,  
Bandar Baru Permas Jaya,  
Johor Bahru, 81750 Johor  
Tel : 1300 888 742 (RHB)  
Fax : (07) 388 6749

### Plentong

Lot G-03, G-05 & 01-05,  
Jalan Masai Jaya 1, Plentong, Johor  
Bahru, 81750 Johor  
Tel : (07) 352 7684  
(07) 358 2715/2716  
Fax : (07) 352 7689

## ► Branch Network

### SOUTHERN REGION (CONTINUED)

#### Pontian

192, Jalan Bakek, Pontian Kechil,  
82000 Pontian, Johor  
Tel : (07) 687 8368/8369  
Fax : (07) 687 9107

#### Segamat

110 & 111, Jalan Genuang, Segamat,  
85000 Johor  
Tel : (07) 931 1366/1367/  
5442/5379  
Fax : (07) 932 3901

#### Senai

180 & 181, Jalan Belimbing 1,  
81400 Senai, Johor  
Tel : (07) 599 7154/6960/6546  
Fax : (07) 599 6913

#### Simpang Renggam

8 & 9, Jalan Kijang, 86200 Simpang  
Renggam, Johor  
Tel : (07) 755 8531/8532  
Fax : (07) 755 8262

#### Taman Johor Jaya

7 & 9, Jalan Dedap 18, Taman Johor  
Jaya, Johor Bahru, 81100 Johor  
Tel : (07) 355 5226/5327/  
0844/3277  
Fax : (07) 355 5004

#### Taman Molek

56 & 58, Jalan Molek 2/2, Taman  
Molek, Johor Bahru, 81100 Johor  
Tel : (07) 351 4643/4641/4642  
Fax : (07) 351 4649

#### Taman Mount Austin

87 & 89 Jalan Austin Heights 3,  
Austin Heights, Taman Mount Austin,  
81100 Johor Bahru, Johor  
Tel : (07) 353 9648/649/659  
Fax : (07) 353 9579

#### Taman Nusa Bestari

No.22 & 24, Jalan Bestari 2/2,  
Taman Nusa Bestari, 81300 Johor  
Tel : 1300 888 742 (RHB)  
Fax : (06) 282 5076

#### Taman Pelangi

Suite 1-2, Menara Pelangi 2,  
Jalan Kuning, Taman Pelangi,  
Johor Bahru, 80400 Johor  
Tel : 1300 888 742 (RHB)  
Fax : (07) 334 3482

#### Taman Sentosa

9 & 11, Jalan Sutera,  
Taman Sentosa, Johor Bahru,  
80150 Johor  
Tel : (07) 332 2243/2244/2246  
Fax : (07) 332 7251

#### Taman Ungku Tun Aminah

62, 64 & 66, Jalan Bendahara 12,  
Taman Ungku Tun Aminah, Skudai,  
81300 Johor  
Tel : (07) 557 1477/1097/  
554 9926/1790  
Fax : (07) 557 1553

#### Tangkak

351 & 352, Jalan Muar, Tangkak,  
84900 Johor  
Tel : (06) 978 6588/6591  
Fax : (06) 978 6592

#### Ulu Tiram

1 & 2, Jalan Raya,  
81800 Ulu Tiram, Johor  
Tel : (07) 861 3002/7609/3003  
Fax : (07) 861 4088

#### Yong Peng

106, Jalan Besar, Yong Peng,  
83700 Johor  
Tel : (07) 467 1006/1146  
Fax : (07) 467 5137

### EAST COAST REGION

#### Kelantan

##### Ketereh

Lot PT 383 & PT 384  
Kedai Ketereh, Bandar Ketereh,  
16450 Ketereh, Kelantan  
Tel : (09) 788 6377/6376  
Fax : (09) 788 8721

##### Kota Bharu

Lot 1182-1183, Jalan Kebun Sultan,  
Kota Bharu, 15350 Kelantan  
Tel : 1300 888 742 (RHB)  
Fax : (09) 748 1788

##### Pasir Mas

18A, Jalan Tengku Ahmad,  
17000 Pasir Mas, Kelantan  
Tel : (09) 790 9088/8066  
Fax : (09) 790 2292

#### Terengganu

##### Kemaman

11289 & 11290 Bandar Cukai Utama,  
Phase 3, 24000 Kemaman, Terengganu  
Tel : (09) 859 2825/2824  
Fax : (09) 859 3771

##### Kerteh

10B, Bandar Baru Kerteh,  
24300 Kerteh, Terengganu  
Tel : (09) 826 1644/1645  
Fax : (09) 826 2171

##### Kuala Dungun

K231, Jalan Besar, Kuala Dungun,  
23000 Dungun, Terengganu  
Tel : 1300 888 742 (RHB)  
Fax : (09) 848 2996

##### Kuala Terengganu

59, Jalan Sultan Ismail,  
Kuala Terengganu, 20200 Terengganu  
Tel : 1300 888 742 (RHB)  
Fax : (09) 622 9379

## EAST COAST REGION (CONTINUED)

### Pahang

#### Bentong

Lot 13 & 14, Jalan Loke Yew,  
28700 Bentong, Pahang  
Tel : (09) 222 1648/1649  
Fax : (09) 222 5944

#### Jalan Air Putih

No. A237 & A239 Jalan Air Putih,  
Kuantan, 25300 Pahang  
Tel : 1300 888 742 (RHB)  
Fax : (09) 566 0214

#### Jerantut

Lot 4360 & 4361, Jalan Kuantan,  
27000 Jerantut, Pahang  
Tel : (09) 266 5900/5901  
Fax : (09) 266 5899

#### Kuantan

2 - 6, Jalan Putra Square 1, Putra  
Square, Kuantan, 25200 Pahang  
Tel : 1300 888 742 (RHB)  
Fax : (09) 517 3501

#### Mentakab

Lot 94 & 95, Jalan Temerloh,  
28400 Mentakab, Pahang  
Tel : (09) 278 1976/1971  
Fax : (09) 278 2034

#### Raub

Lot PT 16477 & 16478, Pusat  
Perniagaan Indrapura, Jalan Tras,  
27600 Raub, Pahang  
Tel : (09) 355 5077/5515  
Fax : (09) 355 2929

## SABAH REGION

### Sabah

#### Inanam

Blok L DBKK No. 1, 2 & 3,  
Lorong KK Taipan 3, Inanam New  
Township, 88450 Kota Kinabalu,  
Sabah  
Tel : (088) 422 883  
Fax : (088) 423 011

#### Jalan Gaya

81 & 83, Jalan Gaya,  
88000 Kota Kinabalu, Sabah  
Tel : (088) 216 188/213 982  
Fax : (088) 235 871

#### Jalan Tun Mustapha

Lot 1 & 2, Jati Shop Houses,  
Off Jalan Tun Mustapha,  
87007 Labuan, Sabah  
Tel : (087) 414 822/810  
Fax : (087) 414 449

#### Lahad Datu

Lot 1 & 2, Block A, Metro Commercial  
Complex, 91100 Lahad Datu, Sabah  
Tel : (089) 886 159/418  
Fax : (089) 886 163

#### Lintas Station Complex

6-19, Ground Floor, Lintas Station  
Complex, Jalan Lintas, Luyang,  
88300 Kota Kinabalu, Sabah  
Tel : (088) 244 698/230 693  
Fax : (088) 233 690

#### One Borneo Hypermall

Lot G-203, Ground Floor, One Borneo  
Hypermall, Jalan Sulaman,  
88450 Kota Kinabalu, Sabah  
Tel : (088) 488 677/982/986  
Fax : (088) 488 678

#### Prima Square

Block 7, Lot 64, 65 & 66, Phase 1,  
Prima Square, Mile 4, Jalan Utara,  
90000 Sandakan, Sabah  
Tel : (089) 208 100/101/102/104  
Fax : (089) 228 101

#### Tawau

Ground & First Floor, Lot 5, Block 27  
Fajar Complex, Jalan Mahkamah Town  
Extension II, 91000 Tawau, Sabah  
Tel : (089) 777 355/233  
Fax : (089) 764 684/765 254

#### Wisma Khoo Siak Chiew

Sub Lot 1-7, Ground Floor,  
Wisma Khoo Siak Chiew,  
Lebuh Tiga, Jalan Sim Sim,  
90009 Sandakan, Sabah  
Tel : (089) 218 777  
Fax : (089) 271 246

## SARAWAK REGION

### Sarawak

#### Batu Kawah

Bd 104/204 & 105/205,  
Batu Kawah New Township,  
Jalan Batu Kawah,  
93250 Kuching, Sarawak  
Tel : (082) 455 650/450 487  
Fax : (082) 459 790

#### Bintulu

258, Jalan Masjid, Taman Sri Dagang,  
Bintulu, 97000 Sarawak  
Tel : (086) 331 133  
Fax : (086) 331 692

#### Boulevard Commercial Centre

Lot 2468-2470, Boulevard Commercial  
Centre, Jalan Boulevard Utama,  
98000 Miri, Sarawak  
Tel : (085) 429 880  
Fax : (085) 429 881

## ► Branch Network

### SARAWAK REGION (CONTINUED)

#### Dalat

Ground Floor, Pejabat Daerah Dalat,  
96300 Dalat, Sarawak  
Tel : (084) 864 841/828  
Fax : (084) 864 824

#### Jalan Kulas

Lot 363, Jalan Kulas,  
93400 Kuching, Sarawak  
Tel : 1300 888 742 (RHB)  
Fax : (082) 426 160

#### Jalan Nakhoda Gampar

Lot 362, Block 9,  
Jalan Nakhoda Gampar, Miri,  
98008 Sarawak  
Tel : 1300 888 742 (RHB)  
Fax : (085) 415 682

#### Jalan Padungan

256, Jalan Padungan,  
93100 Kuching, Sarawak  
Tel : (082) 423 216/252 088  
Fax : (082) 415 453/428 717

#### Kanowit

Lots 127 & 128, 65-66, Jalan Kubu,  
Kanowit Town District, Kanowit,  
96700 Sarawak  
Tel : (084) 752 700  
Fax : (084) 752 711

#### Kapit

Lot 504, Jalan Temenggong Jugah,  
96800 Kapit, Sarawak  
Tel : (084) 797 771  
Fax : (084) 797 775

#### Lawas

Lot 355, Jalan Punang,  
98850 Lawas, Sarawak  
Tel : (085) 285 657/285 659  
Fax : (085) 285 529

#### Limbang

Lot 1563, Jalan Buangsiol,  
98700 Limbang, Sarawak  
Tel : (085) 212 398/399  
Fax : (085) 211 022

#### Lundu

Lot 249-250, Jalan Blacksmith,  
Pekan Lundu, 94500 Lundu, Sarawak  
Tel : (082) 735 611  
Fax : (082) 735 220

#### Marudi

Lot 29, Jalan Kapitan Lim Ching Kiat,  
Marudi, 98050 Baram, Sarawak  
Tel : (085) 756 721/722  
Fax : (085) 756 724

#### Matang Jaya

Lot 25, 26 & 27, Section 65,  
Kuching Town Land District, Taman  
Lee Ling Commercial Centre,  
93050 Matang Jaya, Kuching, Sarawak  
Tel : (082) 647 718/719  
Fax : (082) 647 900

#### Sarikei

Lot 1468, Jalan Repok,  
96108 Sarikei, Sarawak  
Tel : (084) 657 030  
Fax : (084) 657 036

#### Sibu

31, Jalan Tengku Osman, Sibu,  
Sarawak  
Tel : 1300 888 742 (RHB)  
Fax : (084) 310 546

#### Siburan Bazaar

No. 12 & 13,  
Eastern Commercial Centre,  
17th Mile, Kuching Serian Road,  
94200 Kuching, Sarawak  
Tel : (082) 862 808  
Fax : (082) 862 880

#### Simpang Tiga

11, Jalan Simpang Tiga,  
93758 Kuching, Sarawak  
Tel : (082) 417 817/411 817  
Fax : (082) 420 975

#### Sri Aman

Lot 839, Jalan Sabu,  
95000 Sri Aman, Kuching, Sarawak  
Tel : (083) 320 979/980  
Fax : (083) 320 975

#### Sungai Merah

No.1 & 3, Lorong Sungai Merah, 2C,  
96000 Sarawak  
Tel : 1300 888 742 (RHB)  
Fax : (084) 331 869

#### Tabuan Jaya

891-892, Lorong Bayor Bukit 2A,  
Tabuan Jaya Shopping Centre,  
Jalan Wan Alwi,  
93350 Kuching, Sarawak  
Tel : (082) 366 823/828  
Fax : (082) 366 826

#### Unisquare

GF No. 12 & 13, Lot 5608 & 5609  
Unisquare, Kota Samarahan, Kuching,  
94300 Sarawak  
Tel : (082) 619 622/860  
Fax : (082) 618 261

#### Wisma Mahmud

Level 1, Wisma Mahmud,  
Jalan Sungei Sarawak,  
93100 Kuching, Sarawak  
Tel : (082) 345 345/610  
Fax : (082) 338 358/342 327

## INTERNATIONAL BRANCHES

### Singapore

#### Main Office

90 Cecil Street, #03-00 RHB Bank Building, Singapore 069531  
Tel : (65) 6225 3111  
Fax : (65) 6227 3805

#### Bukit Merah Branch

Block 131 Jalan Bukit Merah #01-1577/1579 Singapore 160131  
Tel : (65) 6278 5388/  
(65) 6273 9168  
Fax : (65) 6273 7765

#### Bukit Timah Branch

440/442 Upper Bukit Timah Road, The Rail Mall Singapore 678064  
Tel : (65) 6769 1766/  
(65) 6765 1678  
Fax : (65) 6762 4032

#### Cecil Branch

Ground Floor 90 Cecil Street, Singapore 069531  
Tel : (65) 6320 0602/  
(65) 6320 0603  
Fax : (65) 6225 5296

#### Geylang Branch

537 Geylang Road, Singapore 389492  
Tel : (65) 6747 8966/  
(65) 6747 8969  
Fax : (65) 6747 1015

#### Jalan Besar Branch

10 Jalan Besar #01-03 Sim Lim Tower, Singapore 208787  
Tel : (65) 6296 6233/  
(65) 6296 5842  
Fax : (65) 6296 5846

#### Katong Branch

14-18 East Coast Road, Singapore 428741  
Tel : (65) 6344 8044/  
(65) 6344 5353  
Fax : (65) 6345 7131

### Upper Serangoon Branch

1 Yio Chu Kang Road, Singapore 545506  
Tel : (65) 6288 8053/  
(65) 6288 8054  
Fax : (65) 6285 4685

### Changi Airport Terminal 1 (Bureau de Change)

#### Arrival Hall

80 Airport Boulevard, Changi Airport Terminal 1, #011-003C Arrival Hall, Singapore 819642  
Tel : (65) 6214 3184  
Fax : (65) 6214 3178

#### Departure Hall/Central

80 Airport Boulevard, Changi Airport Terminal 1, #021-036A Departure Hall/Central, Singapore 819642  
Tel : (65) 6214 3184  
Fax : (65) 6214 3178

#### Departure Hall/Transit East

80 Airport Boulevard, Changi Airport Terminal 1, #02-72 Departure Hall/Transit East, Singapore 819642  
Tel : (65) 6214 3184  
Fax : (65) 6214 3178

#### Departure Hall/Transit West

80 Airport Boulevard, Changi Airport Terminal 1, #02-21 Departure Hall/Transit West, Singapore 819642  
Tel : (65) 6214 3184  
Fax : (65) 6214 3178

### Changi Airport Terminal 2

#### Arrival Hall

60 Airport Boulevard, Changi Airport Terminal 2, #016-037 Arrival Hall, Singapore 819643  
Tel : (65) 6214 3169  
Fax : (65) 6214 3175

### Departure Hall/Central

60 Airport Boulevard, Changi Airport Terminal 2, #026-031 Departure Hall/Central, Singapore 819643  
Tel : (65) 6214 3169  
Fax : (65) 6214 3175

### Departure Hall/Transit North

60 Airport Boulevard, Changi Airport Terminal 2, #026-CTR-02 Departure Hall/Transit, North Singapore 819643  
Tel : (65) 6214 3169  
Fax : (65) 6214 3175

### Departure Hall/Transit South

60 Airport Boulevard, Changi Airport Terminal 2, #026-CTR-04 Departure Hall/Transit, South, Singapore 819643  
Tel : (65) 6214 3169  
Fax : (65) 6214 3175

### Changi Airport Terminal 3

#### Departure Hall/Transit South

65 Airport Boulevard, Changi Airport Terminal 3, #02-K8 Departure Hall/Transit South, Singapore 819663  
Tel : (65) 6214 3164  
Fax : (65) 6214 4773

#### Arrival South

65 Airport Boulevard, Changi Airport Terminal 3, #01-K9 Arrival South, Singapore 819663  
Tel : (65) 6214 3164  
Fax : (65) 6214 4773

### Departure Hall/Transit North

65 Airport Boulevard, Changi Airport Terminal 3, #02-K9 Departure Hall/Transit North, Singapore 819663  
Tel : (65) 6214 3164  
Fax : (65) 6214 4773

## ► Branch Network

### INTERNATIONAL BRANCHES (CONTINUED)

#### Arrival North

65 Airport Boulevard,  
Changi Airport Terminal 3,  
#01-K15 Arrival North,  
Singapore 819663  
Tel : (65) 6214 3164  
Fax : (65) 6214 4773

#### Departure Hall

65 Airport Boulevard,  
Changi Airport Terminal 3,  
#02-83 Departure Hall,  
Singapore 819663  
Tel : (65) 6214 3164  
Fax : (65) 6214 4773

#### Thailand

##### Main Office

18<sup>th</sup> Floor, M Thai Tower,  
All Season Place,  
87 Wireless Road,  
Lumpini, Pathumwan,  
Bangkok 10330  
Tel : (622) 126 8600  
Fax : (662) 126 8601/  
(662) 126 8602

##### Main Branch

Ground Floor, M Thai Tower,  
All Season Place,  
87 Wireless Road,  
Lumpini, Pathumwan,  
Bangkok 10330  
Tel : (622) 126 8600  
Fax : (662) 126 8601/  
(662) 126 8602

#### Brunei

Unit G, 02 Ground Floor,  
Block D, Komplek Yayasan,  
Sultan Hj Hasanal Bolkihah,  
Brunei 8711  
Tel : (673) 222 2515/  
(673) 222 2516  
Fax : (673) 223 7487/  
(673) 222 3687

#### Vietnam – Representative Office

Room 1208, 12<sup>th</sup> Floor,  
Sun Wah Tower,  
115 Nguyen Hue, Dist 1,  
Ho Chi Minh City,  
Vietnam  
Tel : (84-8) 3827 8498  
Fax : (84-8) 3827 8499

#### ASSOCIATE COMPANY

##### Vietnam Securities Corporation

Level 12B, 29 Nguyen Dinh Chieu,  
Le Dai Hanh, Hai Ba Trung,  
Hanoi, Vietnam  
Tel : (84) 4 3944 6066/67/68/69  
Fax : (84) 4 3944 6070

#### RHB BUREAU de CHANGE (Foreign Exchange Booth)

##### Kota Raya Complex

Lot G17, Ground Floor,  
Kota Raya Complex,  
Jalan Cheng Lock,  
50000 Kuala Lumpur  
Tel : (03) 2072 0881  
Fax : (03) 2074 1910

#### KL International Airport (Departure)

Lot 13a Departure Level,  
Main Terminal Building,  
Kuala Lumpur International Airport,  
64000 KLIA, Selangor  
Tel : (03) 8787 3257  
Fax : (03) 8787 3255

#### KL International Airport (Arrival)

Lot No. ARR 5A, Arrival Level,  
Main Terminal Building,  
Kuala Lumpur International Airport,  
64000 KLIA, Selangor  
Tel : (03) 8787 1562  
Fax : (03) 8787 3479

#### Low Cost Carrier Terminal (LCCT)- KLIA (will be relocated to Gateway@ klia2 w.e.f June,2013)

Lot LCIA 01, New International Arrival  
Hall, Low Cost Carrier Terminal,  
64000 KLIA, Selangor  
Tel : (03) 8787 4351  
Fax : (03) 8787 4352

#### KLCC

Lot G34A, Ground Level,  
Petronas Twin Tower, Suria KLCC,  
50088 Kuala Lumpur  
Tel : (03) 2164 5773  
Fax : (03) 2164 5780

#### EASY STANDALONE

##### Easy RHB Giant Senawang

Lot B42-B44, Giant Hypermarket  
Senawang, 1571, Jalan Senawang,  
70450 Senawang, Negeri Sembilan

##### Easy-RHB Taman Sri Gombak

No. 50, Jalan SG1/8, Taman Sri  
Gombak, 68100 Batu Caves, Selangor

##### Easy RHB Bandar Sri Permaisuri

No. 51, Jalan Dwitasek 1, Dataran  
Dwitasik, Bandar Sri Permaisuri,  
56000 Cheras, Kuala Lumpur

##### Easy-RHB Dataran Puteri Puchong

No. 20, Jalan Puteri 1/2, Dataran  
Puteri, 47100 Puchong

##### Easy-RHB Sek. U3 Shah Alam

No. 12-G, Jalan 10/12, Jalan Dinar  
CU3/C, Sek U3, 40150 Shah Alam

##### Easy-RHB Taman Sri Rampai

No. 16, Jalan Megan Setapak, Megan  
Setapak, 53300 Kuala Lumpur

##### Easy-RHB Selayang Mall

Lot GSW 5B, Ground Floor, Selayang  
Mall, Jalan SU9, Taman Selayang  
Utama, 68100 Batu Caves

## **EASY STANDALONE (CONTINUED)**

### **Easy-RHB Sentul Raya Boulevard**

Unit No 10-G, Jalan 13/48A, Sentul Raya Boulevard, 51000 Kuala Lumpur

### **Easy-RHB Taman Sri Manja**

No. 3A-1, Jalan PJS 3/63, Sri Manja Square 2, Taman Sri Manja, 46000 Petaling Jaya

### **Easy-RHB Semenyih**

No. 52, Jalan Pasar Baru, 43500 Semenyih, Selangor

### **Easy-RHB AEON AU2**

Lot G13, Ground Floor, AEON AU2 Shopping Centre, No. 6, Jalan Taman Setiawangsa, AU2, Taman Keramat, 54200 Kuala Lumpur

### **Easy-RHB Kota Damansara**

No. 43-G, Jalan Cecawi 6/33, Seksyen 6, Kota Damansara, 47800 Petaling Jaya, Selangor

### **Easy-RHB Precint 15 Putrajaya**

No. 47, Jalan Diplomatik, Presint 15, 62050 Putrajaya

### **Easy-RHB Banting**

No. 19-A-G, Jalan Sultan Abdul Samad, 42700 Banting

### **Easy-RHB Bandar Tasik Selatan**

No. 43, Jalan 8/146, Bandar Tasik Selatan, 56000 Kuala Lumpur

### **Easy-RHB Kapar, Klang**

No. 266, Jalan KU 3, Jalan Besar Kapar, 42200 Pekan Kapar, Klang

### **Easy-RHB Seremban 2**

Lot 43, Jalan S2 B18, Business Avenue (Biz Avenue), Seremban 2, 70300 Seremban, Negeri Sembilan

### **Easy-RHB Bandar Tun Hussein Onn**

No. 50, Jalan Suarasa 8/4, Town Park 1, Bandar Tun Hussein Onn, 43200 Cheras

### **Easy-RHB Menara UOA Bangsar**

Unit No. LGF 2, Menara UOA Bangsar, Jalan Bangsar, Kuala Lumpur

### **Easy-RHB Metro Point Kajang**

G 22, Ground Floor, Metro Point Complex, Seksyen 7, 43000 Kajang, Selangor

### **Easy-RHB Sunway Metro**

No. 15, Jalan PJS 11/28, Sunway Metro, 46150 Petaling Jaya, Selangor

### **Easy-RHB Sek 18, Shah Alam**

1-5, Ole-Ole Shopping Centre, Seksyen 18, Jalan Pinang, Shah Alam, Selangor

### **Easy-RHB Taman Dagang, Ampang**

No. 26G, Jalan Dagang 1/1A, Taman Dagang, 68000 Ampang

### **Easy-RHB Platinum Walk, Setapak**

No. 22-0, Block A, Platinum Walk, No. 2 Jalan Langkawi, 53300 Setapak, Kuala Lumpur

### **Easy-RHB Wisma Thrifty**

Unit 7, Wisma Thrifty, No. 19, Jalan Barat, 46200 Petaling Jaya, Selangor

### **Easy-RHB Giant Kinrara**

Lot F34, 1st Floor, Giant Hypermarket Bandar Kinrara Complex, Lot 449, Jalan BK 5A/1, Bandar Kinrara, 47180 Puchong, Selangor

### **Easy-RHB Bandar Baru Bangi**

No. 41, Jalan Medan Pusat 2D, 3B Curve, Persiaran Bangi, 43650 Bandar Baru Bangi, Selangor

### **Easy-RHB M-Avenue Segambut**

No. C-0-07, M-Avenue, No. 1 Jalan 1/38A, Segambut Bahagia, 52100, Kuala Lumpur

### **Easy-RHB Desa Pandan**

No. 9-G, Jalan 2/76C, Desa Pandan, 55100 Kuala Lumpur

### **Easy-RHB Giant Muar**

Lot G1, Ground Floor, Giant Hypermarket Muar, Lot 6530, Jalan Rivera, Maharani Rivera, Kesang 84000 Muar, Johor

### **Easy-RHB Jusco Skudai**

Lot LG27, JUSCO Taman Universiti Shopping Centre, No. 4, Jalan Pendidikan, Taman Universiti, 81300 Skudai, Johor

### **Easy-RHB Larkin Perdana**

No. 31-G, Susur Dewata 1, Larkin Perdana, 80350 Johor Bahru, Johor

### **Easy-RHB AEON Taman Equine**

Lot G20, Ground Floor, AEON Taman Equine Shopping Centre, No. 2 Jalan Equine, Taman Equine, Bandar Putra Permai, 43300 Seri Kembangan, Selangor

### **Easy-RHB Sungai Mas Plaza**

Lot G7, Ground Floor, Sungai Mas Plaza, Batu 5, Jalan Ipoh, 51200 Kuala Lumpur

### **Easy-RHB Prangin Mall**

Lot 33-1-48 Prangin Mall, Jalan Dr. Lim Chwee Leong, 10100 Georgetown, Pulau Pinang

### **Easy-RHB Shaw Centrepoint Klang**

Lot GL 19A, Ground Floor, Shaw Centrepoint, Jalan Raja Hassan, 41400 Klang, Selangor

### **Easy-RHB Temerloh**

No. 20 Ground Floor, Jalan Ahmad Shah, Bandar Sri Semantan, 28000 Temerloh, Pahang

### **Easy-RHB 9 Avenue, Nilai**

Lot 17, Ground Floor, 9 Avenue, Taman Korporat, Putra Nilai, 71800 Nilai, Negeri Sembilan

## ► Branch Network

### **EASY STANDALONE (CONTINUED)**

#### **Easy-RHB Giant Tampoi**

Lot B9, Giant Hypermarket Tampoi,  
Lot 54, Jalan Skudai, 81200 Tampoi,  
Johor Bahru, Johor

#### **Easy-RHB Kompleks Teruntum**

Lot G19 Ground Floor Kompleks  
Teruntum, Jalan Mahkota, 25000  
Kuantan, Pahang

#### **Easy-RHB Giant Putra Heights**

Lot F25, Giant Hypermarket, Putra  
Heights, No. 3, Pesiaran Putra  
Perdana, 47650 Putra Heights,  
Selangor

#### **Easy-RHB Kluang Mall**

Lot G-05, Kluang Mall, Jalan  
Rambutan, Bandar Kluang, 86000  
Kluang, Johor

#### **Easy-RHB Mydin Mall Melaka**

Lot G-03-C, Mydin Mall, MITC Melaka,  
Lot 15061 & 15602, Jalan Lingkaran  
MITC, 75450 Ayer Keroh, Melaka

#### **Easy-RHB Segamat**

Ground Floor, Lot PTD 18795, known  
as No. 4 Jalan Muhibbah, Taman  
Muhibbah, Bandar Utama 85000  
Segamat, Johor

#### **Easy-RHB AEON Seberang Prai**

Lot F68, AEON Seberang Prai City  
Shopping Centre, Perdana Mall, Jalan  
Perda Timur, 14000 Bukit Mertajam,  
Seberang Prai Tengah

#### **Easy-RHB Giant Sunway City, Ipoh**

Giant Superstore Sunway City, No. 2,  
Jalan SCI 2/2, Sunway City, 31150  
Ipoh, Perak

#### **Easy-RHB Mydin Subang Jaya**

Lot F36, Mydin Wholesale  
Hypermarket, Lot No. 675 & 676,  
Pesiaran Subang Permai, USJ 1,  
47500 Subang Jaya, Selangor Darul  
Ehsan

#### **Easy-RHB Giant Plentong**

Lot B24, Giant Hypermarket Plentong,  
81750 Masai, Johor

#### **Easy-RHB Kota Bahru Trade Centre**

Lot LG02, Kota Bharu Trade Centre,  
15000 Kota Bharu, Kelantan

#### **Easy-RHB Wakaf Che Yeh, Kota Bahru**

HS(D) 6368, Lot No. PT 703, Mukim  
Padang Enggang, 15100 Kota Bharu,  
Kelantan

#### **Easy-RHB Giant Kemuning Utama**

Lot F38 & F14, Giant Kemuning  
Utama, Kemuning Utama, Shah Alam

#### **Easy-RHB Giant Kuala Terengganu**

Lot G56, Giant Hypermarket K.Tranganu,  
H.S (D) 6917, Lot PT 1485, Mukim  
Cabang Tiga, Jalan Padang Hiliran,  
21100 K. Teregganu, Trengganu

#### **Easy-RHB Sunway Carnival Mall**

UG 28A Sunway Carnival Mall, Pusat  
Bandar Seberang Jaya 30680,  
Jalan Todak, 13700 Seberang Jaya,  
Pulau Pinang

#### **Easy-RHB Kuala Selangor**

Ground Floor, No. 32 Jalan Bendahara  
1/1 (P.T. No. 1299), Taman  
Bendahara, 45000 Kuala Selangor,  
Selangor

#### **Easy-RHB Batu Pahat**

No 33, Jalan Kundang, Taman Bukit  
Pasir, 83000 Batu Pahat, Johor

#### **Easy-RHB Sungai Besar**

Ground Floor, Lot 10138 (Mukim  
Panchang Bedena), Jalan Menteri  
45300, Sungai Besar Selangor

#### **Easy-RHB Rapid Mall, Teluk Intan**

Rapid Mall Seri Intan, Jalan Changkat  
Jong, 36000 Teluk Intan

#### **Easy-RHB Giant Superstore Lukut**

Lot G8 Giant Superstore Lukut, Jalan  
Dataran Segar, 71000 Port Dickson,  
Negeri Sembilan

#### **Easy-RHB KSL City, Johor Bahru**

Lot LG-59, Lower Ground, KSL City,  
No. 33, Jalan Seladang, Taman Abad  
80250, Johor Bahru, Johor

#### **Easy-RHB Giant Hypermarket Bukit Tinggi**

Lot A22, Pesiarian Batu Nilam, Bandar  
Baru Bukit Tinggi 1, Jalan Langat,  
41200 Klang, Selangor

#### **Easy-RHB Arau**

Lot G15, Ground Floor, Kompleks  
Arau, 02600 Arau, Perlis

#### **Easy-RHB Aeon Melaka**

Lot F62, AEON Bandaraya Melaka  
Shopping Centre, No. 2 Jalan  
Lagenda, Taman 1-Lagenda,  
75400 Melaka

#### **Easy-RHB TTDI Shah Alam**

30G, Jalan Opera U2/L, Jayamas,  
TTDI, 40150 Shah Alam, Selangor

#### **Easy-RHB Pelangi Square**

B-G-23 Grd Flr, Building No. Lot 23  
Block B Pusat Perdagangan Pelangi  
Pesiarian Surian PJU 6, Petaling Jaya  
47800, Selangor

#### **Easy-RHB Aman Suria**

J-19-G, Jalan PJU 1/43, Aman Suria,  
47301 Petaling Jaya, Selangor

#### **Easy-RHB Bertam**

No. 2 Jalan Dagangan 2, Pusat  
Bandar Bertam Perdana, 13200  
Kepala Batas, Seberang Perai Utara,  
Pulau Pinang

#### **Easy-RHB Mydin Bukit Jambul**

Lot LGB-18, Lower Ground Mydin  
Wholesale Hypermarket Bukit Jambul,  
Bukit Jambul Kompleks, Jalan Rumbia,  
11900 Pulau Pinang



## **EASY STANDALONE (CONTINUED)**

### **Easy-RHB Mydin Kubang Kerian**

Lot G-07, Mydin Hypermarket Kubang Kerian, Lot 1681, Seksyen 54, Jalan Raja Perempuan Zainab II, Kubang Kerian, 16150 Kota Bharu, Kelantan

### **Easy-RHB Bdr Baru Selayang**

No. 9, Jalan 2/8, Bandar Baru Selayang, 68100 Batu Caves, Selangor

### **Easy-RHB Kompleks Changloon**

Lot G16 & G17 Kompleks Changloon, 06100 Changloon, Kedah

### **Easy-RHB Gurun Kedah**

18M, Jalan Raya, 08300 Gurun, Kedah

### **Easy-RHB Viva Home**

Lot. No. LG 12 Lower Ground Floor Viva Home, No. 25 Jalan Loke Yew, 55200 Kuala Lumpur

### **Easy-RHB Tmn Pendarma Indah, Pelabuhan Klang**

No. 96, Ground Floor, Solok Pendarma Indah 1, Taman Pendarma Indah, 42000 Pelabuhan Klang, Selangor

### **Easy-RHB Tg Rambutan**

PT 227199, HSD 181076, Bandar Tanjong Rambutan, Jalan Stesyen, 31250 Tanjong Rambutan, Perak

### **Easy-RHB Gerik**

90, Jalan Takong Datuk, 33000 Gerik, Perak

### **Easy-RHB Megamall Pinang**

Lot G-99, Megamall Pinang Shopping Complex, No. 2828, Jalan Baru, Bandar Perai Jaya, 13700 Perai, Pulau Pinang

### **Easy-RHB Pasaraya Terus Maju**

Lot A5, Pasar Raya Terus Maju Batu 6, No. A5, Lorong Seri Damai Perdana 1, KM 8, Jalan Gambang, 25150 Kuantan, Pahang

### **Easy-RHB Johor Bahru Sentral**

Level 2, Bus & Taxi Bay, Johor Bahru Sentral Building, Jalan Limquee, 80300 Johor Bahru

### **Easy-RHB Sri Petaling**

53-G, Jalan Radin Bagus, Sri Petaling, 57000 Kuala Lumpur

### **Easy-RHB Baling**

PT 1301, HSD 133, Mukim Baling, Lot 1301 Jln Badlishah, 09100 Baling, Kedah

### **Easy-RHB Boulevard Mall**

Lot G-B-18, Boulevard Shopping Mall Kuching, Jalan Datuk Tiwi Sli, 93250 Kuching, Sarawak

### **Easy-RHB Kamunting Perak**

13, Tingkat Bawah, Laluan Kamunting 1, Bandar Kamunting, 36400 Kamunting, Taiping, Perak

### **Easy-RHB Pengkalan Chepa**

Ground Floor, PT 1079, Taman Bendahara, Jalan Pengkalan Chepa, 16100 Kota Bharu, Kelantan

### **Easy-RHB Chemor**

32, Laluan Chemor Sinaran, Desa Chemor Sinaran, 31200 Chemor, Perak

### **Easy-RHB Dengkil**

No. 1, Jalan Deluxe, Pusat Perdagangan Deluxe, 43800 Dengkil, Selangor

### **Easy-RHB Tampin**

Lot K-6, PT 754, Di hadapan Pasar Tampin, 73000 Tampin, Negeri Sembilan

### **Easy-RHB Teluk Pulai**

21, Jalan Teluk Pulai, 41100 Klang, Selangor

### **Easy-RHB Citta Mall, Ara Damansara**

Lot No. G35, Ground Floor Citta Mall, 1A/48, PJU 1A, Ara Damansara, 47301 Petaling Jaya, Selangor

### **Easy-RHB Amcorp Mall**

Lot G-02A, Amcorp Mall, No. 18, Jalan Persiaran Barat, 40650 Petaling Jaya, Selangor

### **Easy-RHB Giant Hypermarket**

Kelombong  
Lot G15, Giant Hypermarket Kelembong, Batu 5.5, Jalan Tuaran, Kelembong, 88400 Kota Kinabalu, Sabah

### **Easy-RHB TSB Commercial Centre, Sungai Buloh**

Unit No A1-47, TSB Commercial Centre, Jalan Nautika A U20/A, Seksyen U20, Sungai Buloh, 40160 Selangor

### **Easy-RHB Warisan Square**

Lot No. C-G-09, Block C, Ground Floor, Warisan Square, Jalan Tun Fuad Stephen, 88000 Kota Kinabalu, Sabah

### **Easy-RHB Giant Hypermarket Tawau**

Lot G10, Ground Floor, CL 105466055, KM 5 1/2, Jalan Chong Tien Yun, Off Jalan Apas, 91000 Tawau, Sabah

### **Easy-RHB Jasin, Melaka**

Ground Floor, JA 9944, Bangunan Yayasan Jasin, Bandar Baru Jasin 3, 77000 Jasin, Melaka

### **Easy-RHB KIP Mart Kota Tinggi**

Lot 585, KIP Mart Kota Tinggi, No. 1, Jalan Maju, 81900 Kota Tinggi, Johor

## ► Branch Network

### **EASY STANDALONE (CONTINUED)**

#### **Easy-RHB Jengka, Pahang**

No. 29, Kedai 20 Unit, Lorong Baiduri 1, Nadi Kota, 26400 Jengka, Pahang

#### **Easy-RHB Kuala Krai**

No. 94, Jalan Chin Hwa, 18000 Kuala Krai, Kelantan

#### **Easy-RHB Subang Jaya SS19**

No. 21, Jalan SS19/6 47500 Subang Jaya, Selangor

#### **Easy-RHB Tanah Merah, Kelantan**

No. 217, Jalan Tasek, 17500 Tanah Merah, Kelantan

#### **Easy-RHB Terminal 1 Seremban Shopping Centre**

Lot No. G5A, Ground Floor, Terminal One Shopping Centre, No. 20B, Jalan Lintang, 70200 Seremban, Negeri Sembilan

#### **Easy-RHB Giant Sibul**

Lot F23, Giant Hypermarket Sibul, Lot 1304, Block 3, Sg Merah Town District, Jalan Ling Kai Cheng, 96000 Sibul, Sarawak

#### **Easy-RHB Jertih**

PT 226, Tingkat Bawah, PK Permint, Pekan Jertih, 22000 Jertih, Terengganu

#### **Easy-RHB Megalong Mall, Donggongan**

Lot G-106, Megalong Mall, Donggongan, Donggongan New Township, Phase 3, 89500 Kota Kinabalu, Sabah

#### **Easy-RHB Giant Hypermarket Tabuan Jaya**

Lot G9, Giant Hypermarket Tabuan Jaya, Block 11, All Muara Tebas Land District, 93350 Kuching, Sarawak

#### **Easy-RHB Jln Pegawai, Persiaran Sultan A Hamid**

Ground Floor, No. 29, Kompleks Perniagaan Sultan Abdul Hamid, Pesiaran Abdul Hamid, 05050 Alor Setar, Kedah

#### **Easy-RHB Bandar Baru Air Itam**

Lot No.. 65A, Lintang Astana, Bandar Baru Air Itam, 11500 Air Itam, Pulau Pinang

#### **Easy-RHB Indera Mahkota, Kuantan**

Lot B154, Lorong IM8/33, Bandar Indera Mahkota, 25200 Kuantan, Pahang

#### **Easy-RHB Pekan**

Retail Lot No. 3, Bangunan UMNO Pekan, Jalan Engku Muda Mansur, 26600 Pekan, Pahang

#### **Easy-RHB Taman Putra**

No. 27, Jalan Bunga 6A, Taman Putra, 68000 Ampang, Selangor

#### **Easy-RHB Alam Avenue Section 16**

A-6-G, Jalan Serai Wangi F 16/F, Alam Avenue, Pesiaran Selangor, Section 16, 40200, Shah Alam, Selangor

#### **Easy-RHB Giant, Batu 9, Cheras**

Lot F6 & F7, Giant Hypermarket Cheras, Batu 9, Grand Saga Highway (Cheras - Kajang Highway) 43200 Cheras, Selangor

#### **Easy-RHB Sepanggar (next to Giant Indah Permai)**

Lot No. 03, Ground Floor, The Urban Mini Mall, Taman Indah Permai, Jalan Sepanggar, 88450 Kota Kinabalu, Sabah

#### **Easy-RHB E-Mart Miri**

Lt N51-N53, E Mart Commercial Ctr Lt 2892, Blk 6, K. Baram Land Distr. Tudan, 98100 Miri, Sarawak

#### **Easy-RHB Giant Kota Padawan**

Lt G9, Giant Hypermarket Kota Padawan, Lt 1731, Block 17, KCLD at 10th Mile, Kuching-Serian Road, 93250 Kota Padawan, Kuching Sarawak

#### **Easy-RHB Tanjung Malim**

No. 5A, Jalan Bunga Anggerik, Taman Bunga Raya, 35900 Tanjung Malim, Perak

#### **Easy-RHB AEON Rawang Shopping Centre**

Lot G20, AEON Rawang Shopping Centre, 48000 Rawang, Selangor

#### **Easy-RHB Alam Jaya**

No. 29, Jalan PPAJ 3/1, Pusat Perdagangan Alam Jaya, Bandar Puncak Alam, 42300 Kuala Selangor, Selangor

#### **Easy-RHB Balik Pulau**

Lot No. 43, Jalan Tun Sardon, Mukim 6, 11000 Balik Pulau, Pulau Pinang

#### **Easy-RHB Batangkali**

No. 33, Jalan Mahagoni 7/1, Perniagaan Jalan Mahagoni, 44300 Batang Kali, Selangor

#### **Easy-RHB Labis**

No. 98, Jalan Segamat, Taman Asia Timur, 85300 Labis, Johor

#### **Easy-RHB Bintulu Assyakirin Commerce Square**

Lot 7238, Block 31, Kemena Land District, No. 17, Assyakirin Commerce Square, Jalan Tanjong Kidurong, 97000 Bintulu, Sarawak

### **RHB EASY LRT & MONO.RAIL**

#### **Easy-RHB Giant Bayan Baru**

Lot F18, Mezzanine Floor, Giant Hypermarket Bayan Baru, No. 78, Jalan Tengah, Bayan Baru, 11900 Bayan Lepas, Pulau Pinang

## **RHB EASY LRT & MONO.RAIL (CONTINUED)**

### **Easy-RHB Giant Putatan**

Lot No. PU 10, Ground Floor, Giant Hypermarket Putatan, KM 11 Jalan Putatan, Putatan Railway Station, 89500 Putatan, Kota Kinabalu Sabah

### **Easy-RHB Paka**

L125, Taman Seri Bayu, Jalan Besar, 23100 Paka, Dungun, Terengganu

### **Easy-RHB E-Mart, Kuching**

Lot S51, Lot 9808 Section 65 KTL D, E Mart Lee Ling Commercial Centre, 4th Mile Jalan Matang, 93050 Kuching, Sarawak

### **Easy-RHB LRT Terminal Putra Gombak**

Stesyen LRT Terminal Putra Gombak, 68100 Gombak Selangor

### **Easy-RHB LRT Ampang Park**

Stesyen LRT Ampang Park Lot 01 Jln Ampang, 50450 Kuala Lumpur

### **Easy-RHB LRT Damai**

Stesyen LRT Damai Jln Dato' Keramat 54000 Kuala Lumpur

### **Easy-RHB LRT Kelana Jaya**

Stesyen LRT Kelana Jaya, Lot PT 8960, Seksyen SS4, Jalan Lebuhraya, 47301 Petaling Jaya, Selangor

### **Easy-RHB LRT Taman Bahagia**

Stesyen LRT Taman Bahagia, Seksyen SS3, Jalan SS 2/3, 47300 Petaling Jaya, Selangor

### **Easy-RHB LRT Taman Jaya**

Stesyen LRT Taman Jaya, Jalan Persiaran Barat, 46050 Petaling Jaya, Selangor

### **Easy-RHB LRT Kerinchi**

Stesyen LRT Kerinchi, Sebahagian Lot 2508, 2509, 2510, 2511, 4096 & 4099, Rezab Jalan, Mukim, 59200 Kuala Lumpur

### **Easy-RHB LRT PWTC**

Stesyen STAR - LRT PWTC, Jalan Putra, 50350 Kuala Lumpur

### **Easy-RHB LRT Plaza Rakyat**

(Bersebelahan Pudu Raya), Jalan Pudu, 55100 Kuala Lumpur

### **Easy-RHB LRT Bukit Jalil**

(Bersebelahan Stadium Nasional), 57000 Bukit Jalil, Kuala Lumpur

### **Easy-RHB LRT KL Sentral**

Stesyen LRT KL Sentral, Sebahagian Jalan Sultan Mohamed Simpanan Jalan & Sungai Dalam 50470 Kuala Lumpur

### **Easy-RHB Masjid Jamek**

Jalan Melaka, 50100 Kuala Lumpur

### **Easy-RHB Wangsa Maju**

Mukim Setapak, 53300 Wangsa Maju, Kuala Lumpur

### **Easy-RHB Sri Rampai**

Jalan Wangsa Perdana 1, Taman Sri Rampai, 53300 Wangsa Maju, Kuala Lumpur

### **Easy-RHB Maluri LRT**

Batu 2 1/2 Off Jalan Cheras, Taman Miharja, 55200 Kuala Lumpur

### **Easy-RHB Pudu LRT**

Jalan Sarawak Off Jalan Pudu, 55100 Kuala Lumpur

### **Easy-RHB Cempaka**

Jalan Pandan Indah 23, Pandan Indah, 68000 Ampang, Selangor

### **Easy-RHB Pandan Indah**

Jalan Pandan Indah 2/2, Pandan Indah, 55100 Kuala Lumpur

### **Easy-RHB Taman Melati**

Pesiaran Pertahanan, Taman Melati, 53100 Gombak, Selangor

### **Easy-RHB MoNo.rail Chow Kit**

Stesen MoNo.rail Chow Kit, Jalan Tunku Abdul Rahman 50100, Kuala Lumpur

### **Easy-RHB MoNo.rail Titiwangsa**

Stesen MoNo.rail Titiwangsa, Jalan Pekeliling 53200, Kuala Lumpur

### **Easy-RHB MoNo.rail Hang Tuah**

Stesen MoNo.rail Hang Tuah, Jalan Hang Tuah 55200, Kuala Lumpur

### **Easy-RHB MoNo.rail Raja Chulan**

Stesen MoNo.rail Raja Chulan, Jalan Sultan Ismail 50250, Kuala Lumpur

### **Easy-RHB MoNo.rail Bukit Bintang**

Stesen MoNo.rail Bukit Bintang, Jalan Sultan Ismail 50250, Kuala Lumpur

### **Easy-RHB MoNo.rail Imbi**

Lot K03, Stesen Monorail Imbi, Jalan Imbi, 55100 Kuala Lumpur

## **RHB TESCO EASY**

### **Easy-RHB Ampang**

RHB Kiosk, Tesco Ampang, PT 8880 Jln Pandan Prima, Dataran Pandan Prima, 55100 KL

### **Easy-RHB Tesco Bukit Tinggi (Klang)**

RHB Kiosk, Tesco Klang, No. 3 Jln Batu Nilam 6/KSG, Bdr Bkt Tinggi, 41200 Klang, Selangor

### **Easy-RHB Tesco Extra Ipoh**

RHB Kiosk, Tesco Extra Ipoh, No. 2 Laluan Tasek Timur 6, Tmn Tasek Indra, Off Jln Kg Bercham, 31400 Ipoh, Perak

### **Easy-RHB Tesco Extra Plentong**

RHB Kiosk, Tesco Extra Plentong, Lot 34 Jln Masai Baru, Batu 10, Plentong, 81750 Johor Bahru, Johor

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### RHB TESCO EASY (CONTINUED)

#### Easy-RHB Tesco Extra Shah Alam

RHB Kiosk, Tesco Extra Shah Alam, No. 1 Persiaran Sukan Seksyen 13, Peti Surat 7427, 40714 Shah Alam, Selangor

#### Easy-RHB Tesco Hyper Shah Alam

RHB Kiosk, Tesco Hyper Shah Alam, No. 3 Jln Aerobik 13/43, Seksyen 13, 40100 Shah Alam, Selangor

#### Easy-RHB Tesco Penang

RHB Kiosk, Tesco Penang, No. 1 Lebuhraya Kudin 1, Bdr Jelutong, 11700 Penang

#### Easy-RHB Tesco Kajang

RHB Kiosk, Tesco Kajang, Lot PT 37820 & 11196, Mukim Kajang Saujana Impian, 43000 Kajang, Selangor

#### Easy-RHB Tesco Kota Bharu

RHB Kiosk, Tesco Kota Bharu, Lot 1828, Seksyen 17, Bandar Kota Bharu, Jajahan Kota Bharu, 15050 Kelantan

#### Easy-RHB Tesco Kulai

RHB Kiosk, Tesco Kulai, No. 52 Tmn Desamas, Batu 22 7/2, Jln Kulai Air Hitam, 81000 Kulai, Johor

#### Easy-RHB Tesco Malacca

RHB Kiosk, Tesco Melaka, No. 1 Jln Tun Abdul Razak, 75400 Peringgit, Melaka

#### Easy-RHB Tesco Mergong

RHB Kiosk, Tesco Mergong, No. 1 Lebuhraya Sultanah Bahiyah, 05150 Alor Setar, Kedah

#### Easy-RHB Tesco Mutiara Damansara

RHB Kiosk, Tesco Mutiara Damansara, No. 8 Jln PJU 7/4, Mutiara Damansara, 47800 Petaling Jaya, Selangor

#### Easy-RHB Tesco Pengkalan Ipoh

RHB Kiosk, Tesco Pengkalan Ipoh, No. 1 Medan Stesen 19/9, Section 18, 31650 Pengkalan, Ipoh, Perak

#### Easy-RHB Tesco Extra Seberang Jaya, Prai

RHB Kiosk, Tesco Extra Seberang Jaya, 2762 Persiaran Sembilang, Seberang Jaya, 13700 Seberang Perai Tengah, Penang

#### Easy-RHB Tesco Extra Selayang

RHB Kiosk, Tesco Extra Selayang, No 1081 Jln Ipoh, Mukim Batu, 51200 Kuala Lumpur

#### Easy-RHB Tesco Seri Alam

RHB Kiosk, Tesco Seri Alam, Lot PTD 111515, Jln Seri Alam, Bdr Seri Alam, 81750 Masai, Johor

#### Easy-RHB Tesco Setia Alam

RHB Kiosk, Tesco Setia Alam, No. 2 Jln Setia Prima S U/13/S, Setia Alam, Seksyen U 13, 40170 Shah Alam, Selangor

#### Easy-RHB Tesco Sg. Dua

RHB Kiosk, Tesco Sg. Dua, No. 657 Jln Sg. Dua, 11700 Sg. Dua, Penang

#### Easy-RHB Tesco SP Mutiara

RHB Kiosk, Tesco Sg Petani Mutiara, Lot 368 Jln Bakar Arang, 08000 Sg. Petani, Kedah

#### Easy-RHB Tesco Taiping

RHB Kiosk, Tesco Taiping, Lot 38, Jalan Istana Larut, 34000 Taiping, Perak

#### Easy-RHB Tesco Tebrau City

RHB Kiosk, Tesco Desa Tebrau, No. 1 Persiaran Desa Tebrau, Tmn Desa Tebrau, 81100 Johor Bahru, Johor

#### Easy-RHB Tesco Rawang

RHB Kiosk, Tesco Rawang, No. 1 Jalan Rawang, 48000 Rawang, Selangor

#### Easy-RHB Tesco Bukit Indah

RHB Kiosk, Tesco Bukit Indah, No. 1 Jalan Bukit Indah 15, Taman Bukit Indah, 81200 Johor Bahru, Johor

#### Easy-RHB Tesco Kepong

RHB Kiosk, Tesco Kepong, No. 3 Jalan 7A/62A, Bdr Menjalara, 52200 Kepong, Kuala Lumpur

#### Easy-RHB Tesco Extra Cheras

RHB Kiosk, Tesco Cheras, No. 2 Jln Midah 2, Tmn Midah, Cheras, 56000 Kuala Lumpur

#### Easy-RHB Tesco Hyper Ipoh

RHB Kiosk, Tesco Ipoh, No 2 Jalan Jambu, Tmn Teh Teng Seng, 31400 Ipoh, Perak

#### Easy-RHB Tesco Semenyih

RHB Kiosk, Tesco Semenyih, 1 Jln TPS 1/1, Tmn Pelangi Semenyih, 43500 Semenyih, Selangor

#### Easy-RHB Tesco Kampar

RHB Kiosk, Tesco Kampar, Jalan Perdana, Tmn Kampar Perdana, 31900 Kampar, Perak

#### Easy-RHB Tesco Bukit Mertajam

RHB Kiosk, Tesco Bukit Mertajam, No. 2323, Jalan Rozhan, Pusat Perniagaan Seri Impian, 14000 Bukit Mertajam, Penang

#### Easy-RHB Tesco Malacca Cheng

RHB Kiosk, Tesco Melaka Cheng, No. 1 Jalan Inang 3, Paya Rumput Utama, 75460 Melaka

#### Easy-RHB Tesco Bukit Kepayang, Seremban 2

RHB Kiosk, Tesco Seremban 2, PT 2347 Pekan Bukit Kepayang, Daerah Seremban, 70300 Negeri Sembilan

## **RHB TESCO EASY (CONTINUED)**

### **Easy-RHB Tesco Manjung**

RHB Kiosk, Tesco Manjung,  
No 103 Jalan Lumut,  
32000 Sitiawan, Perak

### **Easy-RHB Tesco Nilai**

RHB Kiosk, Tesco Nilai,  
No. 1, Jalan BBN 1/3, Putra Nilai,  
71800 Nilai, Negeri Sembilan

### **Easy-RHB Tesco Kulim**

RHB Kiosk, Tesco Kulim,  
No. 386, Jalan Lembah Impiana 111,  
09000 Kulim, Kedah

### **Easy-RHB Tesco Old Klang Road**

RHB Kiosk, Tesco Jln Klang Lama,  
The Scott Garden, Komplek Rimbun  
Scott, 289 Jln Klang Lama,  
58100 Kuala Lumpur

### **Easy-RHB Tesco tg Pinang**

RHB Kiosk, Tesco Tanjung Pinang,  
No. 1 Jalan Seri Tanjung Pinang,  
Tanjung Tokong, 10470 Pulau Pinang

### **Easy-RHB Tesco Bukit Beruntung**

RHB Kiosk, Tesco Bukit Beruntung,  
No. 1, Jalan Orkid 1, Bandar  
Serendah, Seksyen BS 1, 48300  
Rawang, Selangor

### **Easy-RHB Tesco Stargate Kedah**

RHB Kiosk, Tesco Stargate,  
No. 1, Susuran Stargate,  
Lebuhraya Sultanah Bahiyah,  
05400 Alor Setar, Kedah

### **Easy-RHB Tesco Senawang**

RHB Kiosk, Tesco Senawang,  
No. 12264, Jalan Seremban Jaya,  
Taman Seremban Jaya, 70400  
Seremban, Negeri Sembilan

### **Easy-RHB Tesco Sri Iskandar**

RHB Kiosk, Tesco Seri Iskandar,  
PT 8524 & Sebahagian PT8525,  
31750 Mukim Bota,  
Daerah Perak Tengah, Perak

### **Easy-RHB Tesco Sungai Petani Utara**

RHB Kiosk, Tesco Sg Petani Utara,  
No. 300, Jalan Lagenda 1, Lagenda  
Heights, 08000 Sungai Petani, Kedah

## **EASY RHB POS**

### **Easy-RHB GPO Dayabumi KL**

Pejabat Pos Besar Kuala Lumpur,  
Jalan Tan Cheng Lock,  
50670 Kuala Lumpur

### **Easy-RHB PO Kg. Tunku, PJ**

Pejabat Pos Kg. Tunku, JKR 4410,  
Jalan SS 1/11, Kg. Tunku,  
47300 Petaling Jaya, Selangor

### **Easy-RHB PO Medan Tuanku KL**

Pejabat Pos Medan Tuanku, No. 303,  
Jalan Tuanku Abdul Rahman,  
50100 Kuala Lumpur

### **Easy-RHB PO Seksyen 20, PJ**

Pejabat Pos Seksyen 20 Petaling Jaya,  
Jalan 20/16A, Taman Paramount,  
46300 Petaling Jaya, Selangor

### **Easy-RHB PO Subang Jaya**

Pejabat Pos Subang Jaya, Lot 2098,  
Jalan Subang Utama, Pejabat Pos  
Subang Jaya, 47500 Subang Jaya,  
Selangor

### **Easy-RHB PO Bandar Baru Bangi**

JKR 208 A-B, Jalan 6C/9,  
43000 Bandar Baru Bangi

### **Easy-RHB PO Batu 9, Cheras**

Pejabat POS Batu 9 Cheras,  
Jalan Besar, 43200 Cheras, Selangor

### **Easy-RHB PO Jalan TAR, KL**

No. 3, Jalan Dewan Sultan Sulaiman  
1, 50100 Kuala Lumpur

### **Easy-RHB PO Kajang**

JKR 78, Jalan Hishamuddin,  
43000 Kajang

### **Easy-RHB PO Kelana Jaya**

No. 2, Jalan SS 6/2,  
47301 Kelana Jaya

### **Easy-RHB PO Nilai, N. Sembilan**

PT 5797 Jalan 3/S. 2/1G,  
Taman Semarak, 71800 Nilai

### **Easy-RHB PO Sentul, KL**

688, Jalan Sentul,  
51000 Kuala Lumpur

### **Easy-RHB PO Seremban**

JKR 1486, Jalan Tuanku Antah,  
70670 Seremban

### **Easy-RHB PO Sg. Besi, KL**

Jalan Pejabat Pos, Sungai Besi,  
57000 Kuala Lumpur

### **Easy-RHB PO Sg. Buloh**

No. 1-12K, Tkt. 2, Pasaraya Warta,  
Kompleks Sungai Buloh,  
47000 Sungai Buloh

### **Easy-RHB PO Sg. Wang**

Lot T54-56, T37, Tkt. 3,  
Sungai Wang Plaza, Jln. Sultan Ismail,  
50200 Kuala Lumpur

### **Easy-RHB PO Ulu Langat**

Pejabat POS Ulu Langat, JKR 387,  
Jalan Hulu Langat, 43100 Hulu Langat

### **Easy-RHB PO Klang Utara**

JKR 1093, Jalan Pos Baharu,  
41300 Klang

### **Easy-RHB PO Pelabuhan Klang**

JKR 807, Jln Watson,  
42670 Pelabuhan Kelang

### **Easy-RHB PO Shah Alam**

Persiaran Dato' Menteri,  
40670 Shah Alam

### **Easy-RHB PO Jinjang**

JKR 1693, Jalan Besar,  
52000 Kepong, Kuala Lumpur

### **Easy-RHB GPO Melaka**

Pejabat Pos GPO Melaka,  
Bukit Baru, 75670 Melaka

### **Easy-RHB PO Ayer Keroh**

Pejabat Pos, Ayer Keroh,  
Jalan Lebuhraya Ayer Keroh,  
75450 Melaka

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### **EASY RHB POS (CONTINUED)**

#### **Easy-RHB PO Alor Gajah**

Pejabat Pos Alor Gajah,  
JKR 2121, Jalan Besar,  
78000 Alor Gajah, Melaka

#### **Easy-RHB PO Kluang**

Pejabat Pos Kluang, JKR 1439,  
Jalan Sultanah, 86000 Kluang Johor

#### **Easy-RHB PO Masjid Tanah**

Pejabat Pos Masjid Tanah, JKR 2880  
Jalan Besar, 78300 Masjid Tanah,  
Melaka

#### **Easy-RHB PO Muar**

Pejabat Pos Muar, JKR 2200,  
Jalan Othman, 84000 Muar, Johor

#### **Easy-RHB PO Tanjong Kling**

Pejabat Pos Tg Keling,  
JKR 966A, Jalan Tg Keling,  
76400 Tanjong Keling, Melaka

#### **Easy-RHB GPO Johor Bahru**

Pejabat Pos GPO – Johor Bahru,  
JKR 2521, Jalan Dato' Onn,  
80000 Johor Bahru

#### **Easy-RHB PO Taman Seri Tebrau**

Pejabat Pos Taman Sri Tebrau,  
JKR 5355, Jalan Kelewang,  
Taman Sri Tebrau, 80050 Johor Bahru

#### **Easy-RHB PO Brickfields**

Pejabat Pos Brickfields, No. 75,  
Jalan Thambapillai, Brickfields,  
50470 Kuala Lumpur

#### **Easy-RHB PO Cheras Makmur**

Pejabat Pos Cheras Makmur,  
25 & 27, Jalan 4/9 6A, Taman  
Cheras Makmur, 56100 Kuala Lumpur

#### **Easy-RHB PO GPO Ipoh**

Pejabat Pos GPO Ipoh, JKR 5120,  
Jalan Kelab, 30670 Ipoh, Perak

#### **Easy-RHB PO Tapah**

Pejabat Pos Tapah, JKR 138,  
Jln Stesyen, 35000 Tapah, Perak

#### **Easy-RHB PO Bukit Mertajam**

Pejabat Pos Bukit Mertajam, JKR 836,  
Jalan Arumugam Pillai, 14000 Bukit  
Mertajam, Pulau Pinang

#### **Easy-RHB PO GPO Pulau Pinang**

Pejabat Pos GPO - Pulau Pinang,  
Tingkat Bawah, Bangunan Tengku  
Syed Putra, Lebuh Downing,  
10670 Pulau Pinang

#### **Easy-RHB PO Taiping**

Pejabat Pos Taiping, JKR 102,  
Jalan Barrack, 34000 Taiping, Perak

#### **Easy-RHB PO Butterworth**

Pejabat Pos Butterworth, JKR 1268,  
Jalan Bagan Dalam,  
12100 Butterworth, Pulau Pinang

#### **Easy-RHB PO Kepala Batas**

Pejabat Pos Kepala Batas, JKR A13,  
Jalan Bertam, 13200 Kepala Batas,  
Pulau Pinang

#### **Easy-RHB PO Kota Tinggi**

JKR 670, Jalan Lombong,  
81900 Kota Tinggi

#### **Easy-RHB PO Majidee**

Pejabat Pos Majidee, JKR 3635,  
Jalan Tebrau, 81100 Majidee, Johor

#### **Easy-RHB PO Pontian**

Pejabat Pos Pontian, JKR 1479,  
Jalan Pejabat, 82000 Pontian, Johor

#### **Easy-RHB PO Taman Ipoh**

Pejabat Pos Taman Ipoh, JKR 4837,  
Jalan Lau Pak Khuan, Taman Ipoh,  
31400 Ipoh, Perak

#### **Easy-RHB PO Batu Gajah**

Pejabat Pos Batu Gajah, JKR 60A,  
Jalan Pejabat Pos, 31000 Batu Gajah,  
Perak

#### **Easy-RHB PO Tangkak**

Pejabat Pos Tangkak, JKR 3019,  
Jalan Payamas, 84900 Tangkak, Johor

#### **Easy-RHB PO Dato Keramat**

Pejabat Pos Dato' Keramat,  
JKR 56, Jalan Dato' Keramat,  
10460 Dato' Keramat, Pulau Pinang

#### **Easy-RHB PO Klang**

Jalan Stesen,  
41670 Kelang, Selangor

#### **Easy-RHB PO Kulim**

JKR 1349, Jalan Raya,  
09000 Kulim, Kedah

#### **Easy-RHB PO Seri Kembangan**

JKR 2012, Jalan Besar,  
43300 Seri Kembangan, Selangor

#### **Easy-RHB PO Sungai Petani**

JKR F748, Jalan Pengkalan,  
08000 Sungai Petani, Kedah

### **EASY BY RHB KIOSK**

#### **Plaza Low Yat**

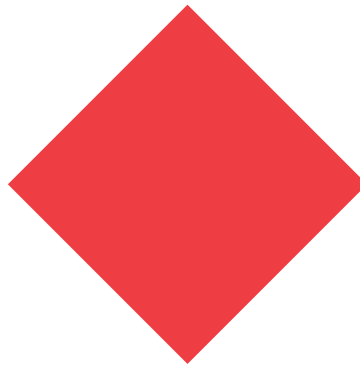
RHB Kiosk, Kiosk G-K013,  
Ground Floor, Plaza Low Yat, No. 7,  
Jalan Bintang, Off Jalan Bukit Bintang,  
Bukit Bintang Central,  
55100, Kuala Lumpur

#### **KIP Mart Masai**

RHB Kiosk, Lot K2 and K3,  
KIP Mart Masai, Jalan Pesiaran Dahlia  
2, Taman Bukit Dahlia,  
81700 Pasir Gudang, Johor

#### **Dataran Pahlawan, Melaka**

RHB Kiosk, FG-25,  
Ground Floor, Phase 2,  
Dataran Pahlawan Melaka Megamall,  
Jalan Merdeka,  
75000 Bandar Hilir, Melaka



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