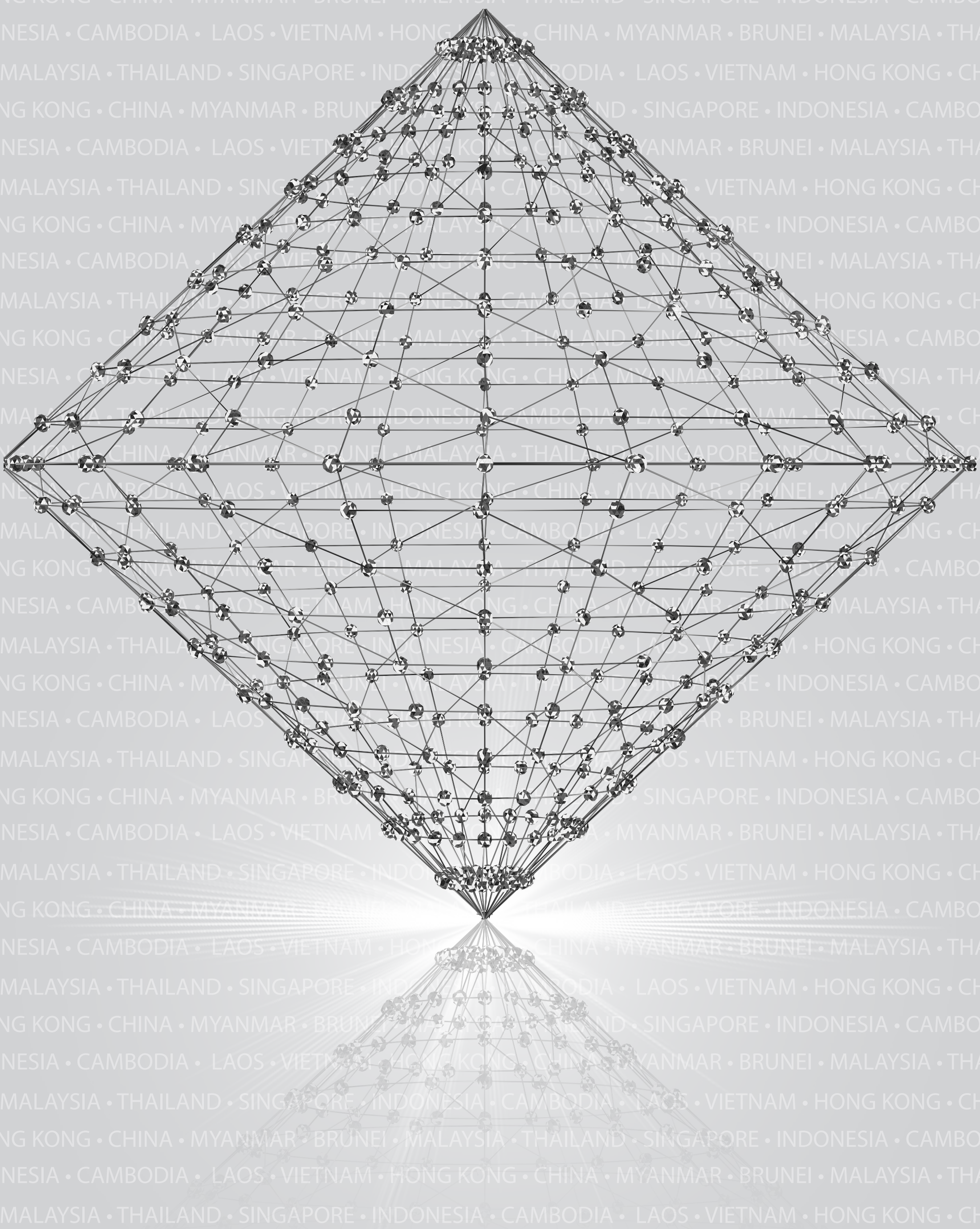
TOGETHER WE PROGRESS

RHB Capital Berhad

FINANCIAL REPORT **2015**



INSIDE

THIS REPORT

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

In the course of preparing the annual financial statements of the Group and the Company, the Directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial 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 the Company present a true and fair view of the state of affairs of the Group and the Company as at 31 December 2015 and of the financial results and cash flows of the Group and the Company for the financial year ended 31 December 2015.

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

The Directors have also taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group and the Company 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 186 of the financial statements.

DIRECTORS' REPORT

The Directors submit herewith their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2015.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The Group is involved in commercial banking, Islamic banking, investment banking, stock broking, leasing, offshore banking, offshore trust services, general insurance, unit trust management, asset management and nominee and custodian services.

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

FINANCIAL RESULTS

	Group	Company
	RM'000	RM'000
Profit before taxation	2,106,744	451,449
Taxation	(582,711)	(654)
Net profit for the financial year	1,524,033	450,795

DIVIDENDS

The dividends paid by the Company since 31 December 2014 was as follows:

	RM'000
In respect of the financial year ended 31 December 2014:	
– Single-tier interim dividend of 6.0% paid on 24 April 2015	154,347

The shareholders of the Company have been granted an option by the Board of Directors to elect to reinvest the entire portion of the abovementioned interim dividend into new ordinary shares of RM1.00 each in the Company in accordance with the approved Dividend Reinvestment Plan ('DRP') of the Company. The reinvestment rate for the abovementioned dividend was 73.01%.

The Directors have declared a single-tier interim cash dividend of 12.0% per share amounting to RM368,961,000 in respect of the financial year ended 31 December 2015. The interim dividend was approved by the Board of Directors on 28 January 2016.

The financial statements for the current financial year do not reflect this single-tier declared interim dividend. This dividend payment will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2016.

The Directors do not propose any final dividend in respect of the financial year ended 31 December 2015.

DIRECTORS' REPORT (continued)

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

During the financial year, the Company increased its issued and paid up share capital from:

(a) RM2,572,456,783 to RM2,588,481,428 via the issuance of 16,024,645 new ordinary shares of RM1.00 each arising from the DRP pursuant to the single-tier interim dividend of 6.0% in respect of the financial year ended 31 December 2014 on 24 April 2015; and

(b) RM2,588,481,428 to RM3,074,674,722 via the renounceable rights issue of 486,193,294 new ordinary shares of RM1.00 each at an issue price of RM4.82 per right share on 18 December 2015, on the basis of one (1) right share for every five (5) existing shares held.

The new ordinary shares issued during the financial year rank *pari passu* in all respects with the existing shares of the Company.

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the financial statements of the Group and the Company 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 that 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 Company inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and the Company 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 Company, had been written down to an amount which they might be expected to realise.

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

DIRECTORS' REPORT (continued)

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 Company 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 Company 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 Company has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and the Company 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 Company 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 Company for the financial year in which this report is made.

DISCONTINUED OPERATIONS

On 13 April 2015, the Company announced that it proposed to undertake the Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment and Proposed Transfer of Listing Status of the Company, details of which are as disclosed in Note 54(b) to the financial statements. RHB Capital is currently in the midst of procuring all relevant approvals required for the Proposals from the relevant parties/ regulatory authorities.

The Proposals will entail the transfer by the Company of its entire equity interests in, or certain assets and liabilities of its subsidiaries to RHB Bank Berhad, and subsequently the delisting and winding up of the Company. Consequentially, the results of the Group and the Company have been disclosed as discontinued operations in the financial statements and all assets and liabilities are therefore classified as held for sale as at year end in accordance with the requirements of MFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

DIRECTORS' REPORT (continued)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 54 to the financial statements.

DIRECTORS

The Directors of the Company in office since the date of the last report and at the date of this report are:

Dato' Mohamed Khadar Merican	
Tan Sri Azlan Zainol	
Datuk Haji Faisal Siraj	
Tan Sri Dato' Teo Chiang Liang	
Datuk Seri Saw Choo Boon	
Mohamed Ali Ismaeil Ali AlFahim	
Dato' Khairussaleh Ramli	(Appointed on 5 May 2015)
Dato' Nik Mohamed Din Datuk Nik Yusoff	(Resigned on 12 August 2015)
Kellee Kam Chee Khiong	(Retired on 30 April 2015)

Pursuant to Article 80 of the Company's Articles of Association, Datuk Seri Saw Choo Boon retires at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for re-election.

Tan Sri Dato' Teo Chiang Liang who retires pursuant to Article 80 of the Company's Articles and Association, has indicated his intention of not seeking re-election. He will accordingly retire at the forthcoming Annual General Meeting.

Pursuant to Article 84 of the Company's Articles of Association, Dato' Khairussaleh Ramli retires at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Datuk Haji Faisal Siraj retires at the forthcoming Annual General Meeting of the Company and offers himself for re-appointment as Director of the Company to hold office until the next Annual General Meeting.

Pursuant to the Guidelines on Tenure of Appointment/Re-appointment of Non-Executive Directors for RHB Banking Group, Dato' Mohamed Khadar Merican retires at the forthcoming Annual General Meeting of the Company in view that he has attained the maximum Non-Executive Director's tenure stipulated therein.

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each				
	As at 1.1.2015	Rights Issue^	DRP	Sold	As at 31.12.2015
The Company					
Dato' Mohamed Khadar Merican:					
– Direct	65,312	12,202	516	–	**78,030**
Tan Sri Dato' Teo Chiang Liang:					
– Indirect*	5,432	1,122	46	–	**6,600**

Note:
* Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholding in Intereal Corporation Sdn Bhd.
^ Arising from acceptance of provisional allotment of rights issue pursuant to the renounceable rights share on the basis of one (1) right share for every five (5) existing shares held.

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 Company or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind as disclosed in Note 38 to the financial statements) by reason of a contract made by the Company 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 Company or its subsidiaries is a party, being arrangements with the object or objects of enabling the Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

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.

DATO' MOHAMED KHADAR MERICAN
CHAIRMAN

DATO' KHAIRUSSALEH RAMLI
GROUP MANAGING DIRECTOR

Kuala Lumpur
29 February 2016

STATEMENTS OF FINANCIAL POSITION
as at 31 December 2015

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
ASSETS HELD FOR SALE					
Cash and short term funds	2	**12,882,261**	16,236,908	**2,348,680**	24,940
Securities purchased under resale agreements		**188,380**	491,510	**–**	–
Deposits and placements with banks and other financial institutions	3	**1,376,202**	2,298,588	**1,050**	1,017
Financial assets at fair value through profit or loss ('FVTPL')	4	**1,752,641**	2,930,681	**–**	–
Financial investments available-for-sale ('AFS')	5	**24,738,796**	19,602,176	**–**	–
Financial investments held-to-maturity ('HTM')	6	**20,532,236**	20,469,831	**–**	–
Loans, advances and financing	7	**149,590,961**	140,693,003	**–**	–
Clients' and brokers' balances	8	**1,654,213**	1,525,147	**–**	–
Reinsurance assets	9	**371,238**	332,113	**–**	–
Other assets	10	**2,477,769**	1,541,989	**50**	3,637
Derivative assets	11	**3,102,389**	1,285,230	**–**	–
Amounts due from subsidiaries	12	**–**	–	**27**	93
Statutory deposits	13	**5,272,230**	5,421,007	**–**	–
Tax recoverable		**260,965**	162,181	**93,624**	94,219
Deferred tax assets	14	**112,201**	38,465	**–**	–
Investments in subsidiaries	15	**–**	–	**11,479,799**	11,042,345
Investments in associates and joint ventures	16	**15,764**	21,021	**–**	–
Property, plant and equipment	17	**1,041,890**	1,030,681	**305**	322
Goodwill and intangible assets	18	**5,347,531**	5,273,905	**–**	–
TOTAL ASSETS HELD FOR SALE		**230,717,667**	219,354,436	**13,923,535**	11,166,573

Note:
On 13 April 2015, the Company announced that it proposed to undertake the Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment and Proposed Transfer of Listing Status of the Company, details of which are as disclosed in Note 54(b). The Company is currently in the midst of procuring all relevant approvals required for the Proposals from the relevant parties/regulatory authorities.

The Proposals will entail the transfer by the Company of its entire equity interests in, or certain assets and liabilities of its subsidiaries to RHB Bank Berhad, and subsequently the delisting and winding up of the Company. Consequentially, the results of the Group and the Company have been disclosed as discontinued operations in the financial statements and all assets and liabilities are therefore classified as held for sale as at year end in accordance with the requirements of MFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

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

STATEMENTS OF FINANCIAL POSITION (continued)

as at 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE AND EQUITY					
Deposits from customers	19	**158,151,008**	157,133,993	**–**	–
Deposits and placements of banks and other financial institutions	20	**20,645,860**	21,349,618	**–**	–
Obligations on securities sold under repurchase agreements	21	**4,906,214**	508,416	**–**	–
Obligations on securities borrowed		**12,202**	113,780	**–**	–
Bills and acceptances payable		**626,399**	614,031	**–**	–
Clients' and brokers' balances	22	**1,348,728**	1,214,065	**–**	–
General insurance contract liabilities	23	**870,884**	775,699	**–**	–
Other liabilities	24	**2,395,125**	1,714,098	**36,864**	12,340
Derivative liabilities	11	**3,089,781**	1,224,684	**–**	–
Amounts due to subsidiaries	12	**–**	–	**1,929**	1,799
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')	25	**3,127,656**	3,315,335	**–**	–
Tax liabilities		**37,247**	57,321	**–**	–
Deferred tax liabilities	14	**11,334**	53,041	**–**	20
Borrowings	26	**2,436,796**	2,874,697	**3,104,574**	3,111,433
Subordinated obligations	27	**5,895,786**	6,099,402	**–**	–
Hybrid Tier-1 Capital Securities	28	**601,856**	601,515	**–**	–
Senior debt securities	29	**3,451,380**	2,810,655	**–**	–
TOTAL LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE		**207,608,256**	200,460,350	**3,143,367**	3,125,592
Share capital	30	**3,074,675**	2,572,457	**3,074,675**	2,572,457
Reserves	31	**20,010,118**	16,221,840	**7,705,493**	5,468,524
		23,084,793	18,794,297	**10,780,168**	8,040,981
Non-controlling interests ('NCI')	32	**24,618**	99,789	**–**	–
TOTAL EQUITY		**23,109,411**	18,894,086	**10,780,168**	8,040,981
TOTAL LIABILITIES ASSOCIATED WITH ASSETS HELD FOR SALE AND EQUITY		**230,717,667**	219,354,436	**13,923,535**	11,166,573
COMMITMENTS AND CONTINGENCIES	**45**	**186,762,170**	133,504,271		

Note:
On 13 April 2015, the Company announced that it proposed to undertake the Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment and Proposed Transfer of Listing Status of the Company, details of which are as disclosed in Note 54(b). The Company is currently in the midst of procuring all relevant approvals required for the Proposals from the relevant parties/regulatory authorities.

The Proposals will entail the transfer by the Company of its entire equity interests in, or certain assets and liabilities of its subsidiaries to RHB Bank Berhad, and subsequently the delisting and winding up of the Company. Consequentially, the results of the Group and the Company have been disclosed as discontinued operations in the financial statements and all assets and liabilities are therefore classified as held for sale as at year end in accordance with the requirements of MFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

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

INCOME STATEMENTS

for the financial year ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
DISCONTINUED OPERATIONS					
Interest income	33	**7,935,334**	7,469,699	**4,669**	6,694
Interest expense	34	**(4,635,536)**	(4,178,367)	**(132,309)**	(128,154)
Net interest income/(expense)		**3,299,798**	3,291,332	**(127,640)**	(121,460)
Other operating income	35	**2,015,456**	2,211,396	**614,318**	179,092
		5,315,254	5,502,728	**486,678**	57,632
Net income from Islamic Banking business	36	**875,917**	732,151	**–**	–
Net income		**6,191,171**	6,234,879	**486,678**	57,632
Other operating expenses	37	**(3,793,162)**	(3,411,168)	**(35,195)**	(28,152)
Operating profit before allowances		**2,398,009**	2,823,711	**451,483**	29,480
Allowance for impairment on loans, financing and other losses	39	**(340,314)**	(206,242)	**–**	–
Impairment losses written back/(made) on other assets	40	**48,750**	117,309	**(34)**	2,828
		2,106,445	2,734,778	**451,449**	32,308
Share of results of associates		**–**	(105)	**–**	–
Share of results of joint ventures		**299**	380	**–**	–
Profit before taxation		**2,106,744**	2,735,053	**451,449**	32,308
Taxation	41	**(582,711)**	(671,589)	**(654)**	(986)
Net profit for the financial year		**1,524,033**	2,063,464	**450,795**	31,322
Attributable to:					
– Equity holders of the Company		**1,511,427**	2,038,000	**450,795**	31,322
– NCI		**12,606**	25,464	**–**	–
		1,524,033	2,063,464	**450,795**	31,322
Earnings per share (sen)					
– Basic	42	**58.1**	79.7		
– Diluted	42	**58.1**	79.7		

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 2015

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
DISCONTINUED OPERATIONS				
Net profit for the financial year	**1,524,033**	2,063,464	**450,795**	31,322
Other comprehensive income/(loss) in respect of:				
(i) Items that will not be reclassified to profit or loss:				
– Actuarial gain on defined benefit plan of subsidiaries	**1,568**	1,290	**–**	–
(ii) Items that will be reclassified subsequently to profit or loss:				
– Foreign currency translation reserves:				
– Currency translation differences	**651,021**	160,170	**–**	–
– Net investment hedge	**(74,929)**	–	**–**	–
– Financial investments AFS:				
– Unrealised net (loss)/gain on revaluation	**(28,303)**	115,900	**–**	–
– Net transfer to income statements on disposal or impairment	**(62,926)**	(43,854)	**–**	–
Income tax relating to components of other comprehensive loss/(income)	**24,308**	(15,578)	**–**	–
Other comprehensive income, net of tax, for the financial year	**510,739**	217,928	**–**	–
Total comprehensive income for the financial year	**2,034,772**	2,281,392	**450,795**	31,322
Total comprehensive income attributable to:				
– Equity holders of the Company	**2,003,181**	2,266,152	**450,795**	31,322
– NCI	**31,591**	15,240	**–**	–
	2,034,772	2,281,392	**450,795**	31,322

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 2015

Group	Note	Attributable to equity holders of the Company										
		Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Other Reserves RM'000	AFS Reserves RM'000	Translation Reserves RM'000	Regulatory Reserve RM'000	Retained Profits RM'000	Sub-total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
DISCONTINUED OPERATIONS												
Balance as at 1 January 2015		2,572,457	5,053,063	3,817,799	28,196	191,619	191,334	–	6,939,829	18,794,297	99,789	18,894,086
Net profit for the financial year		–	–	–	–	–	–	–	1,511,427	1,511,427	12,606	1,524,033
Foreign currency translation reserves:												
– Currency translation differences		–	–	–	3,693	–	628,380	–	–	632,073	18,948	651,021
– Net investment hedge		–	–	–	–	–	(74,929)	–	–	(74,929)	–	(74,929)
Financial investments AFS:												
– Unrealised net (loss)/gain on revaluation		–	–	–	–	(28,336)	–	–	–	(28,336)	33	(28,303)
– Net transfer to income statements on disposal or impairment		–	–	–	–	(62,926)	–	–	–	(62,926)	–	(62,926)
Actuarial gain on defined benefit plan of subsidiaries		–	–	–	–	–	–	–	1,563	1,563	5	1,568
Income tax relating to components of other comprehensive loss/(income)	43	–	–	–	–	24,640	–	–	(331)	24,309	(1)	24,308
Other comprehensive income/(loss), net of tax, for the financial year		–	–	–	3,693	(66,622)	553,451	–	1,232	491,754	18,985	510,739
Total comprehensive income/(loss) for the financial year		–	–	–	3,693	(66,622)	553,451	–	1,512,659	2,003,181	31,591	2,034,772
Transfer to statutory reserve		–	–	154,427	–	–	–	–	(154,427)	–	–	–
Transfer to regulatory reserve		–	–	–	–	–	–	583,153	(583,153)	–	–	–
Dividends paid	44	–	–	–	–	–	–	–	(154,347)	(154,347)	(1,325)	(155,672)
Shares issued pursuant to:												
– DRP	30	16,024	96,628	–	–	–	–	–	–	112,652	–	112,652
– Rights issue	30&54(b)	486,194	1,843,893	–	–	–	–	–	–	2,330,087	–	2,330,087
Dilution of interest in a subsidiary		–	–	–	(2,280)	–	1,182	–	21	(1,077)	1,077	–
Reclassification of puttable instruments to other liabilities		–	–	–	–	–	–	–	–	–	(106,514)	(106,514)
Balance as at 31 December 2015		3,074,675	6,993,584	3,972,226	29,609	124,997	745,967	583,153	7,560,582	23,084,793	24,618	23,109,411

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

STATEMENTS OF CHANGES IN EQUITY (continued)

for the financial year ended 31 December 2015

Group	Note	Attributable to equity holders of the Company									
		Share Capital RM'000	Share Premium RM'000	Statutory Reserve RM'000	Other Reserves RM'000	AFS Reserves RM'000	Translation Reserves RM'000	Retained Profits RM'000	Sub-total RM'000	Non-controlling Interests RM'000	Total Equity RM'000
Balance as at 1 January 2014		2,546,910	4,888,541	3,577,647	28,196	122,389	12,211	5,563,177	16,739,071	203,656	16,942,727
Net profit for the financial year		–	–	–	–	–	–	2,038,000	2,038,000	25,464	2,063,464
Currency translation differences		–	–	–	–	–	157,965	–	157,965	2,205	160,170
Financial investments AFS:											
– Unrealised net gain/(loss) on revaluation		–	–	–	–	115,977	–	–	115,977	(77)	115,900
– Net transfer to income statements on disposal or impairment		–	–	–	–	(28,960)	–	–	(28,960)	(14,894)	(43,854)
Actuarial gain on defined benefit plan of subsidiaries		–	–	–	–	–	–	1,276	1,276	14	1,290
Income tax relating to components of other comprehensive (income)/loss	43	–	–	–	–	(17,787)	–	(319)	(18,106)	2,528	(15,578)
Other comprehensive income/(loss), net of tax, for the financial year		–	–	–	–	69,230	157,965	957	228,152	(10,224)	217,928
Total comprehensive income for the financial year		–	–	–	–	69,230	157,965	2,038,957	2,266,152	15,240	2,281,392
Transfer to statutory reserve		–	–	240,152	–	–	–	(240,152)	–	–	–
Dividends paid	44	–	–	–	–	–	–	(262,332)	(262,332)	(993)	(263,325)
Shares issued pursuant to DRP	30	25,547	164,522	–	–	–	–	–	190,069	–	190,069
Acquisition of a subsidiary		–	–	–	–	–	–	–	–	51,044	51,044
Acquisition of additional interests by NCI		–	–	–	–	–	–	–	–	21,389	21,389
Acquisition of additional interests from NCI	54(i)	–	–	–	–	–	19,450	(158,113)	(138,663)	(190,547)	(329,210)
Disposal of a subsidiary	54(g)	–	–	–	–	–	1,708	(1,708)	–	–	–
Balance as at 31 December 2014		2,572,457	5,053,063	3,817,799	28,196	191,619	191,334	6,939,829	18,794,297	99,789	18,894,086

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

STATEMENTS OF CHANGES IN EQUITY (continued)

for the financial year ended 31 December 2015

Company	Note	Share Capital RM'000	Non-Distributable Share Premium RM'000	Distributable Retained Profits RM'000	Total RM'000
DISCONTINUED OPERATIONS					
Balance as at 1 January 2015		**2,572,457**	**5,053,063**	**415,461**	**8,040,981**
Net profit for the financial year		**–**	**–**	**450,795**	**450,795**
Dividends paid	44	**–**	**–**	**(154,347)**	**(154,347)**
Shares issued pursuant to:					
– DRP	30	**16,024**	**96,628**	**–**	**112,652**
– Rights issue	30&54(b)	**486,194**	**1,843,893**	**–**	**2,330,087**
Balance as at 31 December 2015		**3,074,675**	**6,993,584**	**711,909**	**10,780,168**
Balance as at 1 January 2014		2,546,910	4,888,541	646,471	8,081,922
Net profit for the financial year		–	–	31,322	31,322
Dividends paid	44	–	–	(262,332)	(262,332)
Shares issued pursuant to DRP	30	25,547	164,522	–	190,069
Balance as at 31 December 2014		2,572,457	5,053,063	415,461	8,040,981

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 2015

	Note	Group 2015 RM'000	Group 2014 RM'000
DISCONTINUED OPERATIONS			
Cash flows from operating activities			
Profit before taxation		**2,106,744**	2,735,053
Adjustments for:			
Allowance for impairment on loans, financing and other losses		**605,614**	583,281
Property, plant and equipment:			
– Depreciation		**121,288**	115,282
– Gain on disposal		**(7,109)**	(17,686)
– Written off		**655**	403
– Impairment losses written back		**(182)**	(1,252)
Intangible assets:			
– Amortisation		**71,760**	67,720
– Gain on disposal		**(161)**	–
– Written off		**2,409**	99
– Impairment losses (written back)/made		**(2,283)**	3,321
Net impairment written back on financial investments AFS and HTM		**(54,118)**	(119,378)
Accretion of discount for borrowings and subordinated obligations		**1,211**	916
Impairment losses on investment in a joint venture		**7,833**	–
Share of results of associates and joint ventures		**(299)**	(275)
Interest income from financial assets FVTPL, financial investments AFS and HTM		**(1,424,802)**	(1,367,091)
Investment income from financial assets FVTPL, financial investments AFS and HTM		**(210,711)**	(189,824)
Net gain arising from sale/redemption of financial assets FVTPL, financial investments AFS and HTM		**(33,239)**	(135,637)
Net unrealised loss on revaluation of financial assets FVTPL and derivatives		**399,409**	84,477
Net gain on fair value hedges		**(680)**	(2,374)
Net unrealised foreign exchange gain		**(494,044)**	(37,055)
Gross dividend income from financial assets FVTPL and financial investments AFS		**(48,023)**	(35,452)
Net gain on disposal of an associate		**–**	(8,202)
Net loss on disposal of a subsidiary		**–**	247
Operating profit before working capital changes		**1,041,272**	1,676,573
(Increase)/Decrease in operating assets:			
Securities purchased under resale agreements		**490,980**	(270,285)
Deposits and placements with banks and other financial institutions		**959,873**	476,503
Financial assets FVTPL		**1,285,763**	1,257,923
Loans, advances and financing		**(7,617,388)**	(21,531,456)
Clients' and brokers' balances		**(129,066)**	1,048,436
Other assets		**(962,122)**	(792,907)
Statutory deposits		**189,964**	(1,241,341)
		(5,781,996)	(21,053,127)

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

STATEMENTS OF CASH FLOWS (continued)

for the financial year ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000
DISCONTINUED OPERATIONS			
Cash flows from operating activities (continued)			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**(959,306)**	19,155,751
Deposits and placements of banks and other financial institutions		**(1,210,606)**	4,282,655
Obligations on securities sold under repurchase agreements		**4,397,798**	(61,560)
Obligations on securities borrowed		**(105,133)**	81,803
Bills and acceptances payable		**11,633**	(1,462,506)
Clients' and brokers' balances		**134,663**	(1,101,745)
Other liabilities		**899,015**	622,452
Recourse obligation on loans sold to Cagamas		**(187,679)**	1,045,982
		2,980,385	22,562,832
Cash (used in)/generated from operations		**(1,760,339)**	3,186,278
Net tax paid		**(773,657)**	(680,200)
Net cash (used in)/generated from operating activities		**(2,533,996)**	2,506,078
Cash flows from investing activities			
Net (purchase)/disposal of financial investments AFS and HTM		**(4,196,621)**	7,628
Property, plant and equipment:			
– Purchase		**(100,231)**	(125,644)
– Proceeds from disposal		**9,484**	27,543
Intangible assets:			
– Purchase		**(142,018)**	(110,859)
– Proceeds from disposal		**242**	–
Financial investments AFS and HTM:			
– Interest received		**1,390,357**	1,356,044
– Investment income received		**199,806**	180,669
Dividend income received from financial assets FVTPL and financial investments AFS		**48,023**	35,452
Acquisition of additional interests from NCI	54(i)	**–**	(329,210)
Net cash inflow from disposal of an associate	54(h)	**–**	9,070
Net cash inflow from disposal of a subsidiary	54(g)	**–**	265
Net cash inflow from acquisition of a subsidiary		**–**	1,520
Refund of Bank Mestika deposits	54(f)	**–**	112,515
Net cash (used in)/generated from investing activities		**(2,790,958)**	1,164,993

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

STATEMENTS OF CASH FLOWS (continued)

for the financial year ended 31 December 2015

	Note	Group 2015 RM'000	Group 2014 RM'000
DISCONTINUED OPERATIONS			
Cash flows from financing activities			
Proceeds from issuance of subordinated notes		**–**	1,000,000
Drawdown of subordinated notes		**700,000**	–
Repayment of subordinated notes		**(900,000)**	–
Proceeds from issuance of Subordinated Sukuk Murabahah		**–**	500,000
Proceeds from issuance of USD senior notes		**–**	1,048,950
Net repayment of borrowings		**(638,482)**	(53,578)
Net proceeds from shares issued pursuant to rights issue		**2,330,087**	–
Dividends paid to equity holders of the Company		**(41,695)**	(72,263)
Dividends paid to NCI		**(1,325)**	(993)
Net cash generated from financing activities		**1,448,585**	2,422,116
Net (decrease)/increase in cash and cash equivalents		**(3,876,369)**	6,093,187
Effects of exchange rate differences		**521,722**	145,054
Cash and cash equivalents:			
– at the beginning of the financial year		**16,236,908**	9,998,667
– at the end of the financial year		**12,882,261**	16,236,908
Cash and cash equivalents comprise the following:			
– Cash and short term funds	2	**12,882,261**	16,236,908
Note:			
Significant non-cash transaction during the financial year is as follows:			
– Dividend reinvestment plan		**112,652**	190,069

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

STATEMENTS OF CASH FLOWS (continued)

for the financial year ended 31 December 2015

	Note	Company 2015 RM'000	Company 2014 RM'000
DISCONTINUED OPERATIONS			
Cash flows from operating activities			
Profit before taxation		**451,449**	32,308
Adjustments for:			
Interest expense		**132,309**	128,154
Property, plant and equipment:			
– Depreciation		**194**	216
– Gain on disposal		**(55)**	–
Dividend income		**(614,163)**	(206,956)
Interest income		**(4,669)**	(6,694)
Impairment losses made/(written back) on other assets		**34**	(2,828)
Operating loss before working capital changes		**(34,901)**	(55,800)
Increase in deposits and placements with banks and other financial institutions		**(33)**	(34)
Decrease/(Increase) in inter-company balances		**162**	(699)
Decrease in other assets		**542**	2,762
Increase in other liabilities		**24,525**	6,096
Cash used in operations		**(9,705)**	(47,675)
Net tax paid		**(79)**	(71)
Net cash used in operating activities		**(9,784)**	(47,746)
Cash flows from investing activities			
Dividend income received from subsidiaries		**176,709**	31,956
Interest income received		**4,132**	6,687
Purchase of property, plant and equipment		**(177)**	(212)
Proceeds from disposal of property, plant and equipment		**55**	–
Refund of Bank Mestika deposits	54(f)	**–**	112,515
Increase in investments in subsidiaries		**–**	(90,610)
Net cash generated from investing activities		**180,719**	60,336

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

STATEMENTS OF CASH FLOWS (continued)

for the financial year ended 31 December 2015

	Note	Company 2015 RM'000	Company 2014 RM'000
DISCONTINUED OPERATIONS			
Cash flows from financing activities			
Net drawdown of borrowings		**4,500**	209,000
Advances from a subsidiary		**–**	21,411
Interest expense paid		**(140,087)**	(162,771)
Dividends paid to equity holders of the Company		**(41,695)**	(72,263)
Net proceeds from shares issued pursuant to rights issue		**2,330,087**	–
Net cash generated from/(used in) financing activities		**2,152,805**	(4,623)
Net increase in cash and cash equivalents		**2,323,740**	7,967
Cash and cash equivalents:			
– at the beginning of the financial year		**24,940**	16,973
– at the end of the financial year		**2,348,680**	24,940
Cash and cash equivalents comprise the following:			
– Cash and short term funds	2	**2,348,680**	24,940
Note:			
Significant non-cash transaction during the financial year is as follows:			
– Dividend reinvestment plan		**112,652**	190,069

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 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

On 13 April 2015, the Company announced that it proposes to undertake the Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment and Proposed Transfer of Listing Status of the Company, details of which are disclosed in Note 54(b). The Company is currently in the midst of procuring all relevant approvals required for the Proposals from the relevant parties/regulatory authorities.

The Proposals will entail the transfer by the Company of its entire equity interests in, or certain assets and liabilities of its subsidiaries to RHB Bank Berhad, and subsequently the delisting and winding up of the Company. Consequentially, the results of the Group and the Company have been disclosed as discontinued operations in the financial statements and all assets and liabilities are therefore classified as held for sale as at year end in accordance with the requirements of MFRS 5: Non-current Assets Held for Sale and Discontinued Operations. As such, the going concern assumption can no longer be used for the preparation of financial statements. The financial statements of the Group and the Company have therefore been prepared using a liquidation basis of accounting.

(I) STATEMENT OF COMPLIANCE

The financial statements of the Group and the Company have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards ('IFRS') and the requirements of the Companies Act, 1965.

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

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company'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 or complexity are disclosed in Section B.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(II) ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs AND INTERPRETATION

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

The relevant new accounting standards, amendments and improvements to published standards and interpretations to existing accounting standards that are effective for the Group's and the Company's financial year beginning on or after 1 January 2015 are as follows:

- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle

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

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

- Amendment to MFRS 11 'Joint arrangements' (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 'Business Combination' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

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

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ('OCI'). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  MFRS 9 introduces an expected credit loss model on impairment for all financial assets that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(II) ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs AND INTERPRETATION (CONTINUED)

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

- MFRS 15 'Revenue from Contracts with Customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction Contracts' and related interpretations. The standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

  Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

The Group is in the process of reviewing the requirements of MFRS 15 and MFRS 9, especially for MFR 9, to identify critical issues and to design robust methodologies arising from the adoption of this standard. The Group expects this process to be completed prior to the effective date on 1 January 2018.

(2) BASIS OF CONSOLIDATION

(a) Subsidiaries

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

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

<u>Acquisition accounting</u>

The Group applies the acquisition method to account for business combination. The consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. 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 Company. Non-controlling interest is measured either at fair value or proportionate share of the acquiree's identifiable net assets at the acquisition date, determined on a case by case basis. At the end of a reporting period, non-controlling interest consists of the amount calculated on the date of combination and its share of changes in the subsidiary's equity since the date of combination.

Acquisition-related costs are expensed as incurred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

Acquisition accounting (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 income statements.

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

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

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

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

Predecessor accounting

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 reflect both entities' full year results. The corresponding amounts for the previous year are restated to reflect the combined results of both entities.

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION (CONTINUED)

(c) Disposal of subsidiaries

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

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

(d) Joint ventures

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

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

Where necessary, in applying the equity method, adjustments are made to the financial statements of joint ventures to ensure consistency of accounting policies with those of the Group.

(e) Associates

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION (CONTINUED)

(e) Associates (continued)

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

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

(3) INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In the Company's separate financial statements, investments in subsidiaries, associates and joint ventures are stated at cost less accumulated impairment losses. At the end of each reporting period, the Group 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 23 on impairment of non-financial assets.

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

(4) FINANCIAL ASSETS

(a) Classification

The Group classifies its financial assets in the following categories: at fair value through profit or loss, loans and receivables, financial investments AFS and HTM. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification at initial recognition.

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

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

(ii) Loans and receivables

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

(iii) Financial investments AFS

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

(iv) Financial investments HTM

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) FINANCIAL ASSETS (CONTINUED)

(b) Recognition and initial measurement

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

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

(c) Subsequent measurement - gain and loss

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

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

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

Interest and dividend income on financial investments AFS are recognised separately in income statements. Interest on financial investments AFS calculated using the effective interest method is recognised in income statements. Dividend income on financial investments AFS is recognised in non-interest income in income statements when the Group's right to receive payment 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 AFS are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to income statements.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) FINANCIAL ASSETS (CONTINUED)

(e) Offsetting financial instruments

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

(5) REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the banking subsidiaries 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 banking subsidiaries have sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligation to repurchase the securities is reflected as a liability on the statements of financial position.

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

(6) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date on which derivative contracts are entered into and are subsequently re-measured at their fair values. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. Cash collateral held in relation to derivative transactions are carried at amortised cost.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group recognises 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 designates certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or (3) net investment hedge. Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group documents, 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 also documents 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

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

(c) Net investment hedge

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

(d) Derivatives that do not qualify for hedge accounting

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(7) GOODWILL AND INTANGIBLE ASSETS

Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licenses and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group have a definite useful life. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exists, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired. Refer to accounting policy Note 23 on impairment of non-financial assets.

(a) Goodwill

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

Goodwill is stated at cost less accumulated impairment loss and is tested at least annually for impairment. Impairment loss on goodwill (inclusive of impairment losses recognised in a previous interim period) is not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold. Refer to accounting policy Note 23 on impairment of non-financial assets.

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

(b) Computer software licenses

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

(c) Other intangible assets

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

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

Customer relationship	10 years
Brand	3 – 10 years

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(8) 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 Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised as expense in income statements during the financial period in which they are incurred.

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

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

* The remaining period of the lease ranges from 3 to 868 years.

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

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

At the end of the reporting period, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount. Refer to accounting policy Note 23 on impairment of non-financial assets.

(9) NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD-FOR-SALE AND DISCOUNTINUED OPERATION

Non-current assets (or disposal groups) are classified as assets held for sale if their carrying amount will be recovered principally through a sale transaction rather than through continuing use and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell, except for assets such as deferred tax assets, assets arising from employee benefits, financial assets and investment property that are carried at fair value and contractual rights under insurance contracts, which are specifically exempt from this requirement.

An impairment loss is recognised for any initial or subsequent write-down of the asset (or disposal group) to fair value less costs to sell. A gain is recognised for any subsequent increases in fair value less costs to sell of an asset (or disposal group), but not in excess of any cumulative impairment loss previously recognised. A gain or loss not previously recognised by the date of the sale of the non-current asset (or disposal group) is recognised at the date of de-recognition.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(9) NON-CURRENT ASSETS (OR DISPOSAL GROUPS) HELD-FOR-SALE AND DISCOUNTINUED OPERATION (CONTINUED)

Non-current assets (including those that are part of a disposal group) are not depreciated or amortised while they are classified as held for sale. Interest and other expenses attributable to the liabilities of a disposal group classified as held for sale continue to be recognised.

Non-current assets classified as held for sale and the assets of a disposal group classified as held for sale are presented separately from the other assets in the statements of financial position. The liabilities of a disposal group classified as held for sale are presented separately from other liabilities in the statements of financial position.

A discontinued operation is a component of the entity that has been disposed of or is to be distributed to the shareholders or is classified as held for sale and that represents a separate major line of business or geographical area of operations, is part of a single coordinated plan to dispose of such a line of business or area of operations, or is a subsidiary acquired exclusively with a view to resale. The results of discontinued operations are presented separately in the income statements, statements of changes in equity and statements of cash flows.

(10) FINANCIAL LIABILITIES

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

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

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

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

(b) Other financial liabilities measured at amortised cost

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) FINANCIAL LIABILITIES (CONTINUED)

(c) Borrowings measured at amortised cost

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

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

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

(11) RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS

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

(12) LEASES – WHERE THE GROUP IS LESSEE

(a) Operating lease

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

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

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

(b) Finance lease

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) LEASES – WHERE THE GROUP IS LESSOR

(a) Operating lease

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

(b) Finance lease

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

(14) PROVISIONS

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

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

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

(15) FINANCIAL GUARANTEE CONTRACTS

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(16) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group and the Company 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 Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company. The Group and the Company 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 measures 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'.

(17) SHARE CAPITAL

(a) Classification

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

(b) Share issue cost

Incremental costs directly attributable to the issue of new shares or options are 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.

(18) CASH AND CASH EQUIVALENTS

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) REVENUE RECOGNITION

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

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

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

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

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

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

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

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

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

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

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

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

(20) IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortised cost

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost (continued)

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

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

  (i) Adverse changes in the payment status of borrowers in the portfolio; and
  (ii) National or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

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

For loans, advances and financing, the Group first assesses whether objective evidence of impairment exists individually for loans, advances and financing that are individually significant, and individually or collectively for loans, advances and financing that are not individually significant. If the Group determines 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost (continued)

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

(i) Individual impairment allowance

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

(iii) Regulatory reserve

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost (continued)

Bank Negara Malaysia (‘BNM’), had on 6 April 2015, issued the Revised Policy on Classification and Impairment Provisions for Loans/Financing. The requirements to the Revised Policy are effective for financial years beginning on or after 1 January 2015, except for the following:

- Classification of a loan/financing as impaired when the loan/financing is classified as rescheduled and restructured (‘R&R’) in BNM’s Central Credit Reference Information System (‘CCRIS’) effective on or after 1 April 2015. The R&R loan/financing shall only be reclassified from impaired to non-impaired when repayments based on revised and restructured terms have been observed continuously for a period of at least six (6) months; and

- Banking institutions are required to maintain, in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances, effective beginning 31 December 2015.

(b) Assets classified as AFS

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

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

(21) GENERAL INSURANCE

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) GENERAL INSURANCE (CONTINUED)

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

(a) Premium income

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

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

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

(b) Premium liabilities

Premium liabilities refer to the higher of:

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

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

(c) Claim liabilities

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

(d) Acquisition costs and deferred acquisition costs ('DAC')

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

Those costs are deferred to the extent that these costs are recoverable out of future premiums. All other acquisition costs are recognised as an expense when incurred.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) GENERAL INSURANCE (CONTINUED)

(d) Acquisition costs and deferred acquisition costs ('DAC') (continued)

Subsequent to initial recognition, these costs are amortised on a straight-line basis based on the term of expected future premiums. Amortisation is recognised in income statements.

Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in these assets are accounted for by changing the amortisation period and are treated as a change in an accounting estimate.

An impairment review is performed at each reporting date or more frequently when an indication of impairment arises. When the recoverable amount is less than the carrying value, an impairment loss is recognised in income statements. DAC is also considered in the liability adequacy test for each accounting period.

DAC is derecognised when the related contracts are either settled or disposed of.

For presentation purposes, DAC is net off against premium liabilities in the financial statements.

(e) Reinsurance

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

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

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

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) GENERAL INSURANCE (CONTINUED)

(e) Reinsurance (continued)

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

(f) Insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged. These liabilities comprise claims liabilities and premium liabilities.

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

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

(22) EMPLOYEE BENEFITS

(a) Short term employee benefits

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) EMPLOYEE BENEFITS (CONTINUED)

(b) Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Company pay fixed contributions to the national pension scheme, the Employees' Provident Fund. The Group's and the Company's contributions to defined contribution plans are charged to income statements in the period to which they relate. Once the contributions have been paid, the Group and the Company 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.

(23) IMPAIRMENT OF NON-FINANCIAL ASSETS

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

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

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

(24) CURRENT AND DEFERRED INCOME TAXES

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

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

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) CURRENT AND DEFERRED INCOME TAXES (CONTINUED)

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

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

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

(25) CURRENCY CONVERSION AND TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(25) CURRENCY CONVERSION AND TRANSLATION (CONTINUED)

(c) Group companies (continued)

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

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

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

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

(26) SEGMENT REPORTING

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

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Allowance for impairment of financial assets

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

The Group makes allowance for losses based on assessment of recoverability. Management's judgement is made in estimation of the amount and timing of future cash flows in assessing allowance for impairment of financial assets. Among the factors considered are the Group's 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.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (continued)

for the financial year ended 31 December 2015

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(b) Goodwill impairment

Goodwill is tested at least annually for impairment. Testing of goodwill for impairment involves a significant amount of estimation. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Estimating the value in use requires the Group to make an estimate of the expected future cash flows from the CGU. Determining both the expected pre-tax cash flows and the risk adjusted discount rate appropriate to the CGU also require the exercise of judgement. The variables are subject to fluctuations in external market rates and economic conditions beyond management control and are subject to uncertainty and require the exercise of significant judgement. The detailed disclosures on the assessment of impairment of goodwill is disclosed in Note 18 to the financial statements.

(c) Income tax

The Group and the Company are subject to taxation in many jurisdictions and significant judgement is required in estimating the provision for income taxes. There are many transactions and calculations during the course of business for which the ultimate tax determination is uncertain, as tax authorities may challenge some of the Group and the Company's positions and propose adjustments or changes to its tax filings.

Liabilities for taxation and recoverability of tax amount from tax authorities are recognised based on estimates of whether additional taxes will be payable. The estimation process includes seeking advice on the tax treatments where appropriate. Where the final liability for taxation is different from the amounts that were initially recorded, the differences will affect the income tax and deferred tax provisions in the period in which the estimate is revised or the final liability is established.

The Group and the Company review the adequacy of these provisions and tax recoverable amount at the end of each reporting period and adjusts them based on changing facts and circumstances.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

1 GENERAL INFORMATION

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

The principal activity of the Company is investment holding. The Group is involved in commercial banking, Islamic banking, investment banking, stock broking, leasing, offshore banking, offshore trust services, general insurance, unit trust management, asset management and nominee and custodian services.

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

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

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 February 2016.

2 CASH AND SHORT TERM FUNDS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and balances with banks and other financial institutions	**3,842,900**	3,433,011	**2,636**	431
Money at call and deposit placements maturing within one month	**9,039,361**	12,803,897	**2,346,044**	24,509
	12,882,261	16,236,908	**2,348,680**	24,940

Included in the cash and short term funds of the Group are accounts held in trust for remisiers amounting to RM62,824,000 (2014: RM59,480,000).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Licensed banks	**715,838**	1,343,452	**1,050**	1,017
Licensed Islamic banks	**100,011**	340,892	**–**	–
Licensed investment banks	**–**	61,989	**–**	–
BNM	**34,167**	–	**–**	–
Other financial institutions	**526,186**	552,255	**–**	–
	1,376,202	2,298,588	**1,050**	1,017

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

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

	Group 2015 RM'000	Group 2014 RM'000
(a) Designated as fair value through profit or loss	**170,314**	–
(b) Held-for-trading	**1,582,327**	2,930,681
	1,752,641	2,930,681

	2015 RM'000	2014 RM'000
(a) Financial assets designated as fair value through profit or loss		
QUOTED SECURITIES:		
In Malaysia		
Unit trusts	**51,583**	–
UNQUOTED SECURITIES:		
Outside Malaysia		
Private equity funds	**118,731**	–
	170,314	–
(b) Financial assets held-for-trading		
At fair value		
MONEY MARKET INSTRUMENTS:		
Malaysian Government Securities	**289,533**	557,950
Malaysian Government Investment Issues	**50,583**	728,287
Cagamas bonds	**60,163**	6,968
Sukuk Perumahan Kerajaan ('SPK') bonds	**48,819**	20,116
Singapore Government Treasury Bills	**–**	502,281
Other foreign government securities	**84,207**	–
QUOTED SECURITIES:		
In Malaysia		
Shares, exchanged traded funds and warrants	**220,526**	155,976
Unit trusts	**1,910**	56,483
Private debt securities	**3,636**	3,841
Outside Malaysia		
Shares, exchanged traded funds and warrants	**103,946**	150,145
Unit trusts	**126,504**	82,994
UNQUOTED SECURITIES:		
In Malaysia		
Private debt securities	**538,373**	424,192
Commercial paper	**49,379**	49,870
Outside Malaysia		
Private debt securities	**4,748**	17,588
Credit link notes	**–**	173,990
	1,582,327	2,930,681

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

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

In 2008, the Group reclassified a portion of its financial assets FVTPL into financial investments AFS and HTM. The reclassifications 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 effects of the reclassification on the income statements for the period from the date of reclassification to 31 December 2015 were as follows:

	Carrying amount		Fair value	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Group				
Reclassified from financial assets FVTPL to financial investments AFS	**30,188**	29,823	**30,146**	29,450
Reclassified from financial assets FVTPL to financial investments HTM	**–**	21,140	**–**	21,409
	30,188	50,963	**30,146**	50,859

	Group	
	2015 RM'000	2014 RM'000
Fair value loss that would have been recognised if the financial assets FVTPL had not been reclassified	**(42)**	(104)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

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

	Group	
	2015 RM'000	2014 RM'000
At fair value		
MONEY MARKET INSTRUMENTS:		
Malaysian Government Securities	**1,560,326**	1,168,982
Malaysian Government Investment Issues	**2,757,496**	2,413,705
Cagamas bonds	**343,970**	176,532
Khazanah bonds	**60,365**	58,123
1 Malaysia Sukuk	**–**	330,256
Wakala Global Sukuk	**102,010**	84,587
Bankers' acceptances and Islamic accepted bills	**58,458**	73,627
Negotiable instruments of deposits	**349,010**	649,516
SPK bonds	**230,466**	125,034
Malaysia Sovereign Sukuk	**64,572**	–
Singapore Government Securities	**286,214**	161,233
Singapore Government Treasury Bills	**1,184,564**	409,666
Thailand Government bonds	**358,074**	120,895
Other foreign government securities	**30,806**	–
QUOTED SECURITIES:		
In Malaysia		
Shares	**6,014**	15,830
Unit trusts	**14,752**	12,976
Outside Malaysia		
Shares	**10,252**	1,800
Unit trusts	**28,562**	30,368
UNQUOTED SECURITIES:		
In Malaysia		
Private and Islamic debt securities	**15,404,565**	12,664,877
Shares	**672,480**	609,194
Corporate loan stocks	**18,422**	17,843
Prasarana bonds	**145,188**	35,185
Perpetual notes/Sukuk	**286,117**	286,084
Outside Malaysia		
Private and Islamic debt securities	**1,040,551**	442,042
Corporate loan stocks	**–**	2,151
Shares	**387**	396
	25,013,621	19,890,902
Accumulated impairment losses	**(274,825)**	(288,726)
	24,738,796	19,602,176

Included in financial investments AFS are private and Islamic debt securities, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM188,814,000 (2014: RM20,484,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

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

	Group	
	2015 RM'000	2014 RM'000
Movements in allowance for impairment losses:		
Balance as at the beginning of the financial year	**288,726**	492,543
Charge during the financial year	**6,538**	15,601
Written back during the financial year	**(18,294)**	(124,229)
Written off during the financial year	**(2,147)**	–
Disposal/redemption	**(287)**	(65,654)
Transfer to individual impairment allowance	**–**	(29,666)
Exchange differences	**289**	131
Balance as at the end of the financial year	**274,825**	288,726

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

	Group	
	2015 RM'000	2014 RM'000
At amortised cost		
MONEY MARKET INSTRUMENTS:		
Malaysian Government Securities	**2,239,247**	2,343,015
Malaysian Government Investment Issues	**5,366,226**	5,710,589
Cagamas bonds	**1,357,117**	1,846,208
Khazanah bonds	**106,368**	101,835
Negotiable instruments of deposits	**2,222,850**	2,027,550
Wakala Global Sukuk	**306,836**	249,958
SPK bonds	**111,147**	111,178
Singapore Government Securities	**61,267**	187,519
Thailand Government Securities	**163,746**	275,711
Sukuk (Brunei) Incorporation	**45,582**	39,689
UNQUOTED SECURITIES:		
In Malaysia		
Private and Islamic debt securities	**7,736,966**	6,868,950
Corporate loan stocks	**62,607**	70,171
Bonds	**883**	883
Prasarana bonds	**808,227**	810,498
Credit link notes	**30,043**	45,058
Outside Malaysia		
Private and Islamic debt securities	**147,959**	37,222
Credit link notes	**–**	17,891
	20,767,071	20,743,925
Accumulated impairment losses	**(234,835)**	(274,094)
	20,532,236	20,469,831

Included in financial investments HTM are government securities and private and Islamic debt securities, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM4,865,000,000 (2014: RM500,000,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

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

	Group	
	2015 RM'000	2014 RM'000
Movements in allowance for impairment losses:		
Balance as at the beginning of the financial year	**274,094**	274,517
Charge during the financial year	**1,306**	2,817
Written back during the financial year	**(43,668)**	(13,567)
Transfer to individual impairment allowance	**–**	9,871
Exchange differences	**3,103**	456
Balance as at the end of the financial year	**234,835**	274,094

7 LOANS, ADVANCES AND FINANCING

	Group	
	2015 RM'000	2014 RM'000
At amortised cost		
Overdrafts	**6,311,063**	6,327,913
Term loans/financing:		
– Housing loans/financing	**37,023,836**	31,988,629
– Syndicated term loans/financing	**7,353,366**	5,581,599
– Hire purchase receivables/financing	**11,697,202**	13,348,197
– Lease receivables	**20,357**	33,706
– Other term loans/financing	**70,123,673**	66,671,673
Bills receivables	**2,450,943**	2,452,642
Trust receipts	**802,714**	626,381
Claims on customers under acceptance credits	**3,687,879**	3,662,085
Staff loans/financing	**198,233**	221,146
Credit/charge card receivables	**1,978,968**	1,994,710
Revolving credits/financing	**9,738,150**	9,577,509
Gross loans, advances and financing	**151,386,384**	142,486,190
Fair value changes arising from fair value hedges	**(11,158)**	(26,870)
	151,375,226	142,459,320
Allowance for impaired loans, advances and financing:		
– Individual impairment allowance	**(593,147)**	(417,232)
– Collective impairment allowance	**(1,191,118)**	(1,349,085)
Net loans, advances and financing	**149,590,961**	140,693,003

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

Included in loans, advances and financing are housing loans, hire purchase receivables and other term loans/financing sold to Cagamas with recourse amounting to RM3,057,518,000 (2014: RM3,304,749,000).

	Group	
	2015 RM'000	2014 RM'000
(a) By type of customer		
Domestic non-bank financial institutions:		
– Others	**2,096,562**	2,048,118
Domestic business enterprises:		
– Small and medium enterprises	**22,598,253**	16,255,916
– Others	**33,678,193**	36,538,619
Government and statutory bodies	**5,370,404**	7,457,968
Individuals	**68,212,126**	64,275,120
Other domestic entities	**144,371**	124,840
Foreign entities	**19,286,475**	15,785,609
	151,386,384	142,486,190
(b) By geographical distribution		
Malaysia	**131,237,797**	125,761,783
Labuan Offshore	**4,246,116**	3,585,654
Singapore	**12,715,681**	11,017,471
Thailand	**1,065,947**	1,061,038
Brunei	**146,351**	114,997
Indonesia	**28,977**	7,209
Hong Kong	**358,550**	143,844
Cambodia	**1,484,137**	758,885
Lao	**102,828**	35,309
	151,386,384	142,486,190

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group 2015 RM'000	Group 2014 RM'000
(c) By interest/profit rate sensitivity		
Fixed rate:		
– Housing loans/financing	**1,515,718**	1,522,767
– Hire purchase receivables/financing	**11,697,202**	13,348,197
– Other fixed rate loans/financing	**18,021,189**	19,506,915
Variable rate:		
– Base lending/financing rate plus	**70,835,309**	63,266,561
– Cost-plus	**36,183,664**	36,418,784
– Other variable rates	**13,133,302**	8,422,966
	151,386,384	142,486,190
(d) By purpose		
Purchase of securities	**14,440,659**	15,606,564
Purchase of transport vehicles	**10,853,772**	12,222,831
Purchase of landed property:		
– Residential	**37,866,118**	31,469,445
– Non-residential	**12,849,551**	10,633,960
Purchase of property, plant and equipment other than land and building	**3,951,869**	3,675,777
Personal use	**8,331,723**	7,650,256
Credit card	**1,978,968**	1,994,710
Purchase of consumer durables	**37,787**	28,926
Construction	**5,803,757**	4,929,162
Working capital	**37,775,816**	35,060,938
Merger and acquisition	**3,172,991**	3,227,805
Other purpose	**14,323,373**	15,985,816
	151,386,384	142,486,190
(e) By remaining contractual maturities		
Maturity within one year	**47,115,707**	48,168,576
One year to three years	**9,240,476**	8,693,192
Three years to five years	**15,372,854**	11,464,772
Over five years	**79,657,347**	74,159,650
	151,386,384	142,486,190

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2015 RM'000	2014 RM'000
(f) Impaired loans, advances and financing		
(i) Movements in impaired loans, advances and financing		
Balance as at the beginning of the financial year	**2,892,367**	3,426,629
Classified as impaired	**4,070,140**	3,704,991
Reclassified as non-impaired	**(2,468,834)**	(2,497,162)
Amount recovered	**(1,093,995)**	(765,732)
Amount written off	**(581,340)**	(1,021,213)
Transfer from financial investments AFS	**–**	39,543
Exchange differences	**22,873**	5,311
Balance as at the end of the financial year	**2,841,211**	2,892,367
(ii) By purpose		
Purchase of securities	**122,487**	218,313
Purchase of transport vehicles	**135,530**	180,120
Purchase of landed property:		
– Residential	**788,011**	783,908
– Non-residential	**181,580**	181,589
Purchase of property, plant and equipment other than land and building	**48,212**	38,834
Personal use	**164,915**	153,432
Credit card	**37,233**	36,911
Purchase of consumer durables	**868**	1,425
Construction	**108,541**	115,694
Working capital	**1,178,142**	1,139,887
Other purpose	**75,692**	42,254
	2,841,211	2,892,367

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2015 RM'000	**2014 RM'000**
(f) Impaired loans, advances and financing (continued)		
(iii) By geographical distribution		
In Malaysia	**2,539,116**	2,754,303
Labuan Offshore	**12,728**	–
Singapore	**235,737**	104,211
Thailand	**25,792**	21,872
Brunei	**13,077**	8,245
Hong Kong	**1,908**	–
Cambodia	**12,853**	3,736
	2,841,211	2,892,367
(iv) Movements in allowance for impaired loans, advances and financing		
Individual impairment allowance		
Balance as at the beginning of the financial year	**417,232**	903,388
Net allowance made/(written back)	**235,504**	(27,937)
Amount written off	**(69,249)**	(482,988)
Reclassified to collective impairment allowance	**–**	(64)
Transfer to impairment of financial investments HTM	**–**	(9,871)
Transfer from impairment of financial investments AFS	**–**	29,666
Exchange differences	**9,660**	5,038
Balance as at the end of the financial year	**593,147**	417,232
Collective impairment allowance		
Balance as at the beginning of the financial year	**1,349,085**	1,280,266
Net allowance made	**194,513**	405,898
Amount written off	**(365,182)**	(339,584)
Reclassified from individual impairment allowance	**–**	64
Exchange differences	**12,702**	2,441
Balance as at the end of the financial year	**1,191,118**	1,349,085

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

8 CLIENTS' AND BROKERS' BALANCES

	Group 2015 RM'000	Group 2014 RM'000
Amounts owing by clients	**481,139**	828,187
Allowance for impaired balances:		
– Individual impairment allowance	**(16,480)**	(35,505)
– Collective impairment allowance	**(6,654)**	(6,142)
	458,005	786,540
Amounts owing by brokers	**821,511**	522,266
Allowance for impaired balances:		
– Individual impairment allowance	**(1,297)**	(1,309)
	1,278,219	1,307,497
Amounts owing by clearing houses and stock exchanges	**375,994**	217,650
	1,654,213	1,525,147
Movements in allowance for impaired balances are as follows:		
Individual impairment allowance		
Balance as at the beginning of the financial year	**36,814**	38,315
Allowance made/(written back)	**4,941**	(1,198)
Amount written off	**(26,743)**	(1,036)
Exchange differences	**2,765**	733
Balance as at the end of the financial year	**17,777**	36,814
Collective impairment allowance		
Balance as at the beginning of the financial year	**6,142**	4,175
Allowance made	**127**	1,967
Exchange differences	**385**	–
Balance as at the end of the financial year	**6,654**	6,142

9 REINSURANCE ASSETS

	Note	Group 2015 RM'000	Group 2014 RM'000
Claims liabilities	23 (a)	**275,023**	241,647
Premium liabilities	23 (b)	**96,215**	90,466
Balance as at the end of the financial year		**371,238**	332,113

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

10 OTHER ASSETS

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Other debtors	**682,510**	770,176	**–**	2
Cash collateral in relation to derivative transactions	**1,615,586**	620,577	**–**	–
Deposits	**98,786**	87,536	**–**	–
Prepayments	**80,887**	63,700	**50**	3,635
	2,477,769	1,541,989	**50**	3,637

Other debtors of the Group are stated net of allowance for impairment losses of RM23,805,000 (2014: RM13,186,000).

11 DERIVATIVE ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments are used by the Group 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 accounting policies.

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

	Group	
	2015 RM'000	**2014 RM'000**
Derivative assets:		
– Trading derivatives	**3,092,381**	1,269,617
– Fair value hedging derivatives	**10,008**	15,613
	3,102,389	1,285,230
Derivative liabilities:		
– Trading derivatives	**(3,087,579)**	(1,224,684)
– Fair value hedging derivatives	**(2,202)**	–
	(3,089,781)	(1,224,684)
	12,608	60,546

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

11 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

	Group		
	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
2015			
Trading derivatives:			
Foreign exchange related contracts:			
– Forwards/swaps	67,057,530	1,164,438	(947,415)
– Options	1,207,428	8,452	(6,444)
– Cross-currency interest rate swaps	12,746,295	1,765,293	(1,977,751)
	81,011,253	2,938,183	(2,931,610)
Interest rate related contracts:			
– Swaps	39,680,278	154,197	(125,923)
Equity related contracts:			
– Options	303	–	(8)
– Index futures	12	1	–
	315	1	(8)
Structured warrants	87,608	–	(30,038)
Fair value hedging derivatives:			
Interest rate related contracts:			
– Swaps	2,350,000	10,008	(2,202)
		3,102,389	(3,089,781)
2014			
Trading derivatives:			
– Forwards/swaps	23,827,241	454,871	(393,667)
– Options	4,954,671	42,665	(43,381)
– Cross-currency interest rate swaps	11,838,652	640,085	(637,832)
	40,620,564	1,137,621	(1,074,880)
Interest rate related contracts:			
– Swaps	32,733,945	127,082	(136,691)
Equity related contracts			
– Options	15,508	4,914	–
Structured warrants	50,412	–	(13,113)
Fair value hedging derivatives:			
Interest rate related contracts:			
– Swaps	1,950,000	15,613	–
		1,285,230	(1,224,684)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

11 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

(i) Fair value hedges

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

	Group	
	2015 RM'000	**2014 RM'000**
(Loss)/gain on hedging instruments	**(11,959)**	3,878
Gain/(loss) on the hedged items attributable to the hedged risk	**12,639**	(1,504)
	680	2,374

(ii) Net investment hedge

The Group's statements of financial position is affected by gains and losses as a result of the revaluation of net assets of its subsidiary companies denominated in currencies other than its functional currency. The Group hedges its exposures to foreign currency risk via the designation of foreign currency denominated deposits and the fair value as at 31 December 2015 amounting to RM498.0 million (2014: RMNil). The hedging relationship was fully effective for the total hedging period and as of the reporting date. No amounts were withdrawn from equity during the financial year as there was no disposal of foreign operations.

12 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

The amounts due from/(to) subsidiaries are as follows:

		Company	
	Note	**2015 RM'000**	**2014 RM'000**
Amounts due from:			
Cash and short term funds	2	**2,348,678**	24,940
Intercompany balances	(a)	**27**	93
		2,348,705	25,033
Amounts due to:			
Intercompany balances	(a)	**1,929**	1,799
Borrowings	26	**1,456,029**	1,055,505
		1,457,958	1,057,304

(a) The amounts due from/(to) subsidiaries are unsecured, interest free and receivable/(payable) within the normal credit period.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

13 STATUTORY DEPOSITS

		Group	
	Note	2015 RM'000	2014 RM'000
Statutory deposits with BNM	(a)	**4,861,722**	5,187,397
Statutory deposits with Monetary Authority of Singapore	(b)	**156,904**	136,629
Statutory deposits with Ministry of Finance Negara Brunei Darussalam	(c)	**13,845**	14,740
Statutory deposits with Labuan Offshore Financial Services Authority ('LOFSA')	(d)	**100**	100
Statutory deposits and reserve deposits with National Bank of Cambodia ('NBC')	(e)	**238,225**	81,762
Statutory deposits with National Bank of Lao ('BOL')	(f)	**1,434**	379
		5,272,230	5,421,007

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

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

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

(d) Non-interest bearing statutory deposits maintained with LOFSA relating to a trust subsidiary which is maintained in accordance with Section 61(2)(b)(ii) of the Labuan Financial Services and Securities Act 2012.

(e) Included in statutory deposits with NBC are:

(i) Interest bearing statutory deposits of RM28.8 million (2014: RM18.1 million) maintained with NBC in compliance with NBC's Prakas B7-01-136 dated 15 October 2001 as capital guarantee. This deposit bears interest at 0.18% (2014: 0.18%) per annum, and is not available for use in day-to-day operations but it is refundable when RHB Indochina Bank Limited voluntarily ceases to operate its banking business in Cambodia.

(ii) Non-interest bearing deposits of RM209.5 million (2014: RM63.6 million) maintained with NBC as reserve requirements, computed at 12.5% (2014: 12.5%) of customer deposits in Cambodian Riel ('KHR') and in foreign currencies, respectively.

(f) Non-interest bearing statutory deposits maintained with BOL computed at 5% and 10% (2014: 5% and 10%) of customer deposits in Lao Kip ('LAK') and in foreign currencies, respectively.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

14 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		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax assets	**112,201**	38,465	**–**	–
Deferred tax liabilities	**(11,334)**	(53,041)	**–**	(20)
	100,867	(14,576)	**–**	(20)
Deferred tax assets:				
– Settled more than twelve months	**17,771**	10,153	**–**	–
– Settled within twelve months	**193,215**	120,911	**–**	–
Deferred tax liabilities:				
– Settled more than twelve months	**(73,805)**	(107,551)	**–**	–
– Settled within twelve months	**(36,314)**	(38,089)	**–**	(20)
	100,867	(14,576)	**–**	(20)

The deferred tax assets and liabilities have been adjusted to take into account the reduction in tax rate to 24% in Year of Assessment 2016 and thereafter, where adjustments are made based on amounts of temporary differences expected to be reversed in the prospective years.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Group	Note	Property, plant and equipment and intangible assets RM'000	Financial investments AFS RM'000	Tax losses RM'000	Other liabilities RM'000	Other temporary differences RM'000	Total RM'000
2015							
Balance as at the beginning of the financial year		**(80,814)**	**(64,595)**	**203**	**125,061**	**5,569**	**(14,576)**
Transfer from income statements	41	**26,335**	**–**	**3,692**	**57,727**	**2,251**	**90,005**
Transfer to equity		**–**	**24,640**	**–**	**–**	**(332)**	**24,308**
Exchange differences		**(66)**	**(45)**	**174**	**1,258**	**(191)**	**1,130**
Balance as at the end of the financial year		**(54,545)**	**(40,000)**	**4,069**	**184,046**	**7,297**	**100,867**
2014							
Balance as at the beginning of the financial year		(74,624)	(49,353)	260	101,070	2,058	(20,589)
Transfer (to)/from income statements	41	(6,158)	–	(57)	24,316	3,818	21,919
Transfer to equity		–	(15,259)	–	–	(319)	(15,578)
Exchange differences		(32)	17	–	(325)	12	(328)
Balance as at the end of the financial year		(80,814)	(64,595)	203	125,061	5,569	(14,576)

Company	Note	Property, plant and equipment RM'000	Other liabilities RM'000	Total RM'000
2015				
Balance as at the beginning of the financial year		**(20)**	**–**	**(20)**
Transfer from income statements	41	**20**	**–**	**20**
Balance as at the end of the financial year		**–**	**–**	**–**
2014				
Balance as at the beginning of the financial year		(9)	1,190	1,181
Transfer to income statements	41	(11)	(1,190)	(1,201)
Balance as at the end of the financial year		(20)	–	(20)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

	Group	
	2015 RM'000	**2014 RM'000**
Unabsorbed tax losses carried forward	**1,466,272**	1,466,925
Unabsorbed capital allowances carried forward	**24,449**	24,152
	1,490,721	1,491,077

The above deductible temporary differences have no expiry date.

15 INVESTMENTS IN SUBSIDIARIES

	Company	
	2015 RM'000	**2014 RM'000**
Unquoted shares, at cost:		
– In Malaysia	**11,721,353**	11,283,899
– Outside Malaysia	**97,777**	97,777
	11,819,130	11,381,676
Accumulated impairment losses	**(339,331)**	(339,331)
	11,479,799	11,042,345

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by NCI		Principal activities
			2015 %	2014 %	2015 %	2014 %	
RHB Bank Berhad ('RHB Bank')[3]	Malaysia	3,460,585,030.50	**100**	100	**–**	–	Commercial banking and finance business
RHB Islamic Bank Berhad ('RHB Islamic Bank')	Malaysia	1,173,424,002	**100**	100	**–**	–	Islamic banking
RHB Bank (L) Ltd	Malaysia	USD54,000,000	**100**	100	**–**	–	Offshore banking
RHB International Trust (L) Ltd	Malaysia	USD40,000	**100**	100	**–**	–	Labuan trust company
RHB Corporate Services Sdn Bhd	Malaysia	150,000	**100**	100	**–**	–	Corporate secretarial services
RHB Indochina Bank Limited[1,4] ('RHB Indochina Bank')	Cambodia	USD67,000,000	**100**	100	**–**	–	Commercial banking
RHB Bank Lao Limited[1]	Lao PDR	LAK301,500 million	**100**	100	**–**	–	Commercial banking
RHB Capital Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	**–**	–	Nominee services for Malaysian beneficial shareholders
RHB Capital Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**–**	–	Nominee services for foreign beneficial shareholders
RHB Investment Ltd[1]	Singapore	SGD19,000,000	**100**	100	**–**	–	Property investment and rental
Banfora Pte Ltd[1]	Singapore	SGD25,000,000	**100**	100	**–**	–	Property investment and rental

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by NCI		Principal activities
			2015 %	2014 %	2015 %	2014 %	
RHB Bank Nominees Pte Ltd[1]	Singapore	SGD100,000	**100**	100	**–**	–	Nominee services
RHB Leasing Sdn Bhd	Malaysia	10,000,000	**100**	100	**–**	–	Leasing
RHB Trade Services Limited[2]	Hong Kong	HKD2	**100**	100	**–**	–	Issue for the benefit of its immediate holding company, letters of credit to foreign beneficiaries
RHB Capital Properties Sdn Bhd	Malaysia	21,800,000	**100**	100	**–**	–	Property investment
Utama Assets Sdn Bhd	Malaysia	2,300,000	**100**	100	**–**	–	Property investment
RHB Investment Bank Berhad ('RHB Investment Bank')	Malaysia	818,646,000	**100**	100	**–**	–	Merchant banking business, dealing in securities, stock, debt and derivatives, stockbroking business and the business of brokers and dealers in futures and options contracts
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	**–**	–	Nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**–**	–	Nominee services for foreign beneficial shareholders
RHB Nominees Sdn Bhd	Malaysia	25,000	**100**	100	**–**	–	Nominee and custodian services

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by NCI		Principal activities
			2015 %	2014 %	2015 %	2014 %	
RHB Nominees (Asing) Sdn Bhd	Malaysia	25,000	**100**	100	**–**	–	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	25,000	**100**	100	**–**	–	Nominee and custodian services for Malaysian beneficial shareholders
RHB Asset Management Sdn Bhd	Malaysia	10,000,000	**100**	100	**–**	–	Rendering of investment management services, management of unit trust funds and private retirement schemes and provision of investment advisory services
RHB Islamic International Asset Management Berhad	Malaysia	13,000,000	**100**	100	**–**	–	Rendering of Islamic fund management services and management of Islamic unit trust funds
RHB Research Institute Sdn Bhd	Malaysia	500,000	**100**	100	**–**	–	Research services
RHB Private Equity Holdings Sdn Bhd	Malaysia	55,000,002	**100**	100	**–**	–	Investment holding
RHB Private Equity Management Ltd	Malaysia	USD 1	**100**	100	**–**	–	Investment holding, investment management and other ancillary services for private equity business
RHB Private Equity Fund Ltd[11]	Cayman Islands	USD 10,001	**100**	100	**–**	–	Investment company

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by NCI		Principal activities
			2015 %	2014 %	2015 %	2014 %	
RHB International Investments Pte Ltd[1,5] *(formerly known as RHB OSK International Investments Pte Ltd)* ('RII')	Singapore	SGD12,000,000	**100**	100	**–**	–	Investment holding
RHB Asset Management Pte Ltd[1,5] *(formerly known as RHB OSK Asset Management Pte Ltd)* ('RAM')	Singapore	SGD12,100,000	**100**	100	**–**	–	Fund management
RHB Hong Kong Limited[2] *(formerly known as RHB Holdings Hong Kong Limited)*	Hong Kong	HKD300,000,000	**100**	100	**–**	–	Investment holding
RHB Securities Hong Kong Limited[2] *(formerly known as RHB OSK Securities Hong Kong Limited)*	Hong Kong	HKD340,000,000	**100**	100	**–**	–	Securities dealing and provision of securities margin financing and advising on securities
RHB Nominees Hong Kong Limited[2] *(formerly known as RHB OSK Nominees Hong Kong Limited)*	Hong Kong	HKD1	**100**	100	**–**	–	Provision of nominees services

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by NCI		Principal activities
			2015 %	2014 %	2015 %	2014 %	
RHB Futures Hong Kong Limited[2] *(formerly known as RHB OSK Futures Hong Kong Limited)*	Hong Kong	HKD35,000,000	**100**	100	**–**	–	Dealing in futures and options contracts
RHB Finance Hong Kong Limited[2] *(formerly known as RHB OSK Finance Hong Kong Limited)*	Hong Kong	HKD1	**100**	100	**–**	–	Money lending
RHB Capital Hong Kong Limited[2] *(formerly known as RHB OSK Capital Hong Kong Limited)*	Hong Kong	HKD10,000,000	**100**	100	**–**	–	Provision of corporate finance advisory services and to engage in securities dealing activities incidental to its corporate finance advisory activities
RHB Fundamental Capital Hong Kong Limited[2]	Hong Kong	HKD10,000,000	**100**	100	**–**	–	Investment activities
RHB Asset Management Limited[2,13] *(formerly known as RHB OSK Asset Management Limited)*	Hong Kong	HKD17,000,000	**100**	100	**–**	–	Dealing in securities, advising on securities and provision of asset management services

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by NCI		Principal activities
			2015 %	2014 %	2015 %	2014 %	
RHB Wealth Management Hong Kong Limited[2] *(formerly known as RHB OSK Wealth Management Hong Kong Limited)*	Hong Kong	HKD5,000,000	**100**	100	**–**	–	Negotiating or arranging contracts of insurance in or from Hong Kong as the agent of the policy holder or potential policy holder or advising on matters related to insurance
RHB (China) Investment Advisory Co Ltd[2] *(formerly known as RHB OSK (China) Investment Advisory Co. Ltd.)*	People's Republic of China	USD2,000,000	**100**	100	**–**	–	Consulting for investment and business advisory and related services
PT RHB Securities Indonesia[1] *(formerly known as PT RHB OSK Securities Indonesia)*	Indonesia	IDR204,082 million	**99**	99	**1**	1	Securities brokerage and underwriting
PT RHB Asset Management Indonesia[1] *(formerly known as PT RHB OSK Asset Management)*	Indonesia	IDR50,000 million	**98.62**	98.62	**1.38**	1.38	Investment manager
RHB Securities Singapore Pte. Ltd.[1] *(formerly known as DMG & Partners Securities Pte Ltd)* ('RHB Securities Singapore')	Singapore	SGD75,000,000	**100**	100	**–**	–	Provision of stock and share broking services and corporate finance advisory services

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by NCI		Principal activities
			2015 %	2014 %	2015 %	2014 %	
RHB Research Institute Singapore Pte. Ltd.[1] *(formerly known as DMG & Partners Research Pte. Ltd.)*	Singapore	SGD175,000	**100**	100	**–**	–	Financial advisory services
RHB Securities (Thailand) Public Company Limited[1] *(formerly known as RHB OSK Securities (Thailand) Public Company Limited)*	Thailand	THB819,171,600	**99.95**	99.95	**0.05**	0.05	Provision of stock and derivatives broking services
RHB Resources Fund[1,^] *(formerly known as RHB OSK Resources Fund)*	Hong Kong	–	**94.3**	94.4	**5.7**	5.6	Investment in equity and equity related securities of entities operating in substantially related to natural resources industries
RHB Trustees Berhad	Malaysia	6,000,000	**100**	100	**–**	–	Professional retail trustee services (will writing, estate planning and private trust) and corporate trustee services (collective investment schemes)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by NCI		Principal activities
			2015 %	2014 %	2015 %	2014 %	
Malaysian Trustees Berhad	Malaysia	550,000	**100**	100	**–**	–	Engage in the business of trustee agents, executors and administrators pursuant to the Trust Companies Act, 1949
RHB Finexasia.Com Sdn Bhd ('RHB Finex')	Malaysia	11,361,111	**100**	100	**–**	–	Investment holding, development of products and provision of services related to information technology
RHB OSK Indochina Securities Limited[1,6] ('RHBISL')	Cambodia	USD12,500,000	**100**	100	**–**	–	Securities underwriting, dealing, brokerage and investment advisory service
RHB Insurance Berhad ('RHB Insurance')	Malaysia	100,000,000	**94.7**	94.7	**5.3**	5.3	General insurance
RHB-OSK Income Plus Fund 9^	Malaysia	–	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
RHB-OSK Income Plus Fund 2^	Malaysia	–	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
AmIncome Value^	Malaysia	–	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
Straits Asset Holdings Sdn Bhd	Malaysia	48,240,000	**100**	100	**–**	–	Investment holding
RHB Hartanah Sdn Bhd ('RHB Hartanah')	Malaysia	100,000	**100**	100	**–**	–	Property investment

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by NCI		Principal activities
			2015 %	2014 %	2015 %	2014 %	
RHB Property Management Sdn Bhd ('RHB Property Management')	Malaysia	500,000	**100**	100	**–**	–	Property management
RHB Capital (Jersey) Limited	Jersey, Channel Islands	GBP4,012	**100**	100	**–**	–	Investment holding
RHB Kawal Sdn Bhd	Malaysia	1,500,000	**100**	100	**–**	–	Security services
RHB OSK Rupiah Liquid Fund[2,12^]	Indonesia	–	**38.24**	55.79	**61.76**	44.21	Investment in money market instrument and equity market
RHB Capital Berhad's dormant subsidiaries							
RHB Equities Sdn Bhd[7]	Malaysia	20,000,000	**100**	100	**–**	–	Dormant
RHB (Philippines) Inc.[1,8]	Philippines	PHP180,000,000	**100**	100	**–**	–	Dormant
RHBF Sdn Bhd	Malaysia	148,145,176	**100**	100	**–**	–	Dormant
SFSB Services (Melaka) Sdn Bhd	Malaysia	5,000,000	**100**	100	**–**	–	Dormant
SSSB Services (Melaka) Sdn Bhd[9]	Malaysia	40,000,000	**100**	100	**–**	–	Dormant
KYB Sdn Bhd[9]	Malaysia	1,735,137,489	**100**	100	**–**	–	Dormant
RHB Venture Capital Sdn Bhd	Malaysia	2	**100**	100	**–**	–	Dormant
OSKIB Sdn Bhd	Malaysia	660,000,000	**100**	100	**–**	–	Dormant

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by NCI		Principal activities
			2015 %	2014 %	2015 %	2014 %	
RHB Capital Berhad's dormant subsidiaries (continued)							
Positive Properties Sdn Bhd	Malaysia	23,192,000	**100**	100	**–**	–	Dormant
OSK Investment Bank (Labuan) Limited	Malaysia	USD4,811,000	**100**	100	**–**	–	Dormant
RHB OSK Stock 188.Com Sdn Bhd	Malaysia	480,000	**100**	100	**–**	–	Dormant
RHB Bank's dormant subsidiaries							
UMBC Sdn Bhd	Malaysia	499,999,818	**100**	100	**–**	–	Dormant
RHB Delta Sdn Bhd[10]	Malaysia	175,000,000	**100**	100	**–**	–	Dormant
Utama Gilang Sdn Bhd[10]	Malaysia	800,000,000	**100**	100	**–**	–	Dormant
RHB Investment Bank's dormant subsidiaries							
RHB Excel Sdn Bhd[9]	Malaysia	200,000,000	**100**	100	**–**	–	Dormant
RHB Progressive Sdn Bhd[9]	Malaysia	13,500,000	**100**	100	**–**	–	Dormant
RHB Marketing Services Sdn Bhd[10]	Malaysia	100,000	**100**	100	**–**	–	Dormant
RHB Unit Trust Management Berhad[9]	Malaysia	5,000,000	**100**	100	**–**	–	Dormant

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by NCI		Principal activities
			2015 %	2014 %	2015 %	2014 %	
RHB Investment Bank's dormant subsidiaries (continued)							
OSK Futures and Options Sdn Bhd	Malaysia	10,000,000	**100**	100	**–**	–	Dormant
OSK Research Sdn Bhd	Malaysia	500,000	**100**	100	**–**	–	Dormant
RHB OSK International Asset Management Sdn Bhd	Malaysia	7,000,000	**100**	100	**–**	–	Dormant
OSK Nominees (Tempatan) Sdn Berhad	Malaysia	3,670,000	**100**	100	**–**	–	Dormant
OSK Nominees (Asing) Sdn Berhad	Malaysia	2,670,000	**100**	100	**–**	–	Dormant
RHB Islamic Asset Management Sdn Bhd	Malaysia	4,000,000	**100**	100	**–**	–	Dormant
OSK Investment Management Berhad	Malaysia	10,000,000	**100**	100	**–**	–	Dormant
TCL Nominees (Tempatan) Sdn Bhd	Malaysia	644,000	**100**	100	**–**	–	Dormant
TCL Nominees (Asing) Sdn Bhd	Malaysia	4,000	**100**	100	**–**	–	Dormant
KE-ZAN Nominees (Tempatan) Sdn Bhd	Malaysia	650,000	**100**	100	**–**	–	Dormant
KE-ZAN Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**–**	–	Dormant

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by NCI		Principal activities
			2015 %	2014 %	2015 %	2014 %	
RHB Investment Bank's dormant subsidiaries (continued)							
RHB Nominees Singapore Pte. Ltd.[1] *(formerly known as DMG & Partners Nominees Pte Ltd)*	Singapore	SGD2	**100**	100	**–**	–	Inactive
Summit Nominees Pte Ltd[1]	Singapore	SGD2,000	**100**	100	**–**	–	Inactive

Notes:

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

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

3 The Company has recapitalised dividend income from RHB Bank of RM437,454,000 as cost of investment during the financial year.

4 RHB Bank has on 30 January 2015, injected additional capital of USD15,000,000 into RHB Indochina Bank, increasing the share capital from USD52,000,000 to USD67,000,000.

5 On 30 June 2015, RHB Investment Bank subscribed for SGD3,000,000 new ordinary shares in RII. The issued and paid-up share capital of RII increased from SGD9,000,000 to SGD12,000,000. On even date, RII subscribed for SGD3,000,000 new ordinary shares in RAM. The issued and paid-up share capital of RAM increased from SGD9,100,000 to SGD12,100,000.

6 On 9 December 2015, RHBISL became a wholly owned subsidiary of RHB Investment Bank upon divestment of 100% equity interest in RHBISL by RHB Indochina Bank to RHB Investment Bank for a cash consideration of USD12,500,000.

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

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

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

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

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

12 The Group is deemed to have de facto control of RHB OSK Rupiah Liquid Fund ("the Fund") even though it has less than 50% of the voting rights on the basis that the Company is the single largest unit holder of the Fund. All other unit holders individually own less than 5% as at 31 December 2015.

13 On 18 December 2015, RHB Hong Kong Limited subscribed for HKD3,000,000 new ordinary shares in RHB Asset Management Limited for additional working capital purpose. The issued and paid-up share capital of RHB Asset Management Limited increased from HKD14,000,000 to HKD17,000,000.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Note	Group 2015 RM'000	Group 2014 RM'000
Share of net assets of associates	(a)	**–**	–
Share of net assets of joint ventures	(b)	**29,533**	26,957
Less: Allowance for impairment loss		**(13,769)**	(5,936)
		15,764	21,021

(a) Share of net assets of associates

The details of the associates are as follows:

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest 2015 %	Effective equity interest 2014 %	Principal activities
Prostar Capital (Asia-Pacific) Ltd.^ ('Prostar')	Cayman Islands	USD 60	**33.33**	–	Investment holding with undertaking the subsidiaries involved in the investment advisory services and management of private equity funds

^ The associate is being held through RHB Private Equity Management Ltd, a wholly-owned subsidiary of RHB Private Equity Holdings Sdn Bhd, which in turn is a wholly-owned subsidiary of RHB Investment Bank.

As at 31 December 2015, the Group's share of cumulative losses in Prostar of RM940,000 (2014: Nil) has exceeded the cost of investment. Accordingly the Group does not recognise further losses in the current financial year.

There are no capital commitments or contingent liabilities relating to the Group's interest in the associates as at 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

(b) Share of net assets of joint ventures

The details of the joint ventures are as follows:

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest 2015 %	Effective equity interest 2014 %	Principal activities
Vietnam Securities Corporation ('VSEC')	Vietnam	VND135 billion	**49**	49	Securities brokerage, securities investment, consulting and self trading
RHB GC-Millennium Capital Pte Ltd *(formerly known as RHB OSK GC-Millennium Capital Pte Ltd)* ('RHB GC')	Singapore	SGD10,000	**40**	40	Investment activities

There are no capital commitments or contingent liabilities relating to the Group's interest in the joint ventures as at 31 December 2015.

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

(i) Summarised statements of financial position

	VSEC		RHB GC		Total	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Assets						
Cash and cash equivalents	**31,847**	26,493	**27**	26	**31,874**	26,519
Other current assets	**827**	1,223	**40**	32	**867**	1,255
Total assets	**32,674**	27,716	**67**	58	**32,741**	27,774
Liabilities						
Financial liabilities	**(177)**	(200)	**(37)**	(30)	**(214)**	(230)
Other current liabilities	**(47)**	(117)	**–**	–	**(47)**	(117)
Total liabilities	**(224)**	(317)	**(37)**	(30)	**(261)**	(347)
Net assets	**32,450**	27,399	**30**	28	**32,480**	27,427

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

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

(ii) Summarised statements of comprehensive income

	VSEC		RHB GC		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income	**2,270**	2,063	**–**	–	**2,270**	2,063
Interest expense	**(1)**	(1)	**–**	–	**(1)**	(1)
Net interest income	**2,269**	2,062	**–**	–	**2,269**	2,062
Other operating income/(loss)	**(223)**	84	**50**	31	**(173)**	115
Net operating income	**2,046**	2,146	**50**	31	**2,096**	2,177
Other operating expenses	**(1,276)**	(1,163)	**(50)**	(31)	**(1,326)**	(1,194)
Including:						
Depreciation and amortisation	**(149)**	(141)	**–**	–	**(149)**	(141)
Profit before taxation	**770**	983	**–**	–	**770**	983
Taxation	**(158)**	(208)	**–**	–	**(158)**	(208)
Net profit for the financial year	**612**	775	**–**	–	**612**	775

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

	VSEC		RHB GC		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Balance as at the beginning of the financial year	**27,399**	25,283	**28**	(1)	**27,427**	25,282
Net profit for the financial year	**612**	775	**–**	–	**612**	775
Translation reserves	**4,439**	1,341	**2**	29	**4,441**	1,370
Balance as at the end of the financial year	**32,450**	27,399	**30**	28	**32,480**	27,427
Equity interest attributable to net assets	**15,901**	13,425	**12**	11	**15,913**	13,436
Goodwill	**14,204**	14,204	**–**	–	**14,204**	14,204
Accumulated impairment losses	**(13,769)**	(5,936)	**–**	–	**(13,769)**	(5,936)
Exchange differences	**(584)**	(683)	**–**	–	**(584)**	(683)
Carrying value	**15,752**	21,010	**12**	11	**15,764**	21,021

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

17 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land RM'000	Leasehold land: Less than 50 years RM'000	Leasehold land: 50 years or more RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2015										
Cost										
Balance as at the beginning of the financial year		194,917	1,426	133,135	485,098	500,837	636,178	345,798	27,548	2,324,937
Additions		–	–	–	–	44,066	30,669	23,292	2,204	100,231
Disposals		(1,192)	–	–	(1,384)	–	(2,153)	(874)	(4,596)	(10,199)
Written off		–	–	–	–	(2,812)	(11,220)	(2,596)	–	(16,628)
Exchange differences		250	–	16,122	8,482	10,569	5,823	5,575	1,145	47,966
Reclassifications		–	–	–	–	(7,813)	2,770	7,240	–	2,197
Balance as at the end of the financial year		193,975	1,426	149,257	492,196	544,847	662,067	378,435	26,301	2,448,504
Accumulated depreciation										
Balance as at the beginning of the financial year		–	819	7,202	162,797	291,495	504,570	304,216	20,069	1,291,168
Charge for the financial year	37	–	38	493	10,092	31,513	53,226	23,126	2,800	121,288
Disposals		–	–	–	(910)	–	(1,914)	(459)	(4,541)	(7,824)
Written off		–	–	–	–	(2,363)	(12,115)	(1,495)	–	(15,973)
Exchange differences		–	–	205	2,969	3,944	4,196	3,049	589	14,952
Balance as at the end of the financial year		–	857	7,900	174,948	324,589	547,963	328,437	18,917	1,403,611
Accumulated impairment loss										
Balance as at the beginning of the financial year		–	–	–	1,242	–	1,846	–	–	3,088
Reversal for the financial year	40	–	–	–	–	–	(182)	–	–	(182)
Exchange differences		–	–	–	85	–	12	–	–	97
Balance as at the end of the financial year		–	–	–	1,327	–	1,676	–	–	3,003
Net book value as at the end of the financial year		193,975	569	141,357	315,921	220,258	112,428	49,998	7,384	1,041,890

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Freehold land RM'000	Leasehold land: Less than 50 years RM'000	Leasehold land: 50 years or more RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2014										
Cost										
Balance as at the beginning of the financial year		198,140	1,426	130,968	491,807	445,825	545,749	383,063	27,612	2,224,590
Additions		–	–	–	–	51,883	56,987	13,813	2,961	125,644
Disposals		(3,257)	–	–	(7,892)	(169)	(332)	(99)	(3,404)	(15,153)
Written off		–	–	–	–	(1,849)	(18,941)	(2,300)	(10)	(23,100)
Exchange differences		34	–	2,167	1,183	1,896	1,857	1,486	389	9,012
Reclassifications		–	–	–	–	3,251	50,858	(50,165)	–	3,944
Balance as at the end of the financial year		194,917	1,426	133,135	485,098	500,837	636,178	345,798	27,548	2,324,937
Accumulated depreciation										
Balance as at the beginning of the financial year		–	785	6,669	153,867	252,541	427,186	338,211	20,533	1,199,792
Charge for the financial year	37	–	34	507	10,027	30,100	52,042	19,960	2,612	115,282
Disposals		–	–	–	(1,507)	(157)	(248)	(85)	(3,299)	(5,296)
Written off		–	–	–	–	(1,728)	(18,939)	(2,020)	(10)	(22,697)
Exchange differences		–	–	26	410	998	1,322	941	233	3,930
Reclassifications		–	–	–	–	9,741	43,207	(52,791)	–	157
Balance as at the end of the financial year		–	819	7,202	162,797	291,495	504,570	304,216	20,069	1,291,168
Accumulated impairment loss										
Balance as at the beginning of the financial year		–	–	–	2,641	–	1,676	–	–	4,317
Charge for the financial year	40	–	–	–	–	–	169	–	–	169
Reversal for the financial year	40	–	–	–	(1,421)	–	–	–	–	(1,421)
Exchange differences		–	–	–	22	–	1	–	–	23
Balance as at the end of the financial year		–	–	–	1,242	–	1,846	–	–	3,088
Net book value as at the end of the financial year		194,917	607	125,933	321,059	209,342	129,762	41,582	7,479	1,030,681

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group	
	2015 RM'000	2014 RM'000
Cost		
Renovations and improvements	28,982	19,393

Company	Note	Renovations RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Computer equipment RM'000	Total RM'000
2015						
Cost						
Balance as at the beginning of the financial year		400	630	535	954	2,519
Additions		61	80	–	36	177
Disposals		–	–	(154)	–	(154)
Written off		–	(20)	–	(30)	(50)
Balance as at the end of the financial year		461	690	381	960	2,492
Accumulated depreciation						
Balance as at the beginning of the financial year		314	630	472	781	2,197
Charge for the financial year	37	17	18	63	96	194
Disposals		–	–	(154)	–	(154)
Written off		–	(20)	–	(30)	(50)
Balance as at the end of the financial year		331	628	381	847	2,187
Net book value as at the end of the financial year		130	62	–	113	305

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Company	Note	Renovations RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Computer equipment RM'000	Total RM'000
2014						
Cost						
Balance as at the beginning of the financial year		370	625	535	790	2,320
Additions		30	5	–	177	212
Written off		–	–	–	(13)	(13)
Balance as at the end of the financial year		400	630	535	954	2,519
Accumulated depreciation						
Balance as at the beginning of the financial year		302	621	396	675	1,994
Charge for the financial year	37	12	9	76	119	216
Written off		–	–	–	(13)	(13)
Balance as at the end of the financial year		314	630	472	781	2,197
Net book value as at the end of the financial year		86	–	63	173	322

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Accumulated depreciation and impairment loss				
Balance as at the beginning of the financial year	**1,294,256**	1,204,109	**2,197**	1,994
Balance as at the end of the financial year	**1,406,614**	1,294,256	**2,187**	2,197

18 GOODWILL AND INTANGIBLE ASSETS

	Note	Group 2015 RM'000	Group 2014 RM'000
Goodwill on consolidation	(a)	**5,020,840**	5,020,840
Intangible assets:	(b)		
– Customer relationship		**15,262**	17,495
– Brand		**3,379**	9,471
– Trading rights and memberships		**1,361**	1,196
– Computer software license		**306,689**	224,903
		326,691	253,065
		5,347,531	5,273,905

(a) Goodwill on consolidation

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

	Group 2015 RM'000	Group 2014 RM'000
CGU		
Corporate and Investment Banking ('CIB')	**1,287,235**	1,287,235
Retail Banking	**1,058,483**	1,058,483
Business Banking	**421,741**	421,741
Group Treasury	**1,995,202**	1,995,202
RHB Indochina Bank	**116,301**	116,301
RHB Securities Singapore	**63,948**	63,948
PT RHB Securities Indonesia	**74,005**	74,005
Others	**3,925**	3,925
	5,020,840	5,020,840

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 or forecasts approved by Directors covering a three-year (2014: four-year). Cash flows beyond the three-year period are extrapolated using the estimated growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

18 GOODWILL AND INTANGIBLE ASSETS

(a) Goodwill on consolidation (continued)

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

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

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

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

	Discount rate		Growth rate	
	2015 %	**2014 %**	**2015 %**	**2014 %**
CGU				
CIB	**9.5**	8.2	**4.0**	3.0
Retail Banking	**9.5**	8.1	**4.0**	3.0
Business Banking	**9.5**	8.1	**4.0**	3.0
Group Treasury	**9.5**	8.2	**4.0**	3.0
RHB Indochina Bank	**19.1**	18.3	**7.0**	7.0
RHB Securities Singapore	**6.5**	6.1	**2.0**	2.0
PT RHB Securities Indonesia	**9.3**	10.6	**5.0**	5.8

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

18 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(b) Intangible assets

Group	Note	Customer relationship RM'000	Brand RM'000	Trading rights and memberships RM'000	Computer software license RM'000	Total RM'000
2015						
Cost						
Balance as at the beginning of the financial year		22,333	25,098	2,314	873,332	923,077
Additions		–	–	–	142,018	142,018
Disposals		–	–	–	(242)	(242)
Written off		–	–	–	(3,641)	(3,641)
Exchange differences		–	–	337	10,610	10,947
Reclassifications		–	–	–	(2,197)	(2,197)
Balance as at the end of the financial year		22,333	25,098	2,651	1,019,880	1,069,962
Accumulated amortisation						
Balance as at the beginning of the financial year		4,838	15,627	833	617,227	638,525
Amortisation for the financial year	37	2,233	6,092	–	63,435	71,760
Disposals		–	–	–	(161)	(161)
Written off		–	–	–	(1,232)	(1,232)
Exchange differences		–	–	457	4,853	5,310
Balance as at the end of the financial year		7,071	21,719	1,290	684,122	714,202
Accumulated impairment loss						
Balance as at the beginning of the financial year		–	–	285	31,202	31,487
Written back	40	–	–	–	(2,283)	(2,283)
Exchange differences		–	–	(285)	150	(135)
Balance as at the end of the financial year		–	–	–	29,069	29,069
Net book value as at the end of the financial year		15,262	3,379	1,361	306,689	326,691

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2015

18 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(b) Intangible assets (continued)

Group	Note	Customer relationship RM'000	Brand RM'000	Trading rights and memberships RM'000	Computer software license RM'000	Total RM'000
2014						
Cost						
Balance as at the beginning of the financial year		22,333	25,098	2,175	766,878	816,484
Additions		–	–	–	110,859	110,859
Written off		–	–	–	(1,765)	(1,765)
Exchange differences		–	–	139	1,304	1,443
Reclassifications		–	–	–	(3,944)	(3,944)
Balance as at the end of the financial year		22,333	25,098	2,314	873,332	923,077
Accumulated amortisation						
Balance as at the beginning of the financial year		2,605	8,415	766	559,913	571,699
Amortisation for the financial year	37	2,233	7,212	–	58,275	67,720
Written off		–	–	–	(1,666)	(1,666)
Exchange differences		–	–	67	862	929
Reclassifications		–	–	–	(157)	(157)
Balance as at the end of the financial year		4,838	15,627	833	617,227	638,525
Accumulated impairment loss						
Balance as at the beginning of the financial year		–	–	285	27,870	28,155
Charge for the financial year	40	–	–	–	3,321	3,321
Exchange differences		–	–	–	11	11
Balance as at the end of the financial year		–	–	285	31,202	31,487
Net book value as at the end of the financial year		17,495	9,471	1,196	224,903	253,065

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

19 DEPOSITS FROM CUSTOMERS

	Group	
	2015 RM'000	**2014 RM'000**
(a) By type of deposits		
Demand deposits	**29,468,662**	26,239,569
Savings deposits	**8,459,822**	7,927,118
Fixed/investment deposits	**120,190,223**	122,935,277
Negotiable instruments of deposits	**32,301**	32,029
	158,151,008	157,133,993
(b) By type of customer		
Government and statutory bodies	**10,651,504**	11,148,094
Business enterprises	**97,016,465**	97,051,175
Individuals	**45,392,366**	44,344,043
Others	**5,090,673**	4,590,681
	158,151,008	157,133,993
(c) By maturity structure of fixed/investment deposits and negotiable instruments of deposits		
Due within six months	**102,084,856**	101,842,151
Six months to one year	**16,572,590**	20,318,902
One year to three years	**1,532,750**	788,624
Three years to five years	**32,328**	17,629
	120,222,524	122,967,306

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2015 RM'000	**2014 RM'000**
Licensed banks	**15,456,428**	14,973,762
Licensed Islamic banks	**1,853,985**	221,130
Licensed investment banks	**1,008,216**	1,607,590
BNM	**545,216**	515,027
Other financial institutions	**1,782,015**	4,032,109
	20,645,860	21,349,618

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

21 OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Obligations on securities sold under repurchase agreements are securities which the Group has sold from its investment 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 financial assets sold under repurchase agreements are as follows:

	Group	
	2015 RM'000	2014 RM'000
Financial investments AFS	**188,814**	20,484
Financial investments HTM	**4,865,000**	500,000
	5,053,814	520,484

22 CLIENTS' AND BROKERS' BALANCES

	Group	
	2015 RM'000	2014 RM'000
Amounts due to:		
– Clients	**999,812**	988,375
– Brokers	**146,046**	163,925
– Clearing houses and stock exchanges	**202,870**	61,765
	1,348,728	1,214,065

23 GENERAL INSURANCE CONTRACT LIABILITIES

	Group	
	2015 RM'000	2014 RM'000
Claims liabilities	**572,940**	514,960
Premium liabilities	**297,944**	260,739
	870,884	775,699

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

23 GENERAL INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
2015				
Claims reported by policyholders		**416,353**	**(205,126)**	**211,227**
Incurred but not reported claims ('IBNR')		**156,587**	**(69,897)**	**86,690**
Claims liabilities	(a)	**572,940**	**(275,023)**	**297,917**
Premium liabilities	(b)	**297,944**	**(96,215)**	**201,729**
Total		**870,884**	**(371,238)**	**499,646**
2014				
Claims reported by policyholders		365,757	(173,795)	191,962
IBNR		149,203	(67,852)	81,351
Claims liabilities	(a)	514,960	(241,647)	273,313
Premium liabilities	(b)	260,739	(90,466)	170,273
Total		775,699	(332,113)	443,586

	Gross RM'000	Reinsurance RM'000	Net RM'000
(a) Claims liabilities			
2015			
Balance as at the beginning of the financial year	**514,960**	**(241,647)**	**273,313**
Claims incurred in current accident year:			
– Paid	**98,984**	**(25,918)**	**73,066**
– Case reserve	**170,515**	**(90,909)**	**79,606**
– IBNR	**106,690**	**(46,932)**	**59,758**
Claims incurred in prior accident year:			
– Paid	**179,950**	**(85,406)**	**94,544**
– Case reserve	**(398,853)**	**170,902**	**(227,951)**
– IBNR	**(99,306)**	**44,887**	**(54,419)**
Balance as at the end of the financial year	**572,940**	**(275,023)**	**297,917**

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

23 GENERAL INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross RM'000	Reinsurance RM'000	Net RM'000
(a) Claims liabilities (continued)			
2014			
Balance as at the beginning of the financial year	432,709	(181,461)	251,248
Claims incurred in current accident year:			
– Paid	71,277	(25,607)	45,670
– Case reserve	157,602	(87,922)	69,680
– IBNR	114,355	(52,516)	61,839
Claims incurred in prior accident year:			
– Paid	164,701	(54,855)	109,846
– Case reserve	(343,047)	132,074	(210,973)
– IBNR	(82,637)	28,640	(53,997)
Balance as at the end of the financial year	514,960	(241,647)	273,313
(b) Premium liabilities			
2015			
Balance as at the beginning of the financial year	**260,739**	**(90,466)**	**170,273**
Premium written for the financial year	**659,277**	**(224,598)**	**434,679**
Premium earned during the financial year	**(622,072)**	**218,849**	**(403,223)**
Balance as at the end of the financial year	**297,944**	**(96,215)**	**201,729**
2014			
Balance as at the beginning of the financial year	229,502	(79,491)	150,011
Premium written for the financial year	585,429	(205,086)	380,343
Premium earned during the financial year	(554,192)	194,111	(360,081)
Balance as at the end of the financial year	260,739	(90,466)	170,273

24 OTHER LIABILITIES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other creditors and accruals	**1,294,101**	1,017,879	**36,864**	7,925
Deferred income	**170,305**	11,384	**–**	–
Short term employee benefits	**362,078**	402,475	**–**	4,415
Prepaid instalments	**67,846**	71,037	**–**	–
Cash collateral in relation to derivative transactions	**224,721**	105,640	**–**	–
Remisiers' trust deposits	**62,824**	59,480	**–**	–
Amount due to Danaharta	**2,199**	1,935	**–**	–
Amount due to trust funds	**23,783**	44,268	**–**	–
Puttable instruments	**187,268**	–	**–**	–
	2,395,125	1,714,098	**36,864**	12,340

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

25 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS

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

26 BORROWINGS

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Unsecured					
Revolving credits:					
– Ringgit Malaysia ('RM')	(a(i))	**596,840**	404,196	**2,052,868**	1,194,481
– United States Dollar ('USD')	(a(ii))	**107,436**	174,863	**–**	–
– Hong Kong Dollar ('HKD')	(a(iii))	**192,778**	13,524	**–**	–
Term loans:					
– RM	(b(i))	**1,051,706**	1,051,674	**1,051,706**	1,316,860
– USD	(b(ii))	**468,282**	495,029	**–**	–
– Singapore Dollar ('SGD')	(b(iii))	**19,754**	119,089	**–**	–
– Indonesia Rupiah ('IDR')	(b(iv))	**–**	14,115	**–**	–
– Japanese Yen ('JPY')	(b(v))	**–**	2,115	**–**	–
RM1.1 billion 7 years Commercial Papers/ Medium Term Notes	(c)	**–**	600,092	**–**	600,092
		2,436,796	2,874,697	**3,104,574**	3,111,433
Schedule repayment of borrowings:					
– Within one year		**2,109,417**	2,494,452	**3,104,574**	3,111,433
– One year to three years		**236,143**	227,273	**–**	–
– Three years to five years		**91,236**	135,489	**–**	–
– Over five years		**–**	17,483	**–**	–
		2,436,796	2,874,697	**3,104,574**	3,111,433

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

(a) Revolving credits

(i) RM revolving credits

The unsecured RM revolving facilities of the Group and the Company bear interest at rates ranging from 4.17% to 4.25% (2014: 4.25% to 4.40%) and 4.13% to 4.44% (2014: 3.97% to 4.40%) per annum respectively.

(ii) USD revolving credits

The unsecured USD revolving credit facilities of the Group bears interest at 4.29% (2014: 3.49%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

26 BORROWINGS (CONTINUED)

The borrowings of the Group and the Company are as follows: (continued)

(a) Revolving credits (continued)

(iii) HKD revolving credits

The unsecured HKD revolving credit facilities of the Group bears interest at rates ranging from 1.55% to 1.95% (2014: 1.55% to 1.65%) per annum.

(b) Term loans

(i) RM term loans

The Group and the Company have unsecured RM term loans which bear interest at rates ranging from 4.17% to 4.57% (2014: 4.02% to 4.57%) per annum respectively.

(ii) USD term loans

On 7 April 2006, RHB Bank, a wholly-owned subsidiary, 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. Disbursements of USD50 million and USD30 million were 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 interest rate for the year was at 0.72% (2014: ranging from 0.72% to 1.13%) per annum.

On 24 March 2008, RHB 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 interest rate for the year was at 0.64% (2014: ranging from 0.64% to 1.05%) per annum.

On 28 May 2009, RHB Bank entered into a 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 1.12% to 1.53% (2014: 1.12% to 1.53%) per annum.

(iii) SGD term loans

The Group has unsecured SGD term loans which bears interest at 1.89% (2014: ranging from 1.20% to 1.40%) per annum.

(iv) IDR term loans

In 2014, the Group has unsecured IDR term loans which bears interest at 10.65% per annum. The loan has been fully settled during the year.

(v) JPY term loans

In 2014, the Group has unsecured JPY term loans which bears interest at 1.36% per annum. The loan has been fully settled during the year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

26 BORROWINGS (CONTINUED)

The borrowings of the Group and the Company are as follows: (continued)

(c) RM1.1 billion 7 years Commercial Papers/Medium Term Notes ('CP/MTN Programme')

During the current financial year, the Company has fully settled the following Medium Term Notes under the CP/MTN Programme:

Issuance date	Nominal value RM'million	Maturity date	Coupon rate (per annum) 2015	Coupon rate (per annum) 2014
30 December 2010	350	31 December 2015	**4.80%**	4.80%
8 November 2012	250	6 November 2015	**4.15%**	4.15%

Interest for the above Medium Term Notes was payable semi-annually in arrears.

27 SUBORDINATED OBLIGATIONS

	Note	Group 2015 RM'000	Group 2014 RM'000
5.50% RM700 million Tier II Subordinated Notes 2007/2022	(a)	**703,376**	703,586
5.00% RM700 million Tier II Subordinated Notes 2010/2020	(b)	**–**	706,137
5.60% RM300 million Tier II Subordinated Notes 2010/2025	(b)	**302,946**	302,946
4.25% RM250 million Tier II Subordinated Notes 2011/2021	(c)	**251,591**	251,276
4.30% RM750 million Tier II Subordinated Notes 2012/2022	(d)	**754,394**	754,367
4.40% RM1,300 million Tier II Subordinated Notes 2012/2022	(d)	**1,304,484**	1,304,537
4.40% RM245 million Tier II Subordinated Notes 2012/2022	(e)	**245,650**	245,650
7.25% RM125 million Tier II Subordinated Notes 2010/2020	(f)	**–**	127,135
7.15% RM75 million Tier II Subordinated Notes 2010/2020	(g)	**–**	75,543
5.20% RM100 million Tier II Subordinated Notes 2011/2021	(h)	**101,112**	101,112
4.95% RM500 million Tier II Subordinated Sukuk Murabahah 2014/2024	(i)	**503,119**	503,051
4.99% RM1 billion Tier II Subordinated Notes 2014/2024	(j)	**1,024,061**	1,024,062
4.95% RM200 million Tier II Subordinated Notes 2015/2025	(k)	**202,060**	–
4.75% RM500 million Tier II Subordinated Notes 2015/2025	(l)	**502,993**	–
		5,895,786	6,099,402

The subordinated obligations comprise of unsecured liabilities of its commercial bank, investment bank and islamic bank subsidiaries and are subordinated to the senior indebtedness in accordance with their respective terms and conditions of issuance and qualify as Tier II capital as disclosed in Note 50 for the purpose of determining the capital adequacy ratios of the respective subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2015

27 SUBORDINATED OBLIGATIONS (CONTINUED)

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

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

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

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

(b) 5.00% RM700 million Tier II Subordinated Notes 2010/2020 and 5.60% RM300 million Tier II Subordinated Notes 2010/2025

On 29 April 2010, RHB Bank issued RM1 billion nominal value of Subordinated Notes, being the remaining balance of the issuance of RM3 billion in nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme. The RM1 billion Subordinated Notes comprise:

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2010/2020	700	29 April 2020 (callable with step-up in 2015)	5.00% 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 in 2020)	5.60% per annum chargeable to 29 April 2020 (but exclusive of payment date), thereafter on step-up coupon rate of 0.5% per annum	Accrued and payable semi-annually in arrears

RHB Bank had fully redeemed the 5.00% RM700 million Tier II Subordinated Notes 2010/2020 during the current financial year.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

27 SUBORDINATED OBLIGATIONS (CONTINUED)

(c) 4.25% RM250 million Tier II Subordinated Notes 2011/2021

On 31 October 2011, RHB Bank issued RM250 million nominal value of Subordinated Notes, being part of RM3 billion in nominal value of Subordinated Notes and/or Senior Notes under a Multi-Currency Medium Term Note Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2011/2021	250	29 October 2021 (callable in 2016)	4.25% per annum chargeable to 29 October 2021	Accrued and payable semi-annually in arrears

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

27 SUBORDINATED OBLIGATIONS (CONTINUED)

(f) 7.25% RM125 million Tier II Subordinated Notes 2010/2020

On 5 April 2010, RHB Investment Bank issued RM125 million of Subordinated Notes via direct placement. The tenure of issue is 10 years maturing on 6 April 2020 and callable after a minimum period of 5 years from the issue date (i.e. on 6 April 2015) and on every semi-annual coupon payment date thereafter. These Subordinated Notes carry a yield to maturity of 7.25% per annum and a coupon rate of 7.25% per annum. There will be a step-up coupon from 7.25% to 8.25% per annum on the 5th year from the issuance date until the date of early redemption in full or final maturity, whichever is earlier.

RHB Investment Bank had fully redeemed the RM125 million Tier II Subordinated Notes 2010/2020 during the current financial year.

(g) 7.15% RM75 million Tier II Subordinated Notes 2010/2020

On 24 May 2010, RHB Investment Bank issued RM75 million of Subordinated Notes via direct placement. The tenure of issue is 10 years maturing on 25 May 2020 and callable after a minimum period of 5 years from the issue date (i.e. on 25 May 2015) and on every semi-annual coupon payment date thereafter. These Subordinated Notes carry a yield to maturity of 7.15% per annum and a coupon rate of 7.15% per annum. There will be a step-up coupon from 7.15% to 8.15% per annum on the 5th year from the issuance date until the date of early redemption in full or final maturity, whichever is earlier.

RHB Investment Bank had fully redeemed the RM75 million Tier II Subordinated Notes 2010/2020 during the current financial year.

(h) 5.20% RM100 million Tier II Subordinated Notes 2011/2021

On 15 April 2011, RHB Investment Bank issued RM100 million of Subordinated Notes via direct placement. The tenure of issue is 10 years maturing on 15 April 2021 and callable after a minimum period of 5 years from the issue date (i.e. on 15 April 2016) and on every semi-annual coupon payment date thereafter. These Subordinated Notes carry a yield to maturity of 5.20% per annum and a coupon rate of 5.20% per annum. There will be a step-up coupon from 5.20% to 5.25% per annum on the 5th year from the issuance date until the date of early redemption in full or final maturity, whichever is earlier.

(i) 4.95% RM500 million Tier II Subordinated Sukuk Murabahah 2014/2024

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

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

27 SUBORDINATED OBLIGATIONS (CONTINUED)

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

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

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

(k) 4.95% RM200 million Tier II Subordinated Notes 2015/2025

On 16 April 2015, RHB Investment Bank issued RM200 million nominal value of Subordinated Notes, being part of RM1 billion MCMTN Programme.

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

(l) 4.75% RM500 million Tier II Subordinated Notes 2015/2025

On 8 May 2015, RHB Bank issued RM500 million nominal value of Subordinated Notes, being part of RM5 billion MCMTN Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2015/2025	500	8 May 2025 (Callable in 2020)	4.75% per annum chargeable to 8 May 2025	Accrued and payable semi-annually in arrears

28 HYBRID TIER-1 CAPITAL SECURITIES

	Group	
	2015 RM'000	**2014 RM'000**
RM370 million Hybrid Tier-1 Capital Securities	**368,448**	368,107
RM230 million Hybrid Tier-1 Capital Securities	**233,408**	233,408
	601,856	601,515

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

28 HYBRID TIER-1 CAPITAL SECURITIES (CONTINUED)

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

29 SENIOR DEBT SECURITIES

	Note	Group 2015 RM'000	Group 2014 RM'000
USD300 million 3.25% senior debt securities due in 2017	(a)	**1,291,357**	1,049,892
USD200 million 3.25% senior debt securities due in 2017	(a)	**866,244**	707,214
USD300 million 3.088% senior debt securities due in 2019	(b)	**1,293,779**	1,053,549
		3,451,380	2,810,655

The senior debt securities of the Group is as follows:

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

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

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

29 SENIOR DEBT SECURITIES (CONTINUED)

The senior debt securities of the Group is as follows: (continued)

(b) 3.088% USD300 million Senior Debts Securities 2014/2019

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

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

30 SHARE CAPITAL

		Group and Company	
	Note	2015 RM'000	2014 RM'000
Ordinary shares of RM1.00 each			
Authorised:			
Balance as at the beginning/end of the financial year		**5,000,000**	5,000,000
Issued and fully paid:			
Balance as at the beginning of the financial year		**2,572,457**	2,546,910
Shares issued under DRP and renounceable rights issue:			
– Issued on 24 April 2015	(i)	**16,024**	–
– Issued on 18 December 2015	(ii)	**486,194**	–
– Issued on 23 July 2014	(iii)	**–**	25,547
Balance as at the end of the financial year		**3,074,675**	2,572,457

On 1 March 2011, RHB Investment Bank, on behalf of the Company, announced that as part of the Company's capital management plan and to enhance the Company's shareholders' value, the Company has proposed to undertake a dividend reinvestment plan that provides the shareholders the option to elect to reinvest their cash dividend declared by the Company (whether interim, final, special or any other cash dividend) ('Dividend') into new ordinary shares of RM1.00 each in the Company ('RHB Capital Shares') [hereinafter referred to as Dividend Reinvestment Plan ('DRP')]. Approval from shareholders for the DRP and the issuance of new shares arising from the DRP was obtained at the Extraordinary General Meeting held on 6 April 2011.

The DRP further provides that whenever a cash dividend (either an interim, final, special or other dividend) ('Dividend') is proposed, the Board may, in its absolute discretion, determine that the DRP to be applied to the whole or a portion of the cash Dividend and where applicable, any remaining portion of the Dividend will be paid in cash.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

30 SHARE CAPITAL (CONTINUED)

During the financial year, the Company increased its issued and paid up share capital from:

(i) RM2,572,456,783 to RM2,588,481,428 via the issuance of 16,024,645 new ordinary shares of RM1.00 each arising from the DRP relating to the single-tier interim dividend of 6.0% in respect of the financial year ended 31 December 2014 on 24 April 2015; and

(ii) RM2,588,481,428 to RM3,074,674,722 via the renounceable rights issue of 486,193,294 new ordinary shares of RM1.00 each at an issue price of RM4.82 per right share on 18 December 2015, on the basis of one (1) right share for every five (5) existing shares held.

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

(iii) RM2,546,909,962 to RM2,572,456,783 via the issuance of 25,546,821 new ordinary shares of RM1.00 each arising from the DRP relating to the single-tier final dividend of 10.30% in respect of the financial year ended 31 December 2013 on 23 July 2014.

The new ordinary shares issued during the financial year rank pari passu in all respects with the existing shares of the Company.

31 RESERVES

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Retained profits	(a)	**7,560,582**	6,939,829	**711,909**	415,461
Share premium		**6,993,584**	5,053,063	**6,993,584**	5,053,063
Statutory reserve	(b)	**3,972,226**	3,817,799	**–**	–
AFS reserves	(c)	**124,997**	191,619	**–**	–
Translation reserves	(d)	**745,967**	191,334	**–**	–
Regulatory reserve	(e)	**583,153**	–	**–**	–
Other reserves		**29,609**	28,196	**–**	–
		20,010,118	16,221,840	**7,705,493**	5,468,524

(a) Pursuant to the Finance Act, 2007 which was gazetted on 28 November 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Company, but are exempted from tax to the shareholders ('single-tier system'). As at 31 December 2015, the Company's retained profits are distributable profits and may be distributed as dividends under the single-tier system.

As at 31 December 2015, the Company has sufficient tax exempt account balances to pay tax exempt dividends out of its retained earnings.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

31 RESERVES (CONTINUED)

(b) Statutory reserve represents non-distributable profits held by:

(i) The commercial banking subsidiary in compliance with Section 47(2)(f) of Financial Services Act, 2013 and Section 18 of the Singapore Finance Companies (Amendment) Act, 1994;

(ii) The investment banking subsidiary in compliance with Section 47(2)(f) of Financial Services Act, 2013;

(iii) The Islamic banking subsidiary in compliance with Section 12 of Islamic Financial Services Act, 2013; and

(iv) The Thailand's stockbroking subsidiary in compliance with Section 116 of the Public Limited Company Act B.E. 2535 in Thailand.

The statutory reserve funds are not distributable as cash dividends.

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

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

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

32 NON-CONTROLLING INTERESTS ('NCI')

	Group	
	2015 RM'000	2014 RM'000
Balance as at the beginning of the financial year	**99,789**	203,656
Share of profit during the financial year	**12,606**	25,464
Exchange differences	**18,948**	2,205
Share of AFS reserves during the financial year, net of tax	**33**	(12,440)
Actuarial gain on defined benefit plan of subsidiaries, net of tax	**4**	11
Dividends paid	**(1,325)**	(993)
Acquisition of a subsidiary	**–**	51,044
Acquisition of additional interests by NCI	**–**	21,389
Dilution of interest in a subsidiary	**1,077**	–
Acquisition of additional interests from NCI	**–**	(190,547)
Reclassification of puttable instruments to other liabilities	**(106,514)**	–
Balance as at the end of the financial year	**24,618**	99,789

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

33 INTEREST INCOME

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Loans and advances	**6,326,183**	5,863,498	**–**	–
Money at call and deposits and placements with banks and other financial institutions	**149,639**	222,062	**4,669**	559
Securities purchased under resale agreements	**2,027**	268	**–**	–
Financial assets FVTPL	**59,419**	48,449	**–**	–
Financial investments AFS	**681,801**	572,043	**–**	–
Financial investments HTM	**683,582**	746,599	**–**	–
Others	**32,683**	16,780	**–**	6,135
	7,935,334	7,469,699	**4,669**	6,694
Of which:	**–**			
Interest income accrued on impaired financial assets	**164,069**	167,672	**–**	–

34 INTEREST EXPENSE

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits and placements of banks and other financial institutions	**425,090**	430,515	**–**	–
Deposits from customers	**3,497,578**	3,186,110	**–**	–
Borrowings	**100,156**	106,982	**132,309**	128,154
Senior debt securities	**101,054**	60,906	**–**	–
Subordinated obligations	**260,368**	235,886	**–**	–
Hybrid Tier-1 Capital Securities	**45,128**	45,102	**–**	–
Recourse obligation on loans sold to Cagamas	**98,485**	46,418	**–**	–
Obligations on securities sold under repurchase agreements	**61,985**	1,815	**–**	–
Others	**45,692**	64,633	**–**	–
	4,635,536	4,178,367	**132,309**	128,154

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

35 OTHER OPERATING INCOME

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fee income					
Service charges and fees		**223,275**	235,220	**–**	–
Commission		**148,823**	169,780	**–**	–
Guarantee fees		**65,937**	66,636	**–**	–
Commitment fees		**60,559**	56,381	**–**	–
Net brokerage income		**336,759**	362,875	**–**	–
Fund management fees		**135,891**	114,532	**–**	–
Unit trust fee income		**91,145**	45,849	**–**	–
Corporate advisory fees		**50,093**	161,611	**–**	–
Underwriting and arrangement fees		**122,681**	105,628	**–**	–
Other fee income		**63,393**	135,319	**–**	–
		1,298,556	1,453,831	**–**	–
Net gain/(loss) arising from financial assets FVTPL					
– Net (loss)/gain on disposal		**(30,118)**	62,558	**–**	–
– Unrealised net gain/(loss) on revaluation		**1,342**	(30,775)	**–**	–
– Gross dividend income		**18,045**	8,526	**–**	–
		(10,731)	40,309	**–**	–
Net gain on revaluation of derivatives		**41,921**	6,982	**–**	–
Net gain on fair value hedges	11	**680**	2,374	**–**	–
Net gain arising from financial investments AFS					
– Net gain on disposal		**59,227**	50,851	**–**	–
– Gross dividend income		**29,978**	26,926	**–**	–
		89,205	77,777	**–**	–
Net gain arising from financial investments HTM					
– Net gain on early redemption		**249**	12,782	**–**	–
Gross dividend income from subsidiaries		**–**	–	**614,163**	206,956

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

35 OTHER OPERATING INCOME (CONTINUED)

		Group		Company	
	Note	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other income					
Net foreign exchange gain/(loss):					
– Realised		**(126,322)**	325,069	**–**	(27,864)
– Unrealised		**494,044**	37,055	**–**	–
Insurance underwriting surplus before management expenses		**141,826**	144,223	**–**	–
Net gain on disposal of property, plant and equipment/ intangible assets		**7,270**	17,686	**55**	–
Rental income		**1,222**	1,489	**–**	–
Net loss on disposal of a subsidiary		**–**	(247)	**–**	–
Net gain on disposal of an associate	54(h)	**–**	8,202	**–**	–
Other operating income		**72,236**	76,434	**–**	–
Other non-operating income		**5,300**	7,430	**100**	–
		595,576	617,341	**155**	(27,864)
		2,015,456	2,211,396	**614,318**	179,092

36 NET INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	2015 RM'000	2014 RM'000
Income derived from investment of depositors' fund	**1,713,727**	1,325,425
Income derived from investment of shareholders' fund	**141,147**	130,232
	1,854,874	1,455,657
Income attributable to depositors	**(978,957)**	(723,506)
	875,917	732,151
Of which:		
Financing income earned on impaired financing and advances	**8,263**	13,995

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

37 OTHER OPERATING EXPENSES

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Personnel costs				
Salaries, bonuses, wages and allowances	**1,622,442**	1,627,368	**2,512**	11,652
Defined contribution plan	**223,499**	223,598	**402**	1,649
Career transition scheme ('CTS')	**308,801**	–	**–**	–
Other staff related costs	**164,365**	176,604	**121**	239
	2,319,107	2,027,570	**3,035**	13,540
Establishment costs				
Property, plant and equipment:				
– Depreciation	**121,288**	115,282	**194**	216
– Written off	**655**	403	**–**	–
Intangible assets:				
– Amortisation	**71,760**	67,720	**–**	–
– Written off	**2,409**	99	**–**	–
Information technology expenses	**186,744**	159,349	**3**	5
Repair and maintenance	**35,362**	37,780	**22**	82
Security and escorting charges	**49,146**	52,031	**–**	10
Rental of premises	**151,603**	144,911	**100**	279
Water and electricity	**39,751**	38,183	**17**	58
Rental of equipment	**14,959**	11,501	**–**	–
Insurance	**48,144**	23,458	**–**	–
Others	**14,311**	15,757	**–**	–
	736,132	666,474	**336**	650
Marketing expenses				
Sales commission	**142,261**	139,243	**–**	–
Advertisement and publicity	**79,180**	83,687	**1,169**	1,239
Others	**127,594**	133,374	**33**	120
	349,035	356,304	**1,202**	1,359

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

37 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Administration and general expenses				
Auditors' remuneration				
(i) Audit:				
Statutory audit:				
– Malaysia	**2,990**	2,763	**206**	190
– Overseas	**2,515**	1,899	**–**	–
Limited review	**425**	430	**–**	–
Other audit related	**300**	300	**–**	–
(ii) Non-audit:				
– Malaysia	**808**	1,232	**672**	624
– Overseas	**77**	–	**–**	–
Communication expenses	**166,384**	153,874	**123**	156
Legal and professional fees	**30,195**	62,153	**5,800**	10,257
Others	**185,194**	138,169	**23,821**	1,376
	388,888	360,820	**30,622**	12,603
	3,793,162	3,411,168	**35,195**	28,152

Included in the personnel costs of the Group and Company are the Group Managing Director's remuneration (excluding estimated monetary value of benefits-in-kind) totalling RM8,029,000 (2014: RM6,093,000) and RM2,960,000 (2014: RM6,093,000) respectively as disclosed in Note 38.

Included in the administration and general expenses of the Group and Company are other Directors' remuneration (excluding estimated monetary value of benefits-in-kind) totalling RM3,657,000 (2014: RM3,525,000) and RM1,449,000 (2014: RM1,370,000) respectively as disclosed in Note 38.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

38 DIRECTORS' REMUNERATION

	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
Group				
2015				
Group Managing Director				
Dato' Khairussaleh Ramli (Appointed on 5 May 2015)	**1,646**	**36**	**3,423**	**5,105**
Kellee Kam Chee Khiong (Resigned on 4 May 2015)	**960**	**10**	**2,000**	**2,970**
	2,606	**46**	**5,423**	**8,075**
2014				
Group Managing Director				
Kellee Kam Chee Khiong	2,343	36	3,750	6,129
Company				
2015				
Group Managing Director				
Kellee Kam Chee Khiong (Resigned on 4 May 2015)	**960**	**10**	**2,000**	**2,970**
2014				
Group Managing Director				
Kellee Kam Chee Khiong	2,343	36	3,750	6,129

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

38 DIRECTORS' REMUNERATION (CONTINUED)

	Group				Company			
	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000
2015								
Non-executive Directors								
Dato' Mohamed Khadar Merican	**507**	**18**	**328**	**853**	**180**	**18**	**140**	**338**
Tan Sri Azlan Zainol	**424**	**31**	**79**	**534**	**150**	**–**	**37**	**187**
Datuk Haji Faisal Siraj	**470**	**–**	**247**	**717**	**150**	**–**	**57**	**207**
Tan Sri Dato' Teo Chiang Liang	**220**	**–**	**101**	**321**	**150**	**–**	**66**	**216**
Datuk Seri Saw Choo Boon	**322**	**–**	**271**	**593**	**150**	**–**	**100**	**250**
Mohamed Ali Ismaeil Ali AlFahim	**420**	**–**	**56**	**476**	**150**	**–**	**18**	**168**
Dato' Nik Mohamed Din Datuk Nik Yusoff	**202**	**–**	**10**	**212**	**92**	**–**	**9**	**101**
	2,565	**49**	**1,092**	**3,706**	**1,022**	**18**	**427**	**1,467**
2014								
Non-executive Directors								
Dato' Mohamed Khadar Merican	493	31	215	739	180	31	37	248
Tan Sri Azlan Zainol	458	31	57	546	150	–	26	176
Datuk Haji Faisal Siraj	470	–	232	702	150	–	62	212
Tan Sri Dato' Teo Chiang Liang	270	–	116	386	150	–	62	212
Datuk Seri Saw Choo Boon	320	–	227	547	150	–	100	250
Dato' Nik Mohamed Din Datuk Nik Yusoff	311	–	28	339	150	–	23	173
Mohamed Ali Ismaeil Ali AlFahim	273	–	42	315	97	–	20	117
Datuk Wira Jalilah Baba	12	–	1	13	12	–	1	13
	2,607	62	918	3,587	1,039	31	331	1,401

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2015

39 ALLOWANCE FOR IMPAIRMENT ON LOANS, FINANCING AND OTHER LOSSES

	Group	
	2015 RM'000	2014 RM'000
Allowance for impaired loans and financing:		
– Individual impairment allowance made/(written back)	**235,504**	(27,937)
– Collective impairment allowance made	**194,513**	405,898
Impaired loans and financing recovered	**(265,300)**	(377,039)
Impaired loans and financing written off	**157,947**	204,425
Allowance made for impairment on other debtors	**17,650**	895
	340,314	206,242

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

	Group		Company	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Charge for the financial year				
– Financial investments AFS	**6,538**	15,601	**–**	–
– Financial investments HTM	**1,306**	2,817	**–**	–
– Property, plant and equipment	**–**	169	**–**	–
– Intangible assets	**–**	3,321	**–**	–
– Investment in a joint venture	**7,833**	–	**–**	–
– Investments in subsidiaries	**–**	–	**–**	2,717
– Waiver of intercompany balances	**–**	–	**34**	–
	15,677	21,908	**34**	2,717
Reversal for the financial year:				
– Financial investments AFS	**(18,294)**	(124,229)	**–**	–
– Financial investments HTM	**(43,668)**	(13,567)	**–**	–
– Property, plant and equipment	**(182)**	(1,421)	**–**	–
– Intangible assets	**(2,283)**	–	**–**	–
– Waiver of intercompany balances	**–**	–	**–**	(5,545)
	(64,427)	(139,217)	**–**	(5,545)
	(48,750)	(117,309)	**34**	(2,828)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

41 TAXATION

	Note	Group 2015 RM'000	Group 2014 RM'000	Company 2015 RM'000	Company 2014 RM'000
Income tax based on profit for the financial year:					
– Malaysian income tax		**603,075**	680,961	**669**	61
– Overseas tax		**29,351**	34,937	**–**	–
Deferred tax	14	**(90,005)**	(21,919)	**(20)**	1,201
		542,421	693,979	**649**	1,262
Under/(Over) provision in respect of prior financial years		**40,290**	(22,390)	**5**	(276)
		582,711	671,589	**654**	986

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

	Group 2015 %	Group 2014 %	Company 2015 %	Company 2014 %
Tax at Malaysian statutory tax rate	**25.0**	25.0	**25.0**	25.0
Tax effects in respect of:				
Effects of different tax rate in Labuan/other countries	**–**	(0.6)	**–**	–
Non-taxable income	**(1.3)**	(1.4)	**(33.5)**	(160.3)
Non-allowable expenses	**3.4**	2.4	**8.6**	139.2
Temporary differences not recognised in prior years	**(1.3)**	–	**–**	–
Under/(Over) provision in respect of prior years	**1.9**	(0.8)	**–**	(0.9)
	27.7	24.6	**0.1**	3.0

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 EARNINGS PER SHARE ('EPS')

(a) Basic earnings per share

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

	Group	
	2015 RM'000	**2014 RM'000**
Net profit attributable to equity holders	**1,511,427**	2,038,000
Weighted average number of ordinary shares in issue ('000)	**2,602,169**	2,558,249
Basic EPS (sen)	**58.1**	79.7

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2015. As a result, the diluted EPS equal to the basic EPS for financial year ended 31 December 2015.

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

Attributable to equity holders of the Company:

	Group		
	Before tax RM'000	**Tax benefits RM'000**	**Net of tax RM'000**
2015			
Financial investments AFS			
– Fair value loss on revaluation, net of transfer to income statements	**(91,262)**	24,640	(66,622)
Actuarial gain on defined benefit plan of subsidiaries	**1,563**	(331)	1,232
	(89,699)	24,309	(65,390)
2014			
Financial investments AFS			
– Fair value gain on revaluation, net of transfer to income statements	**87,017**	(17,787)	69,230
Actuarial gain on defined benefit plan of subsidiaries	**1,276**	(319)	957
	88,293	(18,106)	70,187

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

44 ORDINARY DIVIDENDS

Dividends declared or proposed during the financial year are as follows:

	Group and Company			
	2015		2014	
	Dividend per share %	Total dividend RM'000	Dividend per share %	Total dividend RM'000
Ordinary shares:				
Interim dividend	**12.00%**	**368,961**	6.00%	154,347

The Directors have declared a single-tier interim cash dividend of 12.00% per share amounting to RM368,961,000 in respect of the financial year ended 31 December 2015. The interim dividend was approved by the Board of Directors on 28 January 2016.

The financial statements for the current financial year do not reflect this single-tier declared interim dividend. This dividend payment will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2016.

The Directors do not propose any final dividend in respect of the financial year ended 31 December 2015.

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

	Group and Company			
	2015		2014	
	Dividend per share %	Amount of dividends, single-tier RM'000	Dividend per share %	Amount of dividends, single-tier RM'000
Ordinary shares				
Interim dividend – 2014	**6.00%**	**154,347**	–	–
Final dividend – 2013	**–**	**–**	10.30%	262,332
	6.00%	**154,347**	10.30%	262,332

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

45 COMMITMENT AND CONTINGENCIES

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

As disclosed in Note 53, the Company announced that it proposed to undertake the Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment and Proposed Transfer of Listing Status of the Company. The assets and liabilities, including the commitments and contingencies below are classified as held for sale because they are held for distribution to owners of the Group:

Group	2015 RM'000	2014 RM'000
Direct credit substitutes#	**2,352,315**	2,659,088
Transaction-related contingent items#	**5,148,273**	4,829,166
Short term self-liquidating trade-related contingencies	**1,840,490**	1,822,569
Obligations under underwriting agreements	**76,000**	–
Lending of banking subsidiaries' securities or the posting of securities as collateral by banking subsidiaries, including instances where these arise out of repo-style transactions	**5,212,499**	517,610
Irrevocable commitments to extend credit:		
– Maturity not exceeding one year	**2,903,165**	2,701,468
– Maturity exceeding one year	**29,517,195**	30,652,168
Foreign exchange-related contracts^:		
– Less than one year	**67,040,910**	28,493,237
– One year to less than five years	**13,240,884**	11,522,508
– More than five years	**541,189**	469,108
Equity related contracts^		
– Less than one year	**315**	15,508
Interest rate-related contracts^:		
– Less than one year	**8,067,611**	5,959,805
– One year to less than five years	**31,884,672**	27,736,220
– More than five years	**2,077,995**	987,920
Any commitments that are unconditionally cancelled at any time by the banking subsidiaries without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**16,858,657**	15,137,896
	186,762,170	133,504,271

Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of RM5,148,273,000 (2014: RM4,829,166,000).

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2015

45 COMMITMENT AND CONTINGENCIES (CONTINUED)

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

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

	Group	
	2015 RM'000	2014 RM'000
Corporate guarantee in favour of client's trading facilities granted by a subsidiary	**68,000**	68,000

	Company	
	2015 RM'000	2014 RM'000
Corporate guarantee provided to licensed banks for credit facilities granted to subsidiaries	**91,401**	214,243
Corporate guarantee in favour of client's trading facilities granted by a subsidiary	**68,000**	68,000
Letter of undertaking in favour of Monetary Authority of Singapore provided for a subsidiary	**151,950**	132,315
	311,351	414,558

The maturity of the financial guarantee contracts of the Company is less than one year (2014: less than one year).

46 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

The Group has 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	
	2015 RM'000	2014 RM'000
Rental of premises:		
– Within one year	**81,441**	82,162
– Between one to five years	**69,746**	69,377
– More than five years	**577**	97
	151,764	151,636

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

47 CAPITAL COMMITMENTS

	Group	
	2015 RM'000	**2014 RM'000**
Capital expenditure for property, plant and equipment:		
– Authorised and contracted for	**177,638**	109,535
– Authorised but not contracted for	**300,694**	202,131
	478,332	311,666

48 RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

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

Related parties	Relationship
Employees Provident Fund ('EPF')	Substantial shareholder, a fund body that is significantly influenced by the government
Subsidiaries, associates and joint ventures of EPF as disclosed in its financial statements	Reporting entities that EPF has control or significant influence
Subsidiaries of the Company as disclosed in Note 15	Subsidiaries
Key management personnel	The key management personnel of the Group and the Company consists of: – All Directors of the Company and its key subsidiaries; and – Members of the Group Management Committee ('GMC')
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel; and (ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

(b) Significant related party balances and transactions

In addition to related party disclosures mentioned in Note 12, set out below are other significant related party transactions and balances.

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

48 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	2015		2014	
	Key management personnel RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	EPF and EPF Group of companies RM'000
Group				
Income				
Interest on loans, advances and financing	**469**	**58,216**	220	50,691
Interest on financial investments AFS	**–**	**5,788**	–	6,059
Fee income	**2,855**	**20,189**	4	11,598
Insurance premium	**195**	**37,056**	33	27,723
Brokerage income	**395**	**16,389**	–	18,024
Other income	**38**	**85**	–	14,964
	3,952	**137,723**	257	129,059
Expenses				
Interest on deposits from customers	**1,489**	**7,402**	1,264	11,711
Insurance premium	**375**	**–**	–	–
Marketing expenses	**518**	**780**	–	–
Rental of premises	**11,002**	**–**	11,038	–
Other expenses	**20**	**8,660**	38	6,241
	13,404	**16,842**	12,340	17,952
Amounts due from				
Loans, advances and financing	**13,269**	**1,591,114**	8,776	1,280,989
Clients' and brokers' balances	**2,480**	**78,001**	–	54,400
Financial investments AFS	**–**	**80,570**	–	145,631
Other assets	**5**	**13,803**	–	1,845
	15,754	**1,763,488**	8,776	1,482,865
Amounts due to				
Deposits from customers	**109,446**	**524,847**	73,295	915,909
Clients' and brokers' balances	**–**	**29,327**	–	103,825
Other liabilities	**22**	**7,687**	–	30,271
	109,468	**561,861**	73,295	1,050,005

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

48 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Subsidiary companies	
	2015 RM'000	**2014 RM'000**
Company		
Income		
Interest on deposits and placements with other financial institutions	**4,634**	520
Waiver of intercompany balances	**(34)**	5,545
Dividend income	**614,163**	206,956
	618,763	213,021
Expenses		
Interest on borrowings	**47,073**	36,977
Rental of premises	**–**	179
Legal and professional fees	**310**	2,691
Security and escorting charges	**–**	10
Personnel costs	**2**	15
Other expenses	**12**	17
	47,397	39,889
Amounts due from		
Cash and short term funds	**2,348,678**	24,940
Intercompany balances	**27**	93
	2,348,705	25,033
Amounts due to		
Intercompany balances	**1,929**	1,799
Borrowings	**1,456,029**	1,055,505
	1,457,958	1,057,304

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

48 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel

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

	Group		Company	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Short term employee benefits:				
– Fees	**2,565**	2,607	**1,022**	1,039
– Salary and other remuneration	**23,613**	26,094	**2,986**	6,564
– Contribution to EPF	**3,251**	3,886	**402**	1,111
– Benefits-in-kind	**196**	213	**28**	67
	29,625	32,800	**4,438**	8,781

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

	Group	
	2015 RM'000	**2014 RM'000**
Approved limit on loans, advances and financing for key management personnel	**35,484**	27,722

49 SEGMENT REPORTING

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

Pursuant to the Group's refinement on internal fund transfer-pricing methodology and internal management reporting framework, funding center is now under the purview and responsibility of Group Treasury. As such, the Group has restated the corresponding segment information in all affected business segments retrospectively. The funding center was previously categorised under 'Support Center and Others' segment.

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

(a) Corporate and Investment Banking ('CIB')

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

49 SEGMENT REPORTING (CONTINUED)

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

(a) Corporate and Investment Banking ('CIB') (continued)

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

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

(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, non-residential mortgages, hire purchase, purchase of securities, credit cards and other personal loans and financing), remittances, deposits collection, investment related products, and general and takaful insurance products.

(c) Business Banking

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

(d) Group Treasury

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

(e) Group International Business

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

(f) Support Center and Others

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

49 SEGMENT REPORTING (CONTINUED)

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

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

(a) Segment analysis

	CIB RM'000	Retail Banking RM'000	Business Banking RM'000	Group Treasury RM'000	Group International Business RM'000	Support Center and Others RM'000	Inter-Segment Elimination RM'000	Total RM'000
2015								
External revenue	1,758,079	2,464,246	937,992	537,156	557,887	(64,189)	–	6,191,171
Inter-segment revenue	50,408	41,314	–	42,991	6,203	(5,151)	(135,765)	–
Segment revenue	1,808,487	2,505,560	937,992	580,147	564,090	(69,340)	(135,765)	6,191,171
Other operating expenses	(1,139,533)	(1,330,846)	(474,435)	(177,526)	(358,463)	(448,124)	135,765	(3,793,162)
Including:								
Depreciation of property, plant and equipment	(27,571)	(61,191)	(7,103)	(2,882)	(12,888)	(9,653)	–	(121,288)
Amortisation of intangible assets	(20,839)	(27,494)	(10,240)	(6,851)	(6,336)	–	–	(71,760)
Career transition scheme	–	–	–	–	–	(308,801)	–	(308,801)
Allowance for impairment on loans, financing and other losses	(133,512)	(27,267)	(101,021)	(8,461)	(70,701)	648	–	(340,314)
Impairment losses written back on other assets	15,428	12	23	32,975	312	–	–	48,750
Segment profit/(loss)	550,870	1,147,459	362,559	427,135	135,238	(516,816)	–	2,106,445
Share of results of associates and joint ventures								299
Profit before taxation								2,106,744
Taxation								(582,711)
Net profit for the financial year								1,524,033

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

49 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

	CIB RM'000	Retail Banking RM'000	Business Banking RM'000	Group Treasury RM'000	Group International Business RM'000	Support Center and Others RM'000	Total RM'000
2015							
Segment assets:	53,924,237	69,218,588	19,873,763	57,457,406	26,933,037	704,765	228,111,796
Investments in associates and joint ventures							15,764
Tax recoverable							260,965
Deferred tax assets							112,201
Unallocated assets							2,216,941
Total assets							230,717,667
Segment liabilities:	44,822,949	41,169,990	22,216,305	63,205,292	20,742,032	40,605	192,197,173
Tax liabilities							37,247
Deferred tax liabilities							11,334
Borrowings							2,436,796
Subordinated obligations							5,895,786
Hybrid Tier-1 Capital Securities							601,856
Senior debt securities							3,451,380
Unallocated liabilities							2,976,684
Total liabilities							207,608,256
Other segment items:							
Capital expenditure	48,043	119,183	37,689	9,656	13,549	14,129	242,249

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

49 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

	CIB RM'000	Retail Banking RM'000	Business Banking RM'000	Group Treasury RM'000	Group International Business RM'000	Support Center and Others RM'000	Inter-Segment Elimination RM'000	Total RM'000
2014								
External revenue	1,988,085	2,537,704	893,718	509,173	422,536	(116,337)	–	6,234,879
Inter-segment revenue	44,847	21,078	35	43,262	3,956	32,664	(145,842)	–
Segment revenue	2,032,932	2,558,782	893,753	552,435	426,492	(83,673)	(145,842)	6,234,879
Other operating expenses	(1,132,449)	(1,359,880)	(437,530)	(199,705)	(304,218)	(123,228)	145,842	(3,411,168)
Including:								
Depreciation of property, plant and equipment	(23,802)	(64,194)	(6,596)	(2,725)	(8,953)	(9,012)	–	(115,282)
Amortisation of intangible assets	(25,280)	(24,920)	(9,285)	(5,017)	(3,218)	–	–	(67,720)
Allowance for impairment on loans, financing and other losses	235,519	(348,107)	(58,633)	(25,179)	(18,571)	8,729	–	(206,242)
Impairment losses written back/(made) on other assets	127,850	–	623	(11,385)	1,373	(1,152)	–	117,309
Segment profit/(loss)	1,263,852	850,795	398,213	316,166	105,076	(199,324)	–	2,734,778
Share of results of associates								(105)
Share of results of joint ventures								380
Profit before taxation								2,735,053
Taxation								(671,589)
Net profit for the financial year								2,063,464

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

49 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

	CIB RM'000	Retail Banking RM'000	Business Banking RM'000	Group Treasury RM'000	Group International Business RM'000	Support Center and Others RM'000	Total RM'000
2014							
Segment assets:	52,251,192	65,023,028	18,359,314	58,296,263	23,068,520	545,352	217,543,669
Investments in associates and joint ventures							21,021
Tax recoverable							162,181
Deferred tax assets							38,465
Unallocated assets							1,589,100
Total assets							219,354,436
Segment liabilities:	38,976,927	40,682,043	21,689,281	66,798,718	17,582,367	17,790	185,747,126
Tax liabilities							57,321
Deferred tax liabilities							53,041
Borrowings							2,874,697
Subordinated obligations							6,099,402
Hybrid Tier-1 Capital Securities							601,515
Senior debt securities							2,810,655
Unallocated liabilities							2,216,593
Total liabilities							200,460,350
Other segment items:							
Capital expenditure	52,430	100,621	27,527	9,052	42,100	4,773	236,503

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

49 SEGMENT REPORTING (CONTINUED)

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

	Revenue RM'000	Segment assets RM'000	Capital expenditure RM'000
2015			
Malaysia	**5,296,509**	**201,638,655**	**214,972**
Outside Malaysia	**894,662**	**29,079,012**	**27,277**
	6,191,171	**230,717,667**	**242,249**
2014			
Malaysia	5,417,699	194,474,298	171,572
Outside Malaysia	817,180	24,880,138	64,931
	6,234,879	219,354,436	236,503

50 CAPITAL ADEQUACY RATIO

BNM Guidelines on capital adequacy requires RHB Bank, RHB Islamic Bank and RHB Investment Bank to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

RHB Indochina Bank, a wholly owned subsidiary of RHB Bank, are subject to National Bank of Cambodia's capital adequacy requirements.

Individual entities within the Group comply with all externally imposed capital requirements to which they are subject to. Currently, the Group is not required to maintain any capital adequacy ratio requirements.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

50 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Bank@	
	2015 RM'000	**2014 RM'000**
Common Equity Tier 1 ('CET 1')/Tier 1 Capital		
Paid-up ordinary share capital	**3,460,585**	3,365,486
Share premium	**478,517**	136,162
Retained profits	**7,096,570**	6,860,657
Other reserves	**3,994,464**	3,589,300
AFS reserves	**154,358**	218,816
	15,184,494	14,170,421
Less:		
Goodwill	**(905,519)**	(905,519)
Intangible assets (include associated deferred tax liabilities)	**(239,193)**	(166,462)
Net deferred tax assets	**(84,375)**	–
55% of cumulative gains of AFS financial instruments	**(84,897)**	(120,349)
Shortfall of eligible provisions to expected losses under the IRB approach	**(123,459)**	(307,612)
Investments in subsidiaries*	**(687,429)**	(332,839)
Other deductions#	**(76,619)**	(29,667)
Total CET 1 Capital	**12,983,003**	12,307,973
Hybrid Tier-I Capital Securities**	**420,000**	480,000
Total Tier I Capital	**13,403,003**	12,787,973
Tier II Capital		
Subordinated obligations***	**2,800,000**	3,200,000
Subordinated obligations meeting all relevant criteria	**1,499,544**	1,000,000
Collective impairment allowance and regulatory reserve^	**332,233**	258,406
	4,631,777	4,458,406
Less:		
Investments in subsidiaries*	**(1,031,143)**	(1,331,358)
Total Tier II Capital	**3,600,634**	3,127,048
Total Capital	**17,003,637**	15,915,021

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

50 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Bank@	
	2015	**2014**
Capital ratios		
Before proposed dividends:		
CET I Capital Ratio	**12.126%**	11.678%
Tier I Capital Ratio	**12.518%**	12.133%
Total Capital Ratio	**15.881%**	15.100%
After proposed dividends:		
CET I Capital Ratio	**11.598%**	11.124%
Tier I Capital Ratio	**11.990%**	11.580%
Total Capital Ratio	**15.353%**	14.547%

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

* Investments in subsidiaries are subject to the gradual deduction in the calculation under CET 1 Capital effective from 1 January 2014 as prescribed under paragraph 36.15 of the BNM's Capital Adequacy Framework (Capital Components).

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

** Hybrid Tier-1 Capital Securities that are recognised as Tier I capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM's Capital Adequacy Framework (Capital Components).

*** Subordinated obligations that are recognised as Tier II capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM's Capital Adequacy Framework (Capital Components).

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

Includes the qualifying regulatory reserve under the Standardised Approach for non-impaired loans of RHB Bank of RM138,588,000 (2014: RMNil).

50 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Islamic Bank	
	2015 RM'000	**2014 RM'000**
CET 1/Tier I Capital		
Paid-up ordinary share capital	**1,173,424**	1,173,424
Retained profits	**520,625**	553,560
Other reserves	**681,192**	553,765
AFS reserves	**(39,195)**	(28,352)
	2,336,046	2,252,397
Less:		
Net deferred tax assets	**(16,840)**	(15,497)
Intangible assets (include associated deferred tax liabilities)	**(687)**	(1,119)
Other deductions#	**(763)**	(551)
Total CET I Capital/Total Tier I Capital	**2,317,756**	2,235,230
Tier II Capital		
Subordinated sukuk*	**500,000**	500,000
Collective impairment allowance and regulatory reserve^	**248,696**	100,832
Total Tier II Capital	**748,696**	600,832
Total Capital	**3,066,452**	2,836,062
Capital ratios		
Before proposed dividends:		
CET I Capital Ratio	**11.041%**	12.875%
Tier I Capital Ratio	**11.041%**	12.875%
Total Capital Ratio	**14.608%**	16.336%
After proposed dividends:		
CET I Capital Ratio	**11.041%**	12.875%
Tier I Capital Ratio	**11.041%**	12.875%
Total Capital Ratio	**14.608%**	16.336%

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

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

Includes the qualifying regulatory reserve under the Standardised Approach for non-impaired loans of RHB Islamic Bank of RM140,615,000 (2014: RMNil).

* Qualify as Tier II capital as specified in the BNM's Capital Adequacy Framework for Islamic Bank (Capital Components).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

50 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Investment Bank	
	2015 RM'000	2014 RM'000
CET 1/Tier I Capital		
Paid-up ordinary share capital	**818,646**	818,646
Share premium	**1,515,150**	1,515,150
Retained profits	**303,449**	290,106
Other reserves	**433,295**	406,544
AFS reserves	**(5,149)**	(11,933)
	3,065,391	3,018,513
Less:		
Goodwill	**(1,118,418)**	(1,118,418)
Investments in subsidiaries, associates and joint ventures*	**(588,970)**	(283,162)
Intangible assets (include associated deferred tax liabilities)	**(25,530)**	(29,718)
Other deductions	**(84)**	(234)
Deferred tax assets	**(21,063)**	(23,891)
Reduction in excess of Tier II Capital due to insufficient Tier II Capital#	**(322,564)**	(581,966)
Total CET I Capital/Total Tier I Capital	**988,762**	981,124
Tier II Capital		
Subordinated obligations**	**345,000**	539,765
Subordinated obligations meeting all relevant criteria	**200,000**	–
Collective impairment allowance and regulatory reserve^	**15,890**	10,916
	560,890	550,681
Less:		
Investments in subsidiaries, associates and joint ventures*	**(560,890)**	(550,681)
Total Tier II Capital	**–**	–
Total Capital	**988,762**	981,124

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

50 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Investment Bank	
	2015	**2014**
Capital ratios		
Before proposed dividends:		
CET I Capital Ratio	**22.917%**	26.337%
Tier I Capital Ratio	**22.917%**	26.337%
Total Capital Ratio	**22.917%**	26.337%
After proposed dividends:		
CET I Capital Ratio	**22.917%**	26.337%
Tier I Capital Ratio	**22.917%**	26.337%
Total Capital Ratio	**22.917%**	26.337%

* Investments in subsidiaries are subject to the gradual deduction in the calculation under CET 1 Capital effective from 1 January 2014 as prescribed under paragraph 36.15 of the BNM's Capital Adequacy Framework (Capital Components).

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

** Subordinated obligations that are recognised as Tier II capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM's Capital Adequacy Framework (Capital Components).

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

Includes the qualifying regulatory reserve for non-impaired loans of RHB Investment Bank of RM13,405,000 (2014: RMNil).

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

	RHB Bank@ RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
2015			
Credit risk	**95,747,368**	**19,895,738**	**2,640,434**
Market risk	**3,086,116**	**61,645**	**469,440**
Operational risk	**8,233,562**	**1,032,842**	**1,204,734**
Total risk-weighted assets	**107,067,046**	**20,990,225**	**4,314,608**

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

50 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Bank@ RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
2014			
Credit risk	94,067,828	16,316,757	2,448,720
Market risk	3,369,497	124,357	284,376
Operational risk	7,957,062	918,886	992,064
Total risk-weighted assets	105,394,387	17,360,000	3,725,160

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

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

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

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

(c) The core capital and solvency ratio of RHB Indochina Bank are as follows:

	2015	2014
Before proposed dividends:		
Core capital ratio	#	#
Solvency ratio	**16.884%**	17.042%
After proposed dividends:		
Core capital ratio	#	#
Solvency ratio	**16.884%**	17.042%

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

No equivalent ratio in Cambodia.

51 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Objectives and Policies

The Group's financial risk management policy is adopted from the main operating subsidiaries' risk management policies. Various programmes have been initiated at the respective operating subsidiaries in order to identify, measure, control and monitor all identifiable risks.

The Group operates within clearly defined set of principles and guidelines based on best practices that have been approved by the Board. Various working committees have been formed at the operating subsidiaries to ensure that all identifiable risks are addressed and managed adequately.

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

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

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

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

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

2. Clear understanding of risk management ownership

   Proactive risk ownership is important for effective management of risk. This promotes a risk awareness culture throughout the Group. The Strategic Business Units ('SBUs') and Strategic Functional Units ('SFUs') of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risks. The business units manage certain defined risks supported by the services provided by the functional units, including the risk management function.

3. Institutionalisation of a risk-focused organisation

   In addition to risk ownership, a risk-focused culture is promoted throughout the Group through strengthening of the central risk management functions and continuous reinforcement of a risk and control environment within the Group.

4. Alignment of risk management to business strategies

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

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

5. Optimisation of risk-adjusted return

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

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

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

The main areas of financial risks faced by the Company and the Group which is represented by RHB Bank, RHB Islamic Bank and RHB Investment Bank, and the policies to address these financial risks are set out below:

RHB CAPITAL BERHAD

Liquidity risk

The Company manages its debt maturity profile, operating cash flow and the availability of funding to ensure that all repayment and funding requirements are met. The Company's cash flows is reviewed regularly to ensure that it has sufficient level of cash and cash equivalents to meet its working capital requirements and is able to settle its financial commitments when they fall due.

Interest rate risk

The Company's primary interest rate risk relates to interest-bearing borrowings. The Company manages its interest rate exposure through the use of fixed and floating rate debt. The objective for the mix between fixed and floating rate borrowings is to enable the Company to manage the fluctuations in interest rates and their impact on the Company.

BANKING SUBSIDIARIES:
RHB BANK, RHB ISLAMIC BANK AND RHB INVESTMENT BANK

Major Areas of Risk

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

BANKING SUBSIDIARIES:
RHB BANK, RHB ISLAMIC BANK AND RHB INVESTMENT BANK (continued)

To mitigate the various business risks of the banking subsidiaries, the following has been put in place:

Market Risk

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

Liquidity Risk

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

Credit Risk

- The Group abides to the Board approved credit policy which supports the development of a strong credit culture and with the objective of maintaining a well-diversified portfolio that addresses credit risk, and mitigates concern for unexpected losses. International best practices are incorporated into this policy.
- Group Credit Committee ('GCC') is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. GCC also approves and renews financing facilities and submits to the Board Credit Committee ('BCC') for affirmation or veto if the financing facilities exceed a pre-defined threshold.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

BANKING SUBSIDIARIES:
RHB BANK, RHB ISLAMIC BANK AND RHB INVESTMENT BANK (continued)

Credit Risk (continued)

- The Group also ensures that internal processes and credit underwriting standards are adhered to before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being evaluated prior to submission to the relevant committees for approval. For financing applications submitted for joint approvals, there is proper check and control as the joint approval is between business units and Group Credit Management.
- Internal credit rating models are an integral part of the Group's credit risk management, decision-making process, and regulatory capital calculations. Clients' accounts are reviewed at regular intervals and weakening credits are transferred to Loan Recovery for more effective management.
- Counterparty, industry and product exposure limits/directions are set and risk reward relationship 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.
- RHB Bank has obtained BNM's approval to apply the Internal Ratings-Based ('IRB') approach for credit risk, whereby more advanced Basel II approaches and key program components are implemented, which includes (i) enhancing the returns of RHB Bank using established credit risk framework and methodologies, (ii) implementing and using empirical credit scoring models for consumer financing and credit grading models for business loans/financing, and (iii) designing and implementing modelling of expected and unexpected losses.
- Plans are underway to migrate other material portfolios to the IRB approach for credit risk.

Operational Risk

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category

Group 2015	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Total RM'000
ASSETS					
Cash and short term funds	12,882,261	–	–	–	12,882,261
Securities purchased under resale agreements	188,380	–	–	–	188,380
Deposits and placements with banks and other financial institutions	1,376,202	–	–	–	1,376,202
Financial assets FVTPL	–	1,752,641	–	–	1,752,641
Financial investments AFS	–	–	24,738,796	–	24,738,796
Financial investments HTM	–	–	–	20,532,236	20,532,236
Loans, advances and financing	149,590,961	–	–	–	149,590,961
Clients' and brokers' balances	1,654,213	–	–	–	1,654,213
Other financial assets	2,101,146	–	–	–	2,101,146
Derivative assets	–	3,102,389	–	–	3,102,389
	167,793,163	4,855,030	24,738,796	20,532,236	217,919,225

Group 2015	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
LIABILITIES			
Deposits from customers	–	158,151,008	158,151,008
Deposits and placements of banks and other financial institutions	–	20,645,860	20,645,860
Obligations on securities sold under repurchase agreements	–	4,906,214	4,906,214
Obligations on securities borrowed	–	12,202	12,202
Bills and acceptances payables	–	626,399	626,399
Clients' and brokers' balances	–	1,348,728	1,348,728
Other financial liabilities	–	1,786,006	1,786,006
Derivative liabilities	3,089,781	–	3,089,781
Recourse obligation on loans sold to Cagamas	–	3,127,656	3,127,656
Borrowings	–	2,436,796	2,436,796
Subordinated obligations	–	5,895,786	5,895,786
Hybrid Tier-1 Capital Securities	–	601,856	601,856
Senior debt securities	–	3,451,380	3,451,380
	3,089,781	202,989,891	206,079,672

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category (continued)

Group 2014	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Total RM'000
ASSETS					
Cash and short term funds	16,236,908	–	–	–	16,236,908
Securities purchased under resale agreements	491,510	–	–	–	491,510
Deposits and placements with banks and other financial institutions	2,298,588	–	–	–	2,298,588
Financial assets FVTPL	–	2,930,681	–	–	2,930,681
Financial investments AFS	–	–	19,602,176	–	19,602,176
Financial investments HTM	–	–	–	20,469,831	20,469,831
Loans, advances and financing	140,693,003	–	–	–	140,693,003
Clients' and brokers' balances	1,525,147	–	–	–	1,525,147
Other financial assets	1,412,627	–	–	–	1,412,627
Derivative assets	–	1,285,230	–	–	1,285,230
	162,657,783	4,215,911	19,602,176	20,469,831	206,945,701

Group 2014	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
LIABILITIES			
Deposits from customers	–	157,133,993	157,133,993
Deposits and placements of banks and other financial institutions	–	21,349,618	21,349,618
Obligations on securities sold under repurchase agreements	–	508,416	508,416
Obligations on securities borrowed	–	113,780	113,780
Bills and acceptances payables	–	614,031	614,031
Clients' and brokers' balances	–	1,214,065	1,214,065
Other financial liabilities	–	1,320,618	1,320,618
Derivative liabilities	1,224,684	–	1,224,684
Recourse obligation on loans sold to Cagamas	–	3,315,335	3,315,335
Borrowings	–	2,874,697	2,874,697
Subordinated obligations	–	6,099,402	6,099,402
Hybrid Tier-1 Capital Securities	–	601,515	601,515
Senior debt securities	–	2,810,655	2,810,655
	1,224,684	197,956,125	199,180,809

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category (continued)

Company	Loans and receivables 2015 RM'000	Loans and receivables 2014 RM'000
Cash and short term funds	**2,348,680**	24,940
Deposits and placements with banks and other financial institutions	**1,050**	1,017
Amounts due from subsidiaries	**27**	93
Other financial assets	**–**	2
	2,349,757	26,052

Company	Other financial liabilities at amortised cost 2015 RM'000	Other financial liabilities at amortised cost 2014 RM'000
Other financial liabilities	**36,864**	12,340
Amounts due to subsidiaries	**1,929**	1,799
Borrowings	**3,104,574**	3,111,433
	3,143,367	3,125,572

(c) Market Risk

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

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

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

(i) Interest/profit rate sensitivity analysis

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

	2015		2014	
	Impact on profit after tax RM'000	**Impact on equity RM'000**	**Impact on profit after tax RM'000**	**Impact on equity RM'000**
Group				
+100 bps	**29,663**	**(611,605)**	(61,796)	(484,742)
–100 bps	**(27,516)**	**655,263**	67,140	516,962
Company				
+100 bps	**(5,356)**	**–**	(18,127)	–
–100 bps	**5,356**	**–**	18,127	–

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

(i) Impact on the profit after tax is the sum of valuation changes on fixed income instruments held in the trading portfolio and earnings movement for all short term interest/profit rate sensitive assets and liabilities (with maturity or re-pricing tenure of up to one year) that is not held in the trading portfolio. Earnings movement for the short term interest/profit rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 100 bps (2014: 100 bps) interest/profit rate change impact. For assets and liabilities with non-fixed maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of these interest/profit bearing assets and liabilities.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

(ii) Foreign currency sensitivity analysis

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

Group	Impact on profit after tax RM'000
2015	
+10%	**(8,266)**
–10%	**8,266**
2014	
+5%	11,722
–5%	(11,722)

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

Note: Based on the market volatility and the decline in MYR against USD by –22.8% in 2015, the foreign exchange sensitivity scenario has been revised to +/– 10% (2014: +/– 5%).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 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 (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates:

	Non-trading book								
Group 2015	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS									
Cash and short term funds	9,765,030	83,300	5,000	–	–	–	3,028,931	–	12,882,261
Securities purchased under resale agreements	188,289	–	–	–	–	–	91	–	188,380
Deposits and placements with banks and other financial institutions	332,641	452,842	53,970	176,164	356,370	–	4,215	–	1,376,202
Financial assets FVTPL	–	–	–	–	–	–	–	1,752,641	1,752,641
Financial investments AFS	1,391,128	2,188,363	1,305,040	861,628	5,560,303	12,474,008	958,326	–	24,738,796
Financial investments HTM	1,460,021	710,726	583,138	1,775,601	4,894,748	11,023,533	84,469#	–	20,532,236
Loans, advances and financing									
– performing	103,946,690	10,163,522	3,261,535	2,503,686	7,764,966	20,456,416	437,200	–	148,534,015
– impaired	–	–	–	–	–	–	1,056,946*	–	1,056,946
Clients' and brokers' balances	12,111	–	–	–	–	–	1,642,102	–	1,654,213
Reinsurance assets	–	–	–	–	–	–	371,238	–	371,238
Other assets	–	112	100	–	–	3,262	2,474,295	–	2,477,769
Derivative assets	–	–	–	–	458	–	–	3,101,931	3,102,389
Statutory deposits	–	–	–	–	–	–	5,272,230	–	5,272,230
Tax recoverable	–	–	–	–	–	–	260,965	–	260,965
Deferred tax assets	–	–	–	–	–	–	112,201	–	112,201
Investments in associates and joint ventures	–	–	–	–	–	–	15,764	–	15,764
Property, plant and equipment	–	–	–	–	–	–	1,041,890	–	1,041,890
Goodwill and intangible assets	–	–	–	–	–	–	5,347,531	–	5,347,531
TOTAL ASSETS	117,095,910	13,598,865	5,208,783	5,317,079	18,576,845	43,957,219	22,108,394	4,854,572	230,717,667

Included impairment loss.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 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 (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates: (continued)

Group 2015	Non-trading book								
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	66,034,678	28,034,573	22,701,553	16,572,527	1,532,748	32,328	23,242,601	–	158,151,008
Deposits and placements of banks and other financial institutions	9,574,721	7,710,847	2,024,189	440,411	604,680	263,289	27,723	–	20,645,860
Obligations on securities sold under repurchase agreements	427,859	2,738,944	1,317,860	390,091	–	–	31,460	–	4,906,214
Obligations on securities borrowed	–	–	–	–	–	12,168	34	–	12,202
Bills and acceptances payable	89,097	35,574	20,001	–	–	–	481,727	–	626,399
Clients' and brokers' balances	1,804	–	–	–	–	–	1,346,924	–	1,348,728
General insurance contract liabilities	–	–	–	–	–	–	870,884	–	870,884
Other liabilities	–	–	–	–	–	–	2,395,125	–	2,395,125
Derivative liabilities	–	–	–	–	16	655	–	3,089,110	3,089,781
Recourse obligation on loans sold to Cagamas	–	–	–	412,562	966,652	1,725,000	23,442	–	3,127,656
Tax liabilities	–	–	–	–	–	–	37,247	–	37,247
Deferred tax liabilities	–	–	–	–	–	–	11,334	–	11,334
Borrowings	1,858,500	150,273	26,834	69,769	236,143	91,237	4,040	–	2,436,796
Subordinated obligations	–	–	100,000	249,757	2,994,180	2,499,544	52,305	–	5,895,786
Hybrid Tier-1 Capital Securities	–	–	–	–	–	593,690	8,166	–	601,856
Senior debt securities	–	–	–	–	2,147,911	1,284,167	19,302	–	3,451,380
TOTAL LIABILITIES	77,986,659	38,670,211	26,190,437	18,135,117	8,482,330	6,502,078	28,552,314	3,089,110	207,608,256
Shareholders' funds	–	–	–	–	–	–	23,084,793	–	23,084,793
NCI	–	–	–	–	–	–	24,618	–	24,618
TOTAL LIABILITIES AND EQUITY	77,986,659	38,670,211	26,190,437	18,135,117	8,482,330	6,502,078	51,661,725	3,089,110	230,717,667
On-balance sheet interest sensitivity gap	39,109,251	(25,071,346)	(20,981,654)	(12,818,038)	10,094,515	37,455,140			
Off-balance sheet interest sensitivity gap	(50,588)	13,160	(200,234)	518,370	2,344,821	3,603,864			
TOTAL INTEREST SENSITIVITY GAP	39,058,663	(25,058,186)	(21,181,888)	(12,299,668)	12,439,336	41,059,004			

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 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 (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates: (continued)

	Non-trading book								
Group 2014	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS									
Cash and short term funds	13,154,083	–	–	–	–	–	3,082,825	–	16,236,908
Securities purchased under resale agreements	491,457	–	–	–	–	–	53	–	491,510
Deposits and placements with banks and other financial institutions	260,509	819,903	656,034	140,304	417,494	–	4,344	–	2,298,588
Financial assets FVTPL	–	–	–	–	–	–	–	2,930,681	2,930,681
Financial investments AFS	564,513	692,201	702,728	771,679	7,673,679	8,358,023	839,353	–	19,602,176
Financial investments HTM	1,485,251	602,811	1,458,320	683,485	4,369,623	11,794,045	76,296#	–	20,469,831
Loans, advances and financing									
– performing	94,312,072	14,856,357	3,288,538	969,155	6,686,885	19,158,664	295,282	–	139,566,953
– impaired	–	–	–	–	–	–	1,126,050*	–	1,126,050
Clients' and brokers' balances	36,327	–	–	–	–	–	1,488,820	–	1,525,147
Reinsurance assets	–	–	–	–	–	–	332,113	–	332,113
Other assets	19	12	–	–	–	3,420	1,538,538	–	1,541,989
Derivative assets	–	–	–	–	–	1,987	–	1,283,243	1,285,230
Statutory deposits	–	–	–	–	–	–	5,421,007	–	5,421,007
Tax recoverable	–	–	–	–	–	–	162,181	–	162,181
Deferred tax assets	–	–	–	–	–	–	38,465	–	38,465
Investments in associates and joint ventures	–	–	–	–	–	–	21,021	–	21,021
Property, plant and equipment	–	–	–	–	–	–	1,030,681	–	1,030,681
Goodwill and intangible assets	–	–	–	–	–	–	5,273,905	–	5,273,905
TOTAL ASSETS	110,304,231	16,971,284	6,105,620	2,564,623	19,147,681	39,316,139	20,730,934	4,213,924	219,354,436

Included impairment loss.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 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 (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates: (continued)

	← Non-trading book						→		
Group 2014	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	67,236,702	25,014,324	20,065,004	20,328,029	788,575	17,629	23,683,730	–	157,133,993
Deposits and placements of banks and other financial institutions	8,263,809	8,099,132	3,563,553	473,597	613,777	274,609	61,141	–	21,349,618
Obligations on securities sold under repurchase agreements	18,910	–	–	489,506	–	–	–	–	508,416
Obligations on securities borrowed	–	–	–	–	94,123	19,482	175	–	113,780
Bills and acceptances payable	376,535	60,061	–	–	–	–	177,435	–	614,031
Clients' and brokers' balances	3,224	–	–	–	–	–	1,210,841	–	1,214,065
General insurance contract liabilities	–	–	–	–	–	–	775,699	–	775,699
Other liabilities	109	–	–	–	–	168	1,713,821	–	1,714,098
Derivative liabilities	–	–	–	–	–	–	–	1,224,684	1,224,684
Recourse obligation on loans sold to Cagamas	–	–	–	–	1,576,631	1,725,000	13,704	–	3,315,335
Tax liabilities	–	–	–	–	–	–	57,321	–	57,321
Deferred tax liabilities	–	–	–	–	–	–	53,041	–	53,041
Borrowings	841,912	787,891	446,678	406,818	227,273	152,972	11,153	–	2,874,697
Subordinated obligations	–	–	900,000	–	3,343,187	1,800,000	56,215	–	6,099,402
Hybrid Tier-1 Capital Securities	–	–	–	–	–	593,349	8,166	–	601,515
Senior debt securities	–	–	–	–	1,749,215	1,045,721	15,719	–	2,810,655
TOTAL LIABILITIES	76,741,201	33,961,408	24,975,235	21,697,950	8,392,781	5,628,930	27,838,161	1,224,684	200,460,350
Shareholders' funds	–	–	–	–	–	–	18,794,297	–	18,794,297
NCI	–	–	–	–	–	–	99,789	–	99,789
TOTAL LIABILITIES AND EQUITY	76,741,201	33,961,408	24,975,235	21,697,950	8,392,781	5,628,930	46,732,247	1,224,684	219,354,436
On-balance sheet interest sensitivity gap	33,563,030	(16,990,124)	(18,869,615)	(19,133,327)	10,754,900	33,687,209			
Off-balance sheet interest sensitivity gap	(165,072)	(546,266)	(1,568,547)	(27,246)	2,749,159	1,589,535			
TOTAL INTEREST SENSITIVITY GAP	33,397,958	(17,536,390)	(20,438,162)	(19,160,573)	13,504,059	35,276,744			

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

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

Company 2015	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS									
Cash and short term funds	2,345,500	–	–	–	–	–	3,180	–	2,348,680
Deposits and placements with banks and other financial institutions	–	401	454	182	–	–	13	–	1,050
Other assets	–	–	–	–	–	–	50	–	50
Amounts due from subsidiaries	–	–	–	–	–	–	27	–	27
Tax recoverable	–	–	–	–	–	–	93,624	–	93,624
Investments in subsidiaries	–	–	–	–	–	–	11,479,799	–	11,479,799
Property, plant and equipment	–	–	–	–	–	–	305	–	305
TOTAL ASSETS	2,345,500	401	454	182	–	–	11,576,998	–	13,923,535
Other liabilities	–	–	–	–	–	–	36,864	–	36,864
Amounts due to subsidiaries	–	–	–	–	–	–	1,929	–	1,929
Borrowings	3,099,500	–	–	–	–	–	5,074	–	3,104,574
TOTAL LIABILITIES	3,099,500	–	–	–	–	–	43,867	–	3,143,367
Total equity	–	–	–	–	–	–	10,780,168	–	10,780,168
TOTAL LIABILITIES AND EQUITY	3,099,500	–	–	–	–	–	10,824,035	–	13,923,535
On-balance sheet interest sensitivity gap	(754,000)	401	454	182	–	–			
Off-balance sheet interest sensitivity gap	–	–	–	–	–	–			
TOTAL INTEREST SENSITIVITY GAP	(754,000)	401	454	182	–	–			

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

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

	Non-trading book								
Company 2014	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS									
Cash and short term funds	24,500	–	–	–	–	–	440	–	24,940
Deposits and placements with banks and other financial institutions	–	391	438	175	–	–	13	–	1,017
Other assets	–	–	–	–	–	–	3,637	–	3,637
Amounts due from subsidiaries	–	–	–	–	–	–	93	–	93
Tax recoverable	–	–	–	–	–	–	94,219	–	94,219
Investments in subsidiaries	–	–	–	–	–	–	11,042,345	–	11,042,345
Property, plant and equipment	–	–	–	–	–	–	322	–	322
TOTAL ASSETS	24,500	391	438	175	–	–	11,141,069	–	11,166,573
Other liabilities	–	–	–	–	–	–	12,340	–	12,340
Amounts due to subsidiaries	–	–	–	–	–	–	1,799	–	1,799
Deferred tax liabilities	–	–	–	–	–	–	20	–	20
Borrowings	1,028,000	1,467,000	250,000	350,000	–	–	16,433	–	3,111,433
TOTAL LIABILITIES	1,028,000	1,467,000	250,000	350,000	–	–	30,592	–	3,125,592
Total equity	–	–	–	–	–	–	8,040,981	–	8,040,981
TOTAL LIABILITIES AND EQUITY	1,028,000	1,467,000	250,000	350,000	–	–	8,071,573	–	11,166,573
On-balance sheet interest sensitivity gap	(1,003,500)	(1,466,609)	(249,562)	(349,825)	–	–			
Off-balance sheet interest sensitivity gap	–	–	–	–	–	–			
TOTAL INTEREST SENSITIVITY GAP	(1,003,500)	(1,466,609)	(249,562)	(349,825)	–	–			

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk

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

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

The Group and the Company 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 (include non-financial instruments) based on the remaining contractual maturity:

Group 2015	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short term funds	11,894,156	988,105	–	–	–	–	–	12,882,261
Securities purchased under resale agreements	188,380	–	–	–	–	–	–	188,380
Deposits and placements with banks and other financial institutions	13,000	319,641	455,133	88,163	143,895	356,370	–	1,376,202
Financial assets FVTPL	–	469,296	53,444	50,319	–	556,382	623,200	1,752,641
Financial investments AFS	1,248,566	95,151	2,272,453	1,360,677	862,591	17,896,303	1,003,055	24,738,796
Financial investments HTM	1,119,385	224,837	785,944	627,086	1,781,832	15,993,152	–	20,532,236
Loans, advances and financing	3,819,945	9,412,199	7,180,436	3,857,396	5,528,921	119,792,064	–	149,590,961
Clients' and brokers' balances	1,142,772	511,441	–	–	–	–	–	1,654,213
Reinsurance assets	–	–	–	–	371,238	–	–	371,238
Other assets	219,594	222,599	187,889	254,586	274,311	1,076,780	242,010	2,477,769
Derivative assets	22,342	197,857	447,022	363,943	137,845	1,933,380	–	3,102,389
Statutory deposits	–	–	–	–	–	–	5,272,230	5,272,230
Tax recoverable	–	–	–	–	–	–	260,965	260,965
Deferred tax assets	–	–	–	–	–	–	112,201	112,201
Investments in associates and joint ventures	–	–	–	–	–	–	15,764	15,764
Property, plant and equipment	–	–	–	–	–	–	1,041,890	1,041,890
Goodwill and intangible assets	–	–	–	–	–	–	5,347,531	5,347,531
TOTAL ASSETS	**19,668,140**	**12,441,126**	**11,382,321**	**6,602,170**	**9,100,633**	**157,604,431**	**13,918,846**	**230,717,667**

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

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

Group 2015	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	53,251,331	35,392,024	28,261,113	22,957,447	16,701,249	1,587,844	–	158,151,008
Deposits and placements of banks and other financial institutions	3,275,755	6,311,793	7,723,976	2,024,791	440,859	868,686	–	20,645,860
Obligations on securities sold under repurchase agreements	180,500	251,222	2,761,996	1,321,911	390,585	–	–	4,906,214
Obligations on securities borrowed	–	–	34	–	–	12,168	–	12,202
Bills and acceptances payable	511,290	59,534	35,574	20,001	–	–	–	626,399
Clients' and brokers' balances	755,303	593,425	–	–	–	–	–	1,348,728
General insurance contract liabilities	–	–	–	–	870,884	–	–	870,884
Other liabilities	374,518	798,388	204,114	163,912	151,740	280,186	422,267	2,395,125
Derivative liabilities	82,115	272,908	223,344	308,411	235,659	1,967,344	–	3,089,781
Recourse obligation on loans sold to Cagamas	–	–	4,825	2,508	412,562	2,707,761	–	3,127,656
Tax liabilities	–	–	–	–	–	–	37,247	37,247
Deferred tax liabilities	–	–	–	–	–	–	11,334	11,334
Borrowings	262,675	1,598,403	151,180	27,389	69,770	327,379	–	2,436,796
Subordinated obligations	–	24,061	–	122,412	249,757	5,499,556	–	5,895,786
Hybrid Tier-1 Capital Securities	–	–	–	8,180	–	593,676	–	601,856
Senior debt securities	–	–	–	19,302	–	3,432,078	–	3,451,380
TOTAL LIABILITIES	58,693,487	45,301,758	39,366,156	26,976,264	19,523,065	17,276,678	470,848	207,608,256
Shareholders' funds	–	–	–	–	–	–	23,084,793	23,084,793
NCI	–	–	–	–	–	–	24,618	24,618
TOTAL LIABILITIES AND EQUITY	58,693,487	45,301,758	39,366,156	26,976,264	19,523,065	17,276,678	23,580,259	230,717,667

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

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

Group 2014	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short term funds	9,311,595	6,925,313	–	–	–	–	–	16,236,908
Securities purchased under resale agreements	491,510	–	–	–	–	–	–	491,510
Deposits and placements with banks and other financial institutions	26,338	234,171	806,167	644,293	170,124	417,495	–	2,298,588
Financial assets FVTPL	–	490,662	454,541	177,308	17,588	1,344,984	445,598	2,930,681
Financial investments AFS	61,063	449,143	748,351	740,184	772,594	15,889,645	941,196	19,602,176
Financial investments HTM	263,891	1,136,044	681,074	1,511,732	684,547	16,192,543	–	20,469,831
Loans, advances and financing	5,019,729	7,739,116	6,508,156	4,289,689	4,517,537	112,618,776	–	140,693,003
Clients' and brokers' balances	1,067,603	457,544	–	–	–	–	–	1,525,147
Reinsurance assets	–	–	–	–	332,113	–	–	332,113
Other assets	294,886	89,786	132,071	137,256	88,704	493,781	305,505	1,541,989
Derivative assets	5,098	81,090	57,257	135,911	206,135	799,739	–	1,285,230
Statutory deposits	–	–	–	–	–	–	5,421,007	5,421,007
Tax recoverable	–	–	–	–	–	–	162,181	162,181
Deferred tax assets	–	–	–	–	–	–	38,465	38,465
Investments in associates and joint ventures	–	–	–	–	–	–	21,021	21,021
Property, plant and equipment	–	–	–	–	–	–	1,030,681	1,030,681
Goodwill and intangible assets	–	–	–	–	–	–	5,273,905	5,273,905
TOTAL ASSETS	16,541,713	17,602,869	9,387,617	7,636,373	6,789,342	147,756,963	13,639,559	219,354,436

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

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

Group 2014	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	50,669,243	39,607,414	25,252,743	20,789,615	20,019,731	795,247	–	157,133,993
Deposits and placements of banks and other financial institutions	3,163,129	4,977,744	8,239,953	3,603,442	476,964	888,386	–	21,349,618
Obligations on securities sold under repurchase agreements	–	18,910	–	–	489,506	–	–	508,416
Obligations on securities borrowed	–	–	–	–	–	113,780	–	113,780
Bills and acceptances payable	292,682	261,288	60,061	–	–	–	–	614,031
Clients' and brokers' balances	850,813	363,252	–	–	–	–	–	1,214,065
General insurance contract liabilities	–	–	–	–	775,699	–	–	775,699
Other liabilities	106,998	607,380	176,332	90,784	137,085	232,356	363,163	1,714,098
Derivative liabilities	63,499	65,644	150,540	94,361	107,555	743,085	–	1,224,684
Recourse obligation on loans sold to Cagamas	–	–	2,645	4,825	–	3,307,865	–	3,315,335
Tax liabilities	–	–	–	–	–	–	57,321	57,321
Deferred tax liabilities	–	–	–	–	–	–	53,041	53,041
Borrowings	45,560	858,039	736,718	447,226	406,909	380,245	–	2,874,697
Subordinated obligations	–	24,061	–	932,153	–	5,143,188	–	6,099,402
Hybrid Tier-1 Capital Securities	–	–	7,542	638	–	593,335	–	601,515
Senior debt securities	–	–	–	15,719	–	2,794,936	–	2,810,655
TOTAL LIABILITIES	55,191,924	46,783,732	34,626,534	25,978,763	22,413,449	14,992,423	473,525	200,460,350
Shareholders' funds	–	–	–	–	–	–	18,794,297	18,794,297
NCI	–	–	–	–	–	–	99,789	99,789
TOTAL LIABILITIES AND EQUITY	55,191,924	46,783,732	34,626,534	25,978,763	22,413,449	14,992,423	19,367,611	219,354,436

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

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

Company 2015	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short term funds	2,348,680	–	–	–	–	–	–	2,348,680
Deposits and placements with banks and other financial institutions	–	–	402	464	184	–	–	1,050
Other assets	–	–	–	–	–	–	50	50
Amounts due from subsidiaries	–	–	–	–	–	–	27	27
Tax recoverable	–	–	–	–	–	–	93,624	93,624
Investments in subsidiaries	–	–	–	–	–	–	11,479,799	11,479,799
Property, plant and equipment	–	–	–	–	–	–	305	305
TOTAL ASSETS	2,348,680	–	402	464	184	–	11,573,805	13,923,535
LIABILITIES								
Other liabilities	–	–	–	–	–	–	36,864	36,864
Amounts due to subsidiaries	–	–	–	–	–	–	1,929	1,929
Borrowings	50,143	3,054,431	–	–	–	–	–	3,104,574
TOTAL LIABILITIES	50,143	3,054,431	–	–	–	–	38,793	3,143,367
Total equity	–	–	–	–	–	–	10,780,168	10,780,168
TOTAL LIABILITIES AND EQUITY	50,143	3,054,431	–	–	–	–	10,818,961	13,923,535

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

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

Company 2014	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short term funds	24,940	–	–	–	–	–	–	24,940
Deposits and placements with banks and other financial institutions	–	–	392	438	187	–	–	1,017
Other assets	–	–	–	3,582	–	–	55	3,637
Amounts due from subsidiaries	–	–	–	–	–	–	93	93
Tax recoverable	–	–	–	–	–	–	94,219	94,219
Investments in subsidiaries	–	–	–	–	–	–	11,042,345	11,042,345
Property, plant and equipment	–	–	–	–	–	–	322	322
TOTAL ASSETS	24,940	–	392	4,020	187	–	11,137,034	11,166,573
LIABILITIES								
Other liabilities	–	–	12,309	–	–	–	31	12,340
Amounts due to subsidiaries	–	–	–	–	–	–	1,799	1,799
Deferred tax liabilities	–	–	–	–	–	–	20	20
Borrowings	–	1,041,942	1,469,399	250,000	350,092	–	–	3,111,433
TOTAL LIABILITIES	–	1,041,942	1,481,708	250,000	350,092	–	1,850	3,125,592
Total equity	–	–	–	–	–	–	8,040,981	8,040,981
TOTAL LIABILITIES AND EQUITY	–	1,041,942	1,481,708	250,000	350,092	–	8,042,831	11,166,573

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 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 2015	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	88,924,041	51,488,774	17,118,397	1,623,089	36,130	–	159,190,431
Deposits and placements of banks and other financial institutions	9,630,317	10,746,952	458,393	680,172	266,883	–	21,782,717
Obligations on securities sold under repurchase agreements	432,244	4,109,154	390,986	–	–	–	4,932,384
Obligations on securities borrowed	–	131	131	526	526	13,351	14,665
Bills and acceptances payable	626,873	–	–	–	–	–	626,873
Clients' and brokers' balances	755,303	593,425	–	–	–	–	1,348,728
General insurance contract liabilities	–	–	183,711	338,429	43,523	7,277	572,940
Other financial liabilities	757,984	603,102	144,777	200,787	43,017	36,339	1,786,006
Derivative liabilities:							
– Gross settled derivatives:							
– Inflow	(15,091,474)	(10,862,035)	(4,320,048)	(4,286,871)	(2,406,584)	(320,273)	(37,287,285)
– Outflow	15,435,112	11,305,864	4,480,490	5,516,968	2,730,756	347,383	39,816,573
– Net settled derivatives	6,415	25,357	20,987	11,842	7,087	8,255	79,943
Recourse obligation on loans sold to Cagamas	23,309	140,014	553,881	987,890	1,805,058	–	3,510,152
Borrowings	1,971,949	72,944	72,514	242,369	92,202	–	2,451,978
Subordinated obligations	49,900	90,063	1,002,993	3,375,985	2,153,227	–	6,672,168
Hybrid Tier-1 Capital Securities	–	22,394	22,394	89,575	624,988	–	759,351
Senior debt securities	–	54,772	54,772	2,261,185	1,327,825	–	3,698,554
TOTAL FINANCIAL LIABILITIES	**103,521,973**	**68,390,911**	**20,184,378**	**11,041,946**	**6,724,638**	**92,332**	**209,956,178**

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 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 2014	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	90,474,965	46,538,678	20,475,572	1,316,410	1,975,145	–	160,780,770
Deposits and placements of banks and other financial institutions	8,325,195	11,857,522	495,567	698,686	279,288	–	21,656,258
Obligations on securities sold under repurchase agreements	18,910	–	493,654	–	–	–	512,564
Obligations on securities borrowed	–	–	–	94,170	8,819	10,792	113,781
Bills and acceptances payable	554,169	60,270	–	–	–	–	614,439
Clients' and brokers' balances	1,214,065	–	–	–	–	–	1,214,065
General insurance contract liabilities	–	–	172,788	283,781	55,334	3,057	514,960
Other financial liabilities	703,480	297,005	76,958	173,449	33,563	36,163	1,320,618
Derivative liabilities:							
– Gross settled derivatives:							
– Inflow	(1,726,940)	(5,852,939)	(1,496,015)	(3,813,679)	(2,831,877)	(289,164)	(16,010,614)
– Outflow	1,840,337	6,000,207	1,454,754	4,011,619	2,915,382	243,849	16,466,148
– Net settled derivatives	(1,036)	7,831	40,241	(6,393)	(26,818)	66	13,891
Recourse obligation on loans sold to Cagamas	23,363	141,401	166,089	1,621,679	1,884,895	–	3,837,427
Borrowings	887,901	1,220,236	417,151	232,503	137,078	17,541	2,912,410
Subordinated obligations	24,950	1,022,709	623,025	3,053,026	1,827,700	308,400	6,859,810
Hybrid Tier-1 Capital Securities	–	22,394	22,394	89,575	669,775	–	804,138
Senior debt securities	–	44,605	44,605	1,898,260	1,113,733	–	3,101,203
TOTAL FINANCIAL LIABILITIES	102,339,359	61,359,919	22,986,783	9,653,086	8,042,017	330,704	204,711,868

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Company'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.

Company	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	Total RM'000
2015					
Other financial liabilities	**36,864**	**–**	**–**	**–**	**36,864**
Amounts due to subsidiaries	**1,929**	**–**	**–**	**–**	**1,929**
Borrowings	**3,110,462**	**–**	**–**	**–**	**3,110,462**
TOTAL FINANCIAL LIABILITIES	**3,149,255**	**–**	**–**	**–**	**3,149,255**
2014					
Other financial liabilities	12,340	–	–	–	12,340
Amounts due to subsidiaries	1,799	–	–	–	1,799
Borrowings	1,149,930	1,637,857	358,377	–	3,146,164
TOTAL FINANCIAL LIABILITIES	1,164,069	1,637,857	358,377	–	3,160,303

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 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
2015			
Direct credit substitutes	**288,362**	**2,063,953**	**2,352,315**
Transaction-related contingent items	**703,461**	**4,444,812**	**5,148,273**
Short term self-liquidating trade-related contingencies	**725,430**	**1,115,060**	**1,840,490**
Obligations under underwriting agreements	**–**	**76,000**	**76,000**
Lending of banking subsidiaries' securities or the posting of securities as collateral by banking subsidiaries, including instances where these arise out of repo-style transactions	**5,212,499**	**–**	**5,212,499**
Irrevocable commitments to extend credit	**2,903,165**	**29,517,195**	**32,420,360**
Any commitments that are unconditionally cancelled at any time by the banking subsidiaries without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**413,773**	**16,444,884**	**16,858,657**
TOTAL COMMITMENTS AND CONTINGENCIES	**10,246,690**	**53,661,904**	**63,908,594**
2014			
Direct credit substitutes	617,764	2,041,324	2,659,088
Transaction-related contingent items	719,300	4,109,866	4,829,166
Short term self-liquidating trade-related contingencies	869,837	952,732	1,822,569
Lending of banking subsidiaries' securities or the posting of securities as collateral by banking subsidiaries, including instances where these arise out of repo-style transactions	–	517,610	517,610
Irrevocable commitments to extend credit	2,701,468	30,652,168	33,353,636
Any commitments that are unconditionally cancelled at any time by the banking subsidiaries without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	350,742	14,787,154	15,137,896
TOTAL COMMITMENTS AND CONTINGENCIES	5,259,111	53,060,854	58,319,965

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

Corporate guarantees granted by the Company for its subsidiaries are as disclosed in Note 45.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statements of financial position is the amounts on the statements of financial position as well as off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Company 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 Company:

	Group	
	2015 RM'000	**2014 RM'000**
Credit risk exposure relating to on-balance sheet assets:		
Short term funds (exclude cash in hand)	**11,795,427**	15,622,004
Securities purchased under resale agreements	**188,380**	491,510
Deposits and placements with banks and other financial institutions	**1,376,202**	2,298,588
Financial assets and investments portfolio (exclude shares, unit trust and perpetual notes/sukuk):		
– FVTPL	**1,129,441**	2,485,083
– AFS	**23,735,741**	18,660,981
– HTM	**20,532,236**	20,469,831
Loans, advances and financing	**149,590,961**	140,693,003
Clients' and brokers' balances	**1,654,213**	1,525,147
Reinsurance assets	**275,023**	241,647
Other financial assets	**2,101,146**	1,412,627
Derivative assets	**3,102,389**	1,285,230
	215,481,159	205,185,651
Credit risk exposure relating to off-balance sheet items:		
– Commitments and contingencies	**63,908,594**	58,319,965
Total maximum credit risk exposure	**279,389,753**	263,505,616

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(i) Maximum exposure to credit risk (continued)

	Company	
	2015 RM'000	**2014 RM'000**
Credit risk exposure relating to on-balance sheet assets:		
Short term funds (exclude cash in hand)	**2,348,680**	24,940
Deposits and placements with banks and other financial institutions	**1,050**	1,017
Amounts due from subsidiaries	**27**	93
Other financial assets	**–**	2
Total maximum credit risk exposure	**2,349,757**	26,052

Corporate guarantees granted by the Company for its subsidiaries are as disclosed in Note 45.

(ii) Collaterals

The main types of collaterals obtained by the Group are as follows:

(a) Fixed deposits, Commodity Murabahah Deposit-i, negotiable instrument of deposits, Islamic negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
(b) Land and/or buildings
(c) Vessels and automobiles
(d) Quoted shares, unit trusts, government bonds and securities and private debt securities
(e) Other tangible business assets, such as inventory and equipment

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

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing and clients' and brokers' balances are 57.8% (2014: 67.1%) and 97.4% (2014: 97.4%) respectively. The financial effect of collateral held for the remaining on-balance sheet assets are insignificant.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality

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

Credit quality description is summarised as follows:

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

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

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

(a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

	Group	
	2015 RM'000	**2014 RM'000**
Neither past due nor impaired	**142,015,829**	133,058,861
Past due but not impaired	**6,518,186**	6,508,092
Individually impaired	**2,841,211**	2,892,367
Gross loans, advances and financing (inclusive of fair value changes arising from fair value hedges)	**151,375,226**	142,459,320
Less: Individual impairment allowance	**(593,147)**	(417,232)
Collective impairment allowance	**(1,191,118)**	(1,349,085)
Net loans, advances and financing	**149,590,961**	140,693,003

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

(a) Loans, advances and financing (continued)

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

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

	Group	
	2015 RM'000	**2014 RM'000**
Good	**86,222,908**	79,968,419
Fair	**14,529,369**	10,766,194
No Rating	**41,263,552**	42,324,248
Neither past due nor impaired	**142,015,829**	133,058,861

Loans, advances and financing classified as non-rated mainly comprise loans/financing under the Standardised Approach for credit risk including financing of Amanah Saham Bumiputera ('ASB') units, commercial property financing and personal financing.

(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	
	2015 RM'000	**2014 RM'000**
Past due up to 30 days	**2,415,975**	2,139,972
Past due 31 to 60 days	**2,804,722**	3,109,479
Past due 61 to 90 days	**1,297,489**	1,258,641
Past due but not impaired	**6,518,186**	6,508,092

(iii) Impaired loans, advances and financing

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

	Group	
	2015 RM'000	**2014 RM'000**
Individually impaired loans	**2,841,211**	2,892,367

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

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

Group	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Reinsurance assets RM'000	Other financial assets RM'000	Derivative assets RM'000
2015									
Neither past due nor impaired	**13,171,629**	**188,380**	**1,129,441**	**23,695,748**	**20,504,061**	**1,618,055**	**275,023**	**2,094,270**	**3,102,389**
Past due but not impaired	**–**	**–**	**–**	**–**	**–**	**26,748**	**–**	**3,198**	**–**
Impaired	**–**	**–**	**–**	**299,308**	**263,010**	**33,841**	**–**	**18,088**	**–**
	13,171,629	**188,380**	**1,129,441**	**23,995,056**	**20,767,071**	**1,678,644**	**275,023**	**2,115,556**	**3,102,389**
Less: Impairment losses	**–**	**–**	**–**	**(259,315)**	**(234,835)**	**(24,431)**	**–**	**(14,410)**	**–**
	13,171,629	**188,380**	**1,129,441**	**23,735,741**	**20,532,236**	**1,654,213**	**275,023**	**2,101,146**	**3,102,389**
2014									
Neither past due nor impaired	17,920,592	491,510	2,485,083	18,632,749	20,461,489	1,507,048	241,647	1,406,938	1,285,230
Past due but not impaired	–	–	–	–	–	12,436	–	5,368	–
Impaired	–	–	–	305,837	282,436	48,619	–	6,129	–
	17,920,592	491,510	2,485,083	18,938,586	20,743,925	1,568,103	241,647	1,418,435	1,285,230
Less: Impairment losses	–	–	–	(277,605)	(274,094)	(42,956)	–	(5,808)	–
	17,920,592	491,510	2,485,083	18,660,981	20,469,831	1,525,147	241,647	1,412,627	1,285,230

The amount of short term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, other financial assets and derivative assets that are past due but not impaired is not material.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

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

Company	Short term funds and deposits and placements with banks and other financial institutions RM'000	Amounts due from subsidiaries RM'000	Other financial assets RM'000
2015			
Neither past due nor impaired	**2,349,730**	**27**	**–**
2014			
Neither past due nor impaired	25,957	93	2

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

(c) Analysis of short term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other financial assets and derivative assets that are neither past due nor impaired by rating agency definition are as follows:

Group 2015	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Reinsurance assets RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	1,049,525	165,153	463,009	9,903,154	4,030,017	–	17,880	1,322,912	836,920
A1 to A3	1,218	–	50,207	3,930,473	306,834	–	211,586	188,146	213,575
Baa1 to Baa3	14,792	–	–	1,592,717	163,746	–	1,180	–	95
P1 to P3	3,556,412	23,227	–	–	–	–	–	69,377	284
Non-rated including:	8,549,682	–	616,225	8,269,403	16,003,464	1,618,055	44,377	513,835	2,051,515
– Bank Negara Malaysia	6,392,013	–	–	–	–	–	–	–	–
– Malaysian Government Securities	–	–	289,533	1,560,326	2,239,247	–	–	–	–
– Malaysian Government Investment Issues	–	–	50,583	2,757,496	5,366,226	–	–	–	–
– Other foreign government securities	–	–	84,207	30,806	–	–	–	–	–
– Private debt securities	–	–	8,383	3,271,745	5,149,543	–	–	–	–
– Bankers' acceptances and Islamic accepted notes	–	–	–	58,458	143,389	–	–	–	–
– Khazanah bonds	–	–	–	60,365	106,368	–	–	–	–
– Negotiable instruments of deposits	–	–	–	349,010	2,222,850	–	–	–	–
– Others	2,157,669	–	183,519	181,197	775,841	1,618,055	44,377	513,835	2,051,515
	13,171,629	188,380	1,129,441	23,695,747	20,504,061	1,618,055	275,023	2,094,270	3,102,389

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

(c) Analysis of short term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other financial assets and derivative assets that are neither past due nor impaired by rating agency definition are as follows: (continued)

Group 2014	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets FVTPL RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Reinsurance assets RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	1,969,053	376,418	855,649	8,098,387	4,689,770	–	1,248	418,992	299,688
A1 to A3	228,081	115,092	37,792	1,891,997	249,957	–	211,090	181,210	166,881
Baa1 to Baa3	–	–	–	968,642	296,850	–	1,873	–	230
P1 to P3	10,903,971	–	223,860	–	–	–	–	57,931	1,421
Non-rated including:	4,819,487	–	1,367,782	7,673,723	15,224,912	1,507,048	27,436	748,805	817,010
– Bank Negara Malaysia	3,803,056	–	–	–	–	–	–	–	–
– Malaysian Government Securities	–	–	557,950	1,168,982	2,343,015	–	–	–	–
– Malaysian Government Investment Issues	–	–	728,287	2,413,705	5,710,589	–	–	–	–
– Private debt securities	–	–	3,841	3,251,465	4,311,169	–	–	–	–
– Bankers' acceptances and Islamic accepted notes	–	–	–	73,627	–	–	–	–	–
– Khazanah bonds	–	–	–	58,123	101,835	–	–	–	–
– Negotiable instruments of deposits	–	–	–	649,516	2,027,550	–	–	–	–
– Others	1,016,431	–	77,704	58,305	730,754	1,507,048	27,436	748,805	817,010
	17,920,592	491,510	2,485,083	18,632,749	20,461,489	1,507,048	241,647	1,406,938	1,285,230

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit quality (continued)

(c) Analysis of short term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, clients' and brokers' balances, other financial assets and derivative assets that are neither past due nor impaired by rating agency definition are as follows: (continued)

	Short term funds and deposits and placements with banks and other financial institutions RM'000	Amounts due from subsidiaries RM'000	Other financial assets RM'000
Company			
2015			
P1	**2,349,730**	**2**	**–**
Non-rated	**–**	**25**	**–**
	2,349,730	**27**	**–**
2014			
AAA1 to AA3	–	45	–
P1	25,957	–	–
Non-rated	–	48	2
	25,957	93	2

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitments and contingencies, are set out below:

Group 2015	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets FVTPL~ RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans, advances and financing# RM'000	Clients' and brokers' balances^ RM'000	Reinsurance assets RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture, hunting, forestry and fishing	-	-	-	1,594,976	190,896	4,927,939	-	-	1,035,652	1,468,188	9,217,651
Mining and quarrying	-	-	-	-	-	1,867,313	-	-	-	2,180,300	4,047,613
Manufacturing	-	-	35,132	283,265	161,883	8,096,399	-	-	167,517	10,030,316	18,774,512
Electricity, gas and water	-	-	-	1,378,057	1,214,539	2,236,308	-	-	551	592,426	5,421,881
Construction	-	-	-	727,055	630,607	7,206,387	-	-	5,146	8,011,968	16,581,163
Real estate	-	-	-	355,024	282,674	5,690,016	-	-	-	3,008,470	9,336,184
Purchase of landed property	-	-	-	-	-	9,743,233	-	-	-	12,742,050	22,485,283
Wholesale & retail trade and restaurant & hotel	-	-	-	20,101	-	7,916,745	-	-	9,383	103,358	8,049,587
General commerce	-	-	-	94,178	622,123	2,153,561	-	-	-	6,404,947	9,274,809
Transport, storage and communication	-	-	4,748	1,478,708	1,052,193	8,890,038	-	-	3,511	1,472,819	12,902,017
Finance, insurance and business services	5,514,814	12,508	556,256	9,892,801	5,422,299	13,600,851	-	275,023	2,973,501	6,286,921	44,534,974
Government and government agencies	7,600,080	175,872	533,305	7,456,063	10,365,852	5,141,425	-	-	220,590	52,596	31,545,783
Purchase of securities	-	-	-	-	-	1,410,255	1,660,867	-	-	2,178,308	5,249,430
Purchase of transport vehicles	-	-	-	-	-	72	-	-	-	586,071	586,143
Consumption credit	-	-	-	-	-	2,336,784	-	-	-	6,434,562	8,771,346
Others	56,735	-	-	455,513	589,170	69,564,753	-	-	787,684	2,355,294	73,809,149
	13,171,629	188,380	1,129,441	23,735,741	20,532,236	150,782,079	1,660,867	275,023	5,203,535	63,908,594	280,587,525

~ Excludes equity instrument amounting to RM623,200,000.

@ Excludes equity instrument amounting to RM1,003,055,000.

\# Excludes collective impairment allowance amounting to RM1,191,118,000.

^ Excludes collective impairment allowance of RM6,654,000.

* Other financial assets include other assets amounting to RM2,101,146,000 and derivative assets amounting to RM3,102,389,000.

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitments and contingencies, are set out below: (continued)

Group 2014	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets FVTPL~ RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans, advances and financing# RM'000	Clients' and brokers' balances^ RM'000	Reinsurance assets RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture, hunting, forestry and fishing	–	–	–	1,480,473	191,230	5,152,516	–	–	485,640	1,654,640	8,964,499
Mining and quarrying	–	–	–	24,727	–	1,419,460	–	–	–	1,616,488	3,060,675
Manufacturing	–	–	40,000	371,016	164,540	8,394,916	–	–	46,185	8,663,615	17,680,272
Electricity, gas and water	–	–	1	1,207,402	1,249,093	2,689,109	–	–	230	882,273	6,028,108
Construction	–	–	49,870	555,492	617,997	6,518,969	–	–	16,751	6,653,183	14,412,262
Real estate	–	–	–	335,496	180,570	4,422,784	–	–	–	2,399,642	7,338,492
Purchase of landed property	–	–	–	–	–	7,540,954	–	–	–	13,527,996	21,068,950
Wholesale & retail trade and restaurant & hotel	–	–	–	5,093	–	–	–	–	–	211	5,304
General commerce	–	–	–	75,311	599,022	9,150,654	–	–	896	5,812,352	15,638,235
Transport, storage and communication	–	–	–	1,110,206	1,062,181	7,943,227	–	–	4,277	1,625,052	11,744,943
Finance, insurance and business services	13,958,753	171,030	575,546	9,093,470	5,191,383	14,991,616	–	241,647	1,478,850	5,895,161	51,597,456
Government and government agencies	3,862,822	320,480	1,815,602	4,243,363	10,907,794	7,263,677	–	–	–	6,623	28,420,361
Purchase of securities	–	–	–	455	–	1,232,727	1,531,289	–	–	3,033,897	5,798,368
Purchase of transport vehicles	–	–	–	–	–	128	–	–	–	151,950	152,078
Consumption credit	–	–	–	–	–	2,184,209	–	–	–	4,558,959	6,743,168
Others	99,017	–	4,064	158,477	306,021	63,137,142	–	–	665,028	1,837,923	66,207,672
	17,920,592	491,510	2,485,083	18,660,981	20,469,831	142,042,088	1,531,289	241,647	2,697,857	58,319,965	264,860,843

~ Excludes equity instrument amounting to RM445,598,000.

@ Excludes equity instrument amounting to RM941,195,000.

Excludes collective impairment allowance amounting to RM1,349,085,000.

^ Excludes collective impairment allowance of RM6,142,000.

* Other financial assets include other assets amounting to RM1,412,627,000 and derivative assets amounting to RM1,285,230,000.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

Credit risk exposure analysed by industry in respect of the Company's financial assets, including commitments and contingencies, are set out below:

Company	Short term funds and deposits and placements with banks and other financial institutions RM'000	Amounts due from subsidiaries RM'000	Other financial assets RM'000	Total RM'000
2015				
Finance, insurance and business services	**2,349,730**	**2**	**–**	**2,349,732**
Others	**–**	**25**	**–**	**25**
	2,349,730	**27**	**–**	**2,349,757**
2014				
Finance, insurance and business services	25,957	45	–	26,002
Others	–	48	2	50
	25,957	93	2	26,052

(f) Offsetting financial assets and financial liabilities

The Group reports financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The following table shows the impact of netting arrangement on:

(i) all financial assets and liabilities that are reported on the balance sheet; and

(ii) all derivative financial instruments and reverse repurchase agreement and borrowing arrangements (offsetting arrangement and financial collateral) but do not qualify for netting.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting financial assets and financial liabilities (continued)

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

Group	Gross amounts of recognised financial assets/ financial liabilities RM'000	Net amounts of financial assets presented in the statements of financial position RM'000	Related amounts not set off in the statements of financial position		Net amount RM'000
			Financial instruments RM'000	Financial collateral RM'000	
2015					
Financial assets					
Securities purchased under resale agreement	**188,380**	**188,380**	**(12,202)**	**(1,504)**	**174,674**
Derivative assets	**3,102,389**	**3,102,389**	**(709,430)**	**(212,356)**	**2,180,603**
Total	**3,290,769**	**3,290,769**	**(721,632)**	**(213,860)**	**2,355,277**
Financial liabilities					
Obligations on securities sold under repurchased agreements	**4,906,214**	**4,906,214**	**(5,053,814)**	**(68,667)**	**(216,267)**
Obligations on securities borrowed	**12,202**	**12,202**	**(12,202)**	**–**	**–**
Derivative liabilities	**3,089,781**	**3,089,781**	**(709,430)**	**(1,528,728)**	**851,623**
Total	**8,008,197**	**8,008,197**	**(5,775,446)**	**(1,597,395)**	**635,356**
2014					
Financial assets					
Securities purchased under resale agreement	491,510	491,510	(113,781)	–	377,729
Derivative assets	1,285,230	1,285,230	(241,295)	(65,350)	978,585
Total	1,776,740	1,776,740	(355,076)	(65,350)	1,356,314
Financial liabilities					
Obligations on securities sold under repurchased agreements	508,416	508,416	(520,484)	(17,931)	(29,999)
Obligations on securities borrowed	113,780	113,780	(113,781)	(2,447)	(2,448)
Derivative liabilities	1,224,684	1,224,684	(241,295)	(573,748)	409,641
Total	1,846,880	1,846,880	(875,560)	(594,126)	377,194

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair Value of Financial Instruments

The Group analyses its financial instruments measured at fair value into three categories as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

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

Group 2015	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets FVTPL:	508,105	1,090,673	153,863	1,752,641
– Money market instruments	–	533,305	–	533,305
– Quoted securities	508,105	–	–	508,105
– Unquoted securities	–	557,368	153,863	711,231
Financial investments AFS:	46,649	23,617,443	1,074,704	24,738,796
– Money market instruments	–	7,386,331	–	7,386,331
– Quoted securities	46,649	–	8,399	55,048
– Unquoted securities	–	16,231,112	1,066,305	17,297,417
Derivative assets	–	3,102,389	–	3,102,389
	554,754	27,810,505	1,228,567	29,593,826
Financial liabilities				
Derivative liabilities	30,036	3,059,745	–	3,089,781

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair Value of Financial Instruments (continued)

Group 2014	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets FVTPL:	449,439	2,441,242	40,000	2,930,681
– Money market instruments	–	1,815,602	–	1,815,602
– Quoted securities	449,439	–	–	449,439
– Unquoted securities	–	625,640	40,000	665,640
Financial investments AFS:	56,360	18,554,674	991,142	19,602,176
– Money market instruments	–	5,772,156	–	5,772,156
– Quoted securities	56,360	–	–	56,360
– Unquoted securities	–	12,782,518	991,142	13,773,660
Derivative assets	–	1,285,230	–	1,285,230
	505,799	22,281,146	1,031,142	23,818,087
Financial liabilities				
Derivative liabilities	13,114	1,211,570	–	1,224,684

There were no transfers between Level 1 and 2 during the financial year.

(i) Qualitative disclosures of valuation techniques

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include quoted securities and unit trusts.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use market parameters including but not limited to yield curves, volatilities and foreign exchange rates as inputs. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

51 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair Value of Financial Instruments (continued)

(i) Qualitative disclosures of valuation techniques (continued)

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio-economic reasons, non-transferable and non-tradable perpetual notes/sukuk, impaired securities and unquoted corporate loan stocks. Fair values for shares held for socio-economic reasons are based on the net tangible assets of the affected companies. For unquoted corporate loan stocks, discounted cash flow analysis has been performed to determine the recoverability of the instrument.

Reconciliation of fair value measurements in Level 3:

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

	Financial assets FVTPL		Financial investments AFS	
	2015 RM'000	**2014 RM'000**	**2015 RM'000**	**2014 RM'000**
Balance as at the beginning of the financial year	**40,000**	33,295	**991,142**	1,062,016
Total net gains recognised in other comprehensive income	**–**	–	**61,644**	72,290
Total net (losses)/gains recognised in income statements	**(19,868)**	9,153	**(5,519)**	73,940
Purchases	**133,731**	–	**26,724**	15,897
Settlements	**–**	(2,448)	**(17,034)**	(224,446)
Disposal	**–**	–	**–**	(3,459)
Transfer to loans and advances	**–**	–	**–**	(9,877)
Exchange differences	**–**	–	**17,747**	4,781
Balance as at the end of the financial year	**153,863**	40,000	**1,074,704**	991,142

52 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(a) The fair value of each financial assets and liabilities presented on the statements of financial position of the Group and the Company approximates the carrying amount as at the reporting date, except for the following:

	Group		Company	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
2015				
Financial assets				
Deposits and placements with banks and other financial institutions	**1,376,202**	**1,387,852**	**–**	**–**
Financial investments HTM	**20,532,236**	**20,446,918**	**–**	**–**
Loans, advances and financing	**149,590,961**	**150,009,655**	**–**	**–**
Financial liabilities				
Deposits from customers	**158,151,008**	**158,179,104**	**–**	**–**
Deposits and placements of banks and other financial institutions	**20,645,860**	**20,655,716**	**–**	**–**
Recourse obligation on loans sold to Cagamas	**3,127,656**	**3,120,839**	**–**	**–**
Subordinated obligations	**5,895,786**	**5,928,007**	**–**	**–**
Hybrid Tier-1 Capital Securities	**601,856**	**650,915**	**–**	**–**
Senior debt securities	**3,451,380**	**3,498,025**	**–**	**–**
2014				
Financial assets				
Deposits and placements with banks and other financial institutions	2,298,588	2,209,141	–	–
Financial investments HTM	20,469,831	20,281,184	–	–
Loans, advances and financing	140,693,003	141,008,924	–	–
Financial liabilities				
Deposits from customers	157,133,993	157,143,957	–	–
Deposits and placements of banks and other financial institutions	21,349,618	21,269,488	–	–
Recourse obligation on loans sold to Cagamas	3,315,335	3,295,986	–	–
Subordinated obligations	6,099,402	6,118,716	–	–
Hybrid Tier-1 Capital Securities	601,515	660,352	–	–
Senior debt securities	2,810,655	2,882,767	–	–

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

52 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) The following table analyses within the fair value hierarchy of the Group's assets and liabilities not measured at fair value at 31 December 2015 but for which fair value is disclosed:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015				
Financial assets				
Deposits and placements with banks and other financial institutions	**–**	**1,387,852**	**–**	**1,387,852**
Financial investments HTM	**–**	**17,646,364**	**2,800,554**	**20,446,918**
Loans, advances and financing	**–**	**150,009,655**	**–**	**150,009,655**
Financial liabilities				
Deposits from customers	**–**	**158,179,104**	**–**	**158,179,104**
Deposits and placements of banks and other financial institutions	**–**	**20,655,716**	**–**	**20,655,716**
Recourse obligation on loans sold to Cagamas	**–**	**3,120,839**	**–**	**3,120,839**
Subordinated obligations	**–**	**5,928,007**	**–**	**5,928,007**
Hybrid Tier-1 Capital Securities	**–**	**650,915**	**–**	**650,915**
Senior debt securities	**–**	**3,498,025**	**–**	**3,498,025**
2014				
Financial assets				
Deposits and placements with banks and other financial institutions	–	2,209,141	–	2,209,141
Financial investments HTM	–	19,282,930	998,254	20,281,184
Loans, advances and financing	–	141,008,924	–	141,008,924
Financial liabilities				
Deposits from customers	–	157,143,957	–	157,143,957
Deposits and placements of banks and other financial institutions	–	21,269,488	–	21,269,488
Recourse obligation on loans sold to Cagamas	–	3,295,986	–	3,295,986
Subordinated obligations	–	6,118,716	–	6,118,716
Hybrid Tier-1 Capital Securities	–	660,352	–	660,352
Senior debt securities	–	2,882,767	–	2,882,767

52 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) The fair values are based on the following methodologies and assumptions:

(i) Cash and short term funds and deposits and placements with financial institutions

For cash and short term funds and deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(ii) Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using prevailing market rates for the remaining term to maturity.

(iii) Financial assets FVTPL, financial investments HTM and AFS

The estimated fair value for financial assets FVTPL, financial investments HTM and AFS is based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been assessed by reference to market indicative yield or net tangible asset backing of the investee. Where discounted cash flow technique is used, the estimated future cash flows are discounted using the prevailing market rates for a similar instrument at the date of statements of financial position.

(iv) Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risk and maturities.

The fair values of impaired loans are represented by their carrying value, net of impairment allowance.

(v) Other assets and liabilities

The carrying value less any estimated impairment allowance for financial assets and liabilities included in ‘other assets and liabilities’ are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

(vi) Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposits with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2015

52 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) The fair values are based on the following methodologies and assumptions: (continued)

(vii) Deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements (‘repos’), obligations on securities borrowed and bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, repos, obligations on securities borrowed and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities of six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

(viii) Recourse obligation on loans sold to Cagamas

For amounts due to Cagamas with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amounts due to Cagamas with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

(ix) Borrowings

For floating rate borrowings, the carrying value is generally a reasonable estimate of fair value.

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

(x) Subordinated obligations

The estimated fair value of subordinated obligations is generally based on quoted and observable market prices at the date of statements of financial position.

(xi) Hybrid Tier-1 Capital Securities

The estimated fair value of Hybrid Tier-1 Capital Securities is generally based on quoted and observable market prices at the date of statements of financial position.

(xii) Senior debt securities

The estimated fair value of senior debt securities is generally based on quoted and observable market prices at the date of statements of financial position.

(xiii) Credit related commitments and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

(xiv) Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group would receive to sell or pay to transfer the contracts at the date of statements of financial position.

53 DISCONTINUED OPERATIONS

On 13 April 2015, the Company announced that it proposed to undertake the Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment and Proposed Transfer of Listing Status of the Company, details of which are as disclosed in Note 54(b). The Company is currently in the midst of procuring all relevant approvals required for the Proposals from the relevant parties/regulatory authorities.

The Proposals will entail the transfer by the Company of its entire equity interests in, or certain assets and liabilities of its subsidiaries to RHB Bank Berhad, and subsequently the delisting and winding up of the Company. Consequentially, the results of the Group and the Company have been disclosed as discontinued operations in the financial statements and all assets and liabilities are therefore classified as held for sale as at year end in accordance with the requirements of MFRS 5: Non-current Assets Held for Sale and Discontinued Operations.

54 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRIOR FINANCIAL YEAR

Current Year

(a) Internal reorganisation exercise of the entire equity interest in RHB OSK Indochina Securities Limited ('RHBISL')

RHB Investment Bank, a wholly-owned subsidiary of the Company, has on 1 October 2014 entered into a share sale agreement with RHB Indochina Bank, a wholly-owned subsidiary of RHB Bank, which in turn is a wholly-owned subsidiary of the Company, for the acquisition of the entire equity interest in RHBISL from RHB Indochina Bank for a consideration of USD12,500,000 ('Acquisition').

RHBISL was incorporated in Cambodia and is registered with the Securities and Exchange Commission of Cambodia ('SECC') as a licensed security firm undertaking securities underwriting business.

Approvals from BNM, Securities Commission Malaysia ('SC'), SECC (in principle) and National Bank of Cambodia have been obtained on 25 June 2014, 1 July 2014, 2 March 2015 and 7 May 2015 respectively. The share transfer was effected on 9 December 2015 and the Acquisition was completed on 25 December 2015 upon obtaining formal approval from SECC on the share transfer in RHBISL from RHB Indochina Bank to RHB Investment Bank.

(b) Rights Issue, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments (collectively referred to as the 'Proposals')

RHB Capital had announced that it proposed to undertake the following proposals:

(i) Rights Issue

On 21 December 2015, RHB Capital completed its renounceable rights issue of new ordinary shares of RM1.00 each in RHB Capital ('RHB Capital Shares') via the listing of and quotation for 486,193,294 new RHB Capital Shares on the Main Market of Bursa Malaysia Securities Berhad ('Bursa Securities'), raising proceeds of approximately RM2.343 billion ('Proceeds').

The Proceeds shall be utilised to further capitalise RHB Bank and to finance the working capital requirements of RHB Bank and its subsidiaries ('RHB Bank Group'), only if the relevant approvals for the Proposed Internal Reorganisation are obtained and the Proposed Internal Reorganisation is implemented ('Capital Injection').

Prior to the Capital Injection, RHB Bank has undertaken a consolidation of two (2) ordinary shares of RM0.50 each in RHB Bank ('RHB Bank Shares') into one (1) ordinary share of RM1.00 each ('Consolidated RHB Bank Share').

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

54 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRIOR FINANCIAL YEAR (CONTINUED)

Current Year (continued)

(b) Rights Issue, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments (collectively referred to as the 'Proposals') (continued)

RHB Capital had announced that it proposed to undertake the following proposals: (continued)

(i) Rights Issue (continued)

Pursuant to the Capital Injection, RHB Bank will be issuing new Consolidated RHB Bank Shares to the Company at an issue price equivalent to the fair market value of RHB Bank Group, which will be determined based on, amongst others, the price-to-book ratio of comparable financial institution groups listed on Bursa Securities.

In the event that the Proposed Internal Reorganisation is not implemented, the Proceeds shall be utilised to repay external bank borrowings of the Company and any surplus thereafter for injection as equity into RHB Bank and/or repayment of borrowings from RHB Bank, if required.

The Rights Issue will enable the Company to raise funds to further strengthen the capital position of RHB Bank, via the Capital Injection, to support the continuous business growth of RHB Bank Group and meeting the requirements of Basel III.

(ii) Proposed Internal Reorganisation

The Proposed Internal Reorganisation will entail the transfer by RHB Capital of its entire equity interests in, or certain assets and liabilities of its subsidiaries to RHB Bank ('Identified Assets'), after the Rights Issue, for a total indicative consideration of approximately RM3.71 billion ('Disposal Consideration'). The Disposal Consideration was arrived at based on a 'willing-buyer, willing-seller' basis after taking into consideration the audited net assets/net liabilities and/or the audited net book value of the Identified Assets as extracted from the audited financial statements of the respective subsidiaries of RHB Capital as at 31 December 2014.

The Identified Assets shall comprise, amongst others, the entire equity interest in RHB Investment Bank (which shall include its subsidiaries, associates and joint ventures), the entire equity interest in RHB Insurance Berhad and certain assets and liabilities of RHB Hartanah Sdn Bhd, including its subsidiary, RHB Property Management Sdn Bhd. The Identified Assets are not exhaustive and may be varied as the Board may deem fit until completion of the Proposed Internal Reorganisation.

The Disposal Consideration to be received by the Company under the Proposed Internal Reorganisation will be utilised to repay the bank borrowings of the Company as well as to defray expenses relating to the Proposed Internal Reorganisation. Any excess cash after the repayment of all of the Company's bank borrowings and defrayment of expenses relating to the Proposed Internal Reorganisation and after setting aside adequate cash to defray any expenses of the Company, will be injected into RHB Bank together with the proceeds from the redemption of RHB OSK Rupiah Liquid Fund (collectively referred to as the 'Excess Cash') as additional capital, in exchange for new Consolidated RHB Bank Shares, which will be issued at the same issue price as the new Consolidated RHB Bank Shares to be issued to the Company pursuant to the Capital Injection.

The Proposed Internal Reorganisation will be undertaken to streamline the businesses of RHB Capital Group under RHB Bank with the aim to achieve greater tax efficiency in view of the change from the two-tier tax system to a single-tier tax system as well as to position RHB Bank to spearhead the Group's future growth.

54 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRIOR FINANCIAL YEAR (CONTINUED)

Current Year (continued)

(b) Rights Issue, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments (collectively referred to as the 'Proposals') (continued)

RHB Capital had announced that it proposed to undertake the following proposals: (continued)

(iii) Proposed Distribution and Capital Repayment

The Proposed Distribution and Capital Repayment will entail the distribution of the entire shareholdings of the Company in RHB Bank after the Rights Issue and Proposed Internal Reorganisation to entitled shareholders of the Company whose names appear in the Record of Depositors of RHB Capital on an entitlement date to be determined and announced later upon completion of the Rights Issue and Proposed Internal Reorganisation and the receipt of all relevant approvals for the Proposed Distribution and Capital Repayment ('Distribution Entitlement Date'). The basis for the Proposed Distribution and Capital Repayment can only be determined later.

The Proposed Distribution and Capital Repayment will be implemented via a reduction of the entire share premium account of the Company and a reduction in the share capital of the Company in accordance with Sections 60(2) and 64 of the Companies Act, 1965, and the remaining balance via a distribution of the Company's retained earnings. For the purposes of the reduction in the share capital of the Company, the par value of all the existing RHB Capital Shares shall be reduced from RM1.00 to RM0.05.

Upon completion of the Proposed Distribution and Capital Repayment, the existing shareholders of RHB Capital will continue to hold shares in the Company with par value of RM0.05 each, in the proportion of their shareholdings as at the Distribution Entitlement Date. Upon receiving the approval of the shareholders of the Company for the proposed winding up of RHB Capital ('Proposed Winding Up') at a separate extraordinary general meeting ('EGM') to be convened later, RHB Capital will appoint a liquidator to liquidate the Company and any surplus cash (after the settlement of all liabilities and defrayment of expenses) thereafter will be returned to the shareholders.

RHB Capital will cease to be a shareholder of RHB Bank upon completion of the Proposed Distribution and Capital Repayment. The effective percentage shareholdings of the shareholders of RHB Capital in RHB Bank shall remain unchanged before and after the Proposed Distribution and Capital Repayment.

(iv) Proposed Transfer of Listing Status

Upon completion of the Proposed Distribution and Capital Repayment, RHB Bank will assume the listing status of RHB Capital. RHB Bank will be admitted to the Official List of Bursa Securities in place of RHB Capital with the listing of and quotation for the entire issued and paid-up share capital of RHB Bank on the Main Market of Bursa Securities.

The Proposed Transfer of Listing Status will enable RHB Capital's shareholders to have a direct participation in the equity and envisaged growth of RHB Bank Group as well as enable RHB Bank Group to gain direct access to the capital markets to raise funds for its continued growth, to gain recognition and corporate stature through its listing status and further enhance its corporate reputation and assist RHB Bank Group in expanding its customer base.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

54 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRIOR FINANCIAL YEAR (CONTINUED)

Current Year (continued)

(b) Rights Issue, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments (collectively referred to as the 'Proposals') (continued)

RHB Capital had announced that it proposed to undertake the following proposals: (continued)

(iv) Proposed Transfer of Listing Status (continued)

In addition to the above, RHB Capital also proposes to undertake the Proposed M&A Amendments which entails the consequential amendments to the memorandum and articles of association of the Company to facilitate the Proposed Distribution and Capital Repayment and Proposed Transfer of Listing Status.

The inter-conditionality of the Proposals are as follows:

(i) The Rights Issue is not conditional upon any of the other Proposals.

(ii) The Proposed Internal Reorganisation is conditional upon the Rights Issue but is not conditional upon the Proposed Distribution and Capital Repayment and the Proposed Transfer of Listing Status.

(iii) The Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments are inter-conditional upon each other and are also conditional upon the Proposed Internal Reorganisation and Rights Issue.

The Proposed Transfer of Listing Status can only be effected after the approval of the shareholders of the Company for the Proposed Winding Up have been obtained at a separate EGM to be convened.

To date, approvals which have been obtained for the Proposals include, amongst others, the following:

(i) Ministry of Finance and/or Bank Negara Malaysia (as the case may be) on 23 July 2015 for the Rights Issue, Proposed Internal Reorganisation and the Proposed Distribution and Capital Repayment under the Financial Services Act, 2013.

(ii) Bursa Securities on 30 July 2015 and 4 September 2015 for the listing of and quotation for the new RHB Capital Shares on the Main Market of Bursa Securities pursuant to the Rights Issue as well as the Proposed Transfer of Listing Status, respectively.

(iii) Shareholders of the Company on 27 August 2015 at the EGM of the Company for the Rights Issue, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments.

RHB Capital is currently in the midst of procuring all the other approvals required for the Proposals from the relevant parties/ regulatory authorities.

54 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRIOR FINANCIAL YEAR (CONTINUED)

Current Year (continued)

(c) Proposed Subscription in Digital Financial Lab Limited ('DFLL'), by RHB Finex and Silverlake International Capital Market Solution Limited ('Silverlake Capital')

RHB Finex, a company in which RHB Capital holds a 100% effective equity interest in through its 59.95% direct shareholding and 40.05% indirect shareholding through RHB Investment Bank, which in turn is a wholly-owned subsidiary of RHB Capital, had on 6 August 2015 entered into a subscription agreement ('Agreement') with Silverlake Capital, to subscribe for redeemable convertible preference shares of USD1.00 each ('RCPS') at par in DFLL.

Pursuant to the Agreement, RHB Finex and Silverlake Capital will each be subscribing for 50% RCPS in DFLL for RM10 million each ('Proposed Subscription'). The Proposed Subscription by RHB Finex will be funded by its internally generated funds. The RCPS shall rank pari passu with the existing ordinary shares of USD1.00 each ('Ordinary Shares') in DFLL in respect with the rights attached to the Ordinary Shares and shall be convertible at any time into Ordinary Shares at no extra cost.

(d) Bancatakaful Service Arrangement between RHB Islamic Bank and Syarikat Takaful Malaysia Berhad ('STMB')

RHB Islamic Bank, a wholly-owned subsidiary of RHB Bank, which in turn is a wholly-owned subsidiary of RHB Capital, had on 26 August 2015 entered into an exclusive bancatakaful service arrangement agreement ('Bancatakaful Service Agreement') with STMB.

Pursuant to the terms of the Bancatakaful Service Agreement, STMB shall pay RHB Islamic Bank a total service fee of RM110 million and in consideration thereof, RHB Islamic Bank shall commit to a 10-year bancatakaful relationship with STMB to distribute Family and General takaful products developed by STMB.

(e) CTS for Employees

As part of the Group's rationalisation exercise, the Group has on 30 September 2015 completed the CTS in Malaysia with a total of 1,812 applications accepted and payout amounting to RM308.8 million, as disclosed in Note 37.

This represents 11.8% of the Group's Malaysian workforce of 15,348 and 13.1% of the Group's permanent workforce of 13,787 in Malaysia.

Prior Year

(f) Proposed acquisition of PT Bank Mestika Dharma ('Bank Mestika')

The Company had on 19 October 2009, entered into the following agreements with PT Mestika Benua Mas ('Vendor'):

(i) A conditional sale and purchase agreement ('CSPA') to acquire 80% of the issued and paid-up share capital in Bank Mestika for a total cash consideration of Rp3,118 billion (approximately RM1,163 million) ('Proposed Acquisition'); and

(ii) Proposed put and call option for 9% of the issued and paid-up share capital in Bank Mestika ('Proposed Option').

NOTES TO THE FINANCIAL STATEMENTS (continued)
for the financial year ended 31 December 2015

54 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRIOR FINANCIAL YEAR (CONTINUED)

Prior Year (continued)

(f) Proposed acquisition of PT Bank Mestika Dharma ('Bank Mestika') (continued)

The Company had subsequently assigned all of its rights, titles, interests, benefits and entitlements and novated all of its obligations and liabilities contained in the CSPA, option agreement and escrow agreement pertaining thereto to RHB Venture Capital Sdn Bhd (a wholly-owned subsidiary of the Company), which in turn assigned and novated the same to RHB Bank on 17 December 2010, as the new acquirer for the Proposed Acquisition.

On 13 July 2012, Bank Indonesia issued a new regulation on share ownership in Indonesian commercial banks which stipulates, amongst others, that the maximum limit for shares ownership in a commercial bank by a bank or financial institution shall be 40% of its paid-up capital.

In view of this, RHB Bank had on 30 January 2013 entered into an amended agreement to the CSPA with the Vendor ('Amended CSPA') to revise the proposed acquisition from up to 89% of the issued and paid-up share capital in Bank Mestika to 40%, for a total cash consideration of Rp2,066 billion (approximately RM651 million as at 23 January 2013) ('Revised Purchase Consideration').

Simultaneously, RHB Bank had on even date entered into an option termination agreement with the Vendor to terminate the original Proposed Option.

In view that the approval from Otoritas Jasa Keuangan (Financial Services Authority of Indonesia) for the Proposed Acquisition has not been obtained on 30 June 2014 and therefore the conditions precedent of the Amended CSPA have not been satisfied, the parties to the Amended CSPA have decided not to extend the Conditional Period. Accordingly, the Amended CSPA lapsed on even date and terminated in accordance with the terms of the Amended CSPA, and the initial deposits paid has been refunded to the Company.

(g) Disposal of entire equity interest in RD RHB OSK Indonesia Dynamic Resources Plus Fund

On 7 February 2014, RHB Investment Bank disposed the entire equity interest in RD RHB OSK Indonesia Dynamic Resources Plus Fund for a cash consideration of RM6.5 million.

(h) Disposal of equity interest in iFast-OSK Sdn Bhd ('iFast-OSK')

RHB Investment Bank had on 7 March 2014 entered into a sale and purchase agreement to dispose its entire 34.88% equity interest in iFast-OSK for a cash consideration of RM9.07 million. The disposal was completed on 18 July 2014.

The effects of the disposal on the financial position of the Group in 2014 were as follows:

	RM'000
Proceeds from disposal	9,070
Equity attributable to net assets	(868)
Gain on disposal of an associate	8,202

54 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRIOR FINANCIAL YEAR (CONTINUED)

Prior Year (continued)

(i) Acquisition of remaining 49% equity interest in RHB Securities Singapore

On 15 December 2014, RHB Investment Bank completed the acquisition of the remaining 36,750,000 ordinary shares of SGD1.00 each or 49% in RHB Securities Singapore from Deustche Asia Pacific Holdings Pte Ltd ('DAPH') for a total consideration of SGD123.5 million (equivalent to RM329.2 million). Subsequently, RHB Securities Singapore became a wholly-owned subsidiary of RHB Investment Bank, which in turn is a wholly-owned subsidiary of the Company.

The difference between the fair value of the consideration paid and the relevant share of the carrying value of net assets of RM190.5 million was disclosed in the consolidated statements of changes in equity.

The financial position of RHB Securities Singapore as at the date of acquisition was as follows:

	RM'000
Carrying value of net assets	388,871
Carrying value of additional interests acquired	190,547

The following summarised the effects of the change in the Group's ownership interests in RHB Securities Singapore on the equity attributable to owners of the Group arising from the above acquisition. The difference between the purchase consideration and the additional interests acquired has been recognised to retained earnings:

	RM'000
Consideration paid for the 49% acquisition from NCI	329,210
Decrease in equity attributable to NCI	(190,547)
Decrease in equity attributable to equity holders of the Group	138,663

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

55 DETERMINATION OF REALISED AND UNREALISED PROFITS OR LOSSES IN THE CONTEXT OF DISCLOSURES PURSUANT TO BURSA SECURITIES LISTING REQUIREMENTS

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

The breakdown of retained profits of the Group and the Company is as follows:

	Group		
	Realised profits/(losses) RM'000	Unrealised profits RM'000	Total RM'000
2015			
Operating subsidiaries	**9,178,355**	**145,976**	**9,324,331**
Dormant subsidiaries*	**(7,874,716)**	**–**	**(7,874,716)**
Total retained profits of the Group	**1,303,639**	**145,976**	**1,449,615**
Total share of retained profits from associates and joint ventures	**3,735**	**–**	**3,735**
	1,307,374	**145,976**	**1,453,350**
Less: Consolidation adjustments			**6,107,232**
Total Group retained profits			**7,560,582**
2014			
Operating subsidiaries	7,411,253	1,311,014	8,722,267
Dormant subsidiaries*	(7,875,504)	–	(7,875,504)
Total (accumulated losses)/retained profits of the Group	(464,251)	1,311,014	846,763
Total share of retained profits from associates and joint ventures	3,436	–	3,436
	(460,815)	1,311,014	850,199
Less: Consolidation adjustments			6,089,630
Total Group retained profits			6,939,829

* The realised losses relate mainly to dormant subsidiaries which are currently in the process of being liquidated.

55 DETERMINATION OF REALISED AND UNREALISED PROFITS OR LOSSES IN THE CONTEXT OF DISCLOSURES PURSUANT TO BURSA SECURITIES LISTING REQUIREMENTS (CONTINUED)

	Company	
	2015 RM'000	**2014 RM'000**
Retained profits	**711,909**	415,481
Unrealised loss	**–**	(20)
Total Company retained profits	**711,909**	415,461

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

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

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

STATEMENT BY DIRECTORS

pursuant to Section 169 (15) of the Companies Act, 1965

We, Dato' Mohamed Khadar Merican and Dato' Khairussaleh Ramli, being two of the Directors of RHB Capital Berhad state that, in the opinion of the Directors, the accompanying financial statements set out on pages 8 to 185 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2015 and of the results and cash flows of the Group and of the Company for the financial year ended 31 December 2015 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.

DATO' MOHAMED KHADAR MERICAN
Chairman

DATO' KHAIRUSSALEH RAMLI
Group Managing Director

Kuala Lumpur
29 February 2016

STATUTORY DECLARATION

pursuant to Section 169 (16) of the Companies Act, 1965

I, Yap Choi Foong, being the Officer primarily responsible for the financial management of RHB Capital Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 185 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.

YAP CHOI FOONG

Subscribed and solemnly declared by the abovenamed Yap Choi Foong at Kuala Lumpur in Malaysia on 29 February 2016.

COMMISSIONER FOR OATHS
Kuala Lumpur
29 February 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RHB CAPITAL BERHAD

(Incorporated in Malaysia) (Company No. 312952-H)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Capital Berhad on pages 8 to 183, which comprise the statements of financial position as at 31 December 2015 of the Group and the Company, and the income statements, statements of comprehensive income, changes in equity and cash flow of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on notes 1 to 54.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to 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 in Malaysia. The Directors are also responsible 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 give a true and fair view of the financial position of the Group and of the Company as of 31 December 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of Matter

We draw attention to Note 1 Basis of Preparation of the financial statements in the Summary of Significant Accounting Policies to the financial statements, which refer to the Proposed Winding Up of the Company, subject to approval from the Company's shareholders subsequent to the financial year. These financial statements have therefore been prepared using a liquidation basis of accounting. Our opinion is not qualified in respect of this matter.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RHB CAPITAL BERHAD (continued)

(Incorporated in Malaysia) (Company No. 312952-H)

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 Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company'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.

(d) 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 REPORTING RESPONSIBILITIES

The supplementary information set out in Note 55 on pages 184 and 185 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, 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

NG YEE LING
(No. 3032/01/17 (J))
Chartered Accountant

Kuala Lumpur
29 February 2016

www.rhbgroup.com

facebook.com/RHBGroup **twitter.com/RHBGRoup**

RHB Capital Berhad (312952-H)

Level 9, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur

Tel : 603-9285 2233 Fax : 603-9281 9314