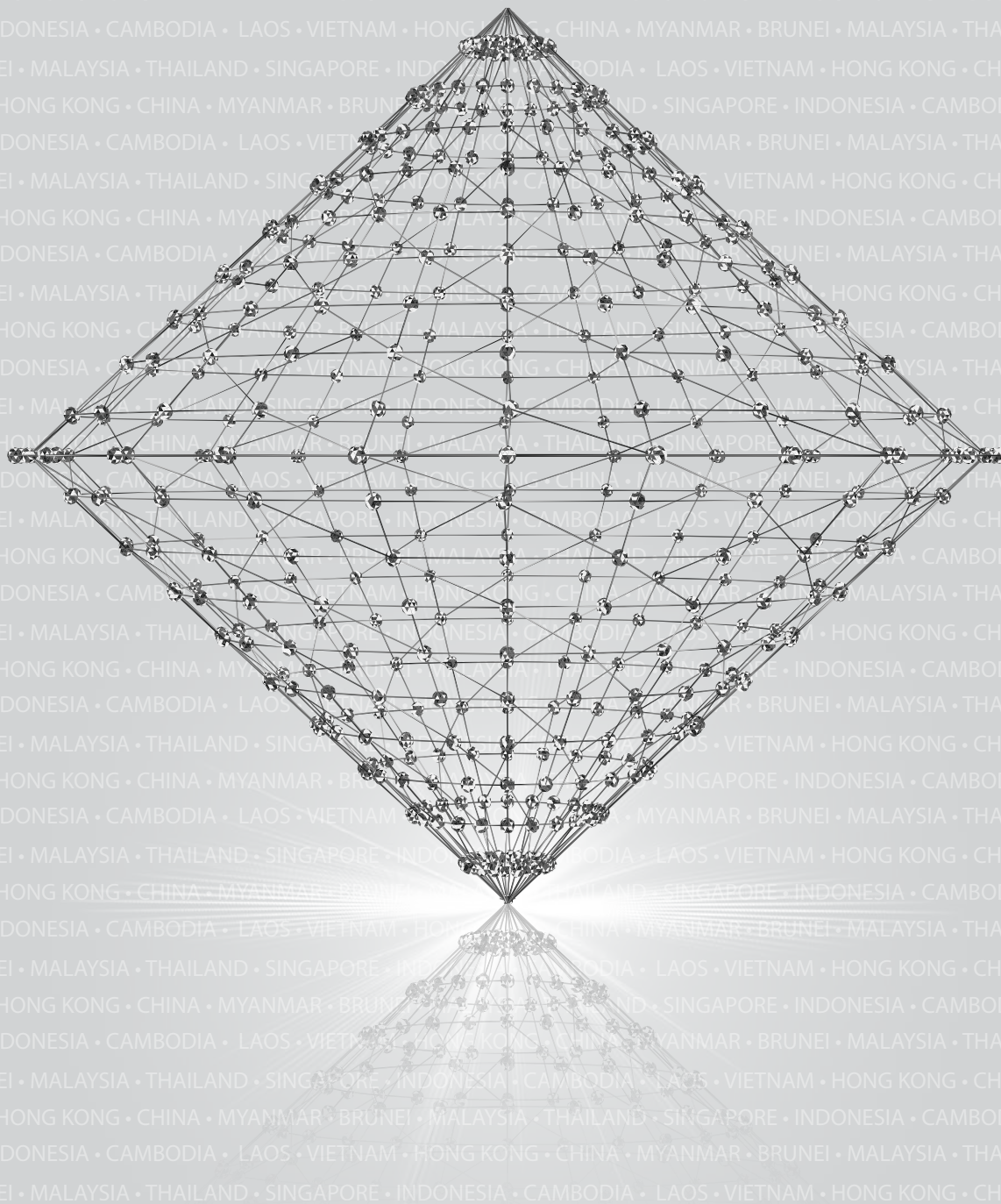


TOGETHER WE PROGRESS



RHB Investment Bank Berhad

ANNUAL REPORT 2015



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Profiles of the Board of Directors

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The cover for our 2015 Annual Report depicts a diamond shape formed with interlocking wire mesh. The diamond represents RHB's clarity of focus towards achieving its vision of being a leading multinational financial services group. The wire links further symbolise our commitment to fostering greater ties with our customers and key stakeholders by placing them at the centre of what we do, as described by our revitalised Brand Promise, **"Together We Progress"**.

Our Brand Promise is anchored on being a trusted partner to our customers and stakeholders; delivering simple, fast and seamless experiences; providing solutions that help achieve their goals; and nurturing future generations. These principles will be translated through our daily operations, and drive us in pushing boundaries to create a positive impact for society as a whole, embodying our "Together We Progress" Brand Promise.

Feedback

We need your feedback to make sure we are covering the things that matter to you. Email us at marketing.communications@rhbgroup.com

www.rhbgroup.com

RHB'S ASPIRATIONS

BY 2020...

**TO BE A
LEADING
MULTINATIONAL
FINANCIAL
SERVICES
GROUP**



**TOP 3
IN MALAYSIA/TOP 8 IN
ASEAN**

by performance



**STRONG MARKET
LEADERSHIP IN MALAYSIA**

across targeted products and
segments



**REGIONAL POWERHOUSE
IN ASEAN+**

20% profit contribution from
international operations



**NEXT GENERATION
CUSTOMER CENTRIC BANK**

delivering innovative and
personalised
customer offerings



**PROMINENT EMPLOYER
OF CHOICE**

within the region

FIVE-YEAR GROUP FINANCIAL SUMMARY

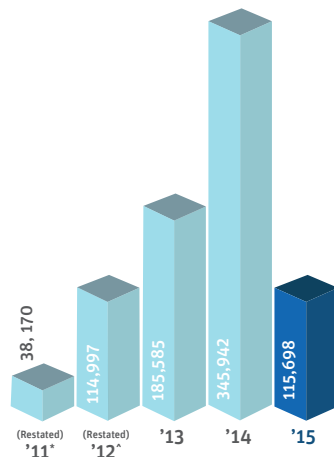
	2015	2014	2013	(Restated) 2012 [^]	(Restated) 2011 [*]
RESULTS (RM'000)					
Profit before taxation	115,698	345,942	185,585	114,997	38,170
Net profit for the financial year	72,510	285,072	141,067	86,494	23,948
Net dividend	-	14,200	-	17,005	29,265
STATEMENTS OF FINANCIAL POSITION (RM'000)					
Share capital	818,646	818,646	818,646	263,646	263,646
Shareholder's equity (attributable to owner of the Bank)	3,104,259	2,951,088	2,770,363	2,467,283	614,308
Total assets	11,183,542	12,388,741	13,945,383	16,106,158	5,804,345
Loans and advances	2,069,802	2,285,890	2,393,747	1,727,602	43,582
Total deposits	4,753,162	6,646,316	7,105,107	9,633,300	4,604,205
RATIOS					
Basic earnings per share (sen)	8.7	32.6	19.8	32.1	9.1
Gross dividends per share (sen)	-	1.7	-	8.6	14.8
Net tangible assets per share (sen)	218.7	199.6	244.6	504.6	165.3
Return on shareholder's equity (%)	2.3	9.0	4.7	3.4	3.8

* Restated as a result of retrospective application of MFRS 139 and FR SIC 18.

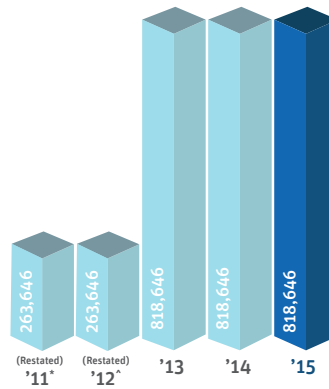
[^] Restated to reflect the effect of acquisition of assets and liabilities of OSK Investment Bank Berhad by applying predecessor accounting.

SUMMARY FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

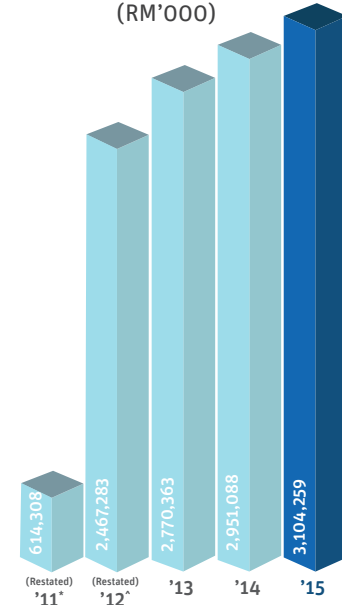
PROFIT BEFORE TAXATION
(RM'000)



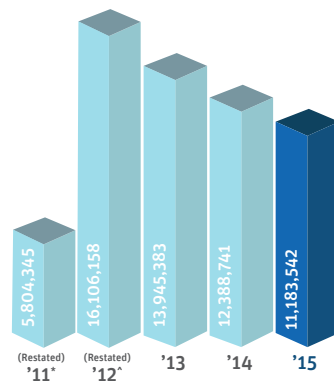
SHARE CAPITAL
(RM'000)



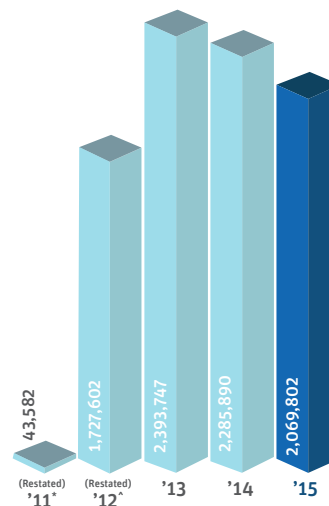
SHAREHOLDER'S EQUITY
(attributable to owner of the Bank)
(RM'000)



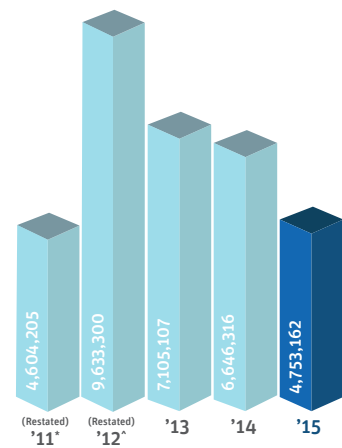
TOTAL ASSETS
(RM'000)



LOANS AND ADVANCES
(RM'000)



TOTAL DEPOSITS
(RM'000)



CORPORATE INFORMATION

As at 25 February 2016

BOARD OF DIRECTORS

- ♦ **Tan Sri Ong Leong Huat @ Wong Joo Hwa**
Non-Independent Non-Executive Chairman
- ♦ **Charles Lew Foon Keong**
Senior Independent Non-Executive Director
- ♦ **Dato' Mohamed Khadar Merican**
Non-Independent Non-Executive Director
- ♦ **Patrick Chin Yoke Chung**
Independent Non-Executive Director
- ♦ **Datuk Seri Saw Choo Boon**
Independent Non-Executive Director
- ♦ **Mohamed Ali Ismaeil Ali AlFahim**
Non-Independent Non-Executive Director
- ♦ **Mike Chan Cheong Yuen**
Managing Director/Chief Executive Officer

BOARD COMMITTEES

BOARD RISK COMMITTEE*

- ♦ **Tuan Haji Khairuddin Ahmad**
Independent Non-Executive Director/
Chairman
- ♦ **Patrick Chin Yoke Chung**
Independent Non-Executive Director
- ♦ **Tuan Haji Md Ja'far Abdul Carrim**
Non-Independent Non-Executive Director
- ♦ **Datuk Seri Saw Choo Boon**
Independent Non-Executive Director
- ♦ **Chin Yoong Kheong**
Independent Non-Executive Director
- ♦ **Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir**
Independent Non-Executive Director

BOARD NOMINATING & REMUNERATION COMMITTEE*

- ♦ **Datuk Haji Faisal Siraj**
Senior Independent Non-Executive
Director/Chairman
- ♦ **Tan Sri Azlan Zainol**
Non-Independent Non-Executive Director
- ♦ **Datuk Seri Saw Choo Boon**
Independent Non-Executive Director
- ♦ **Tan Sri Dato' Teo Chiang Liang**
Independent Non-Executive Director
- ♦ **Tuan Haji Md Ja'far Abdul Carrim**
Non-Independent Non-Executive Director

BOARD CREDIT COMMITTEE#

- ♦ **Dato' Mohamed Khadar Merican**
Non-Independent Non-Executive Director/
Chairman
- ♦ **Tuan Haji Khairuddin Ahmad**
Independent Non-Executive Director
- ♦ **Abdul Aziz Peru Mohamed**
Independent Non-Executive Director
- ♦ **Patrick Chin Yoke Chung**
Independent Non-Executive Director
- ♦ **Tuan Haji Md Ja'far Abdul Carrim**
Non-Independent Non-Executive Director
- ♦ **Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir**
Independent Non-Executive Director

BOARD AUDIT COMMITTEE#

- ♦ **Ong Seng Pheow**
Independent Non-Executive Director/
Chairman
- ♦ **Dato' Othman Jusoh**
Independent Non-Executive Director
- ♦ **Datuk Seri Saw Choo Boon**
Independent Non-Executive Director
- ♦ **Datuk Haji Faisal Siraj**
Independent Non-Executive Director

BOARD TECHNOLOGY COMMITTEE*

- ♦ **Chin Yoong Kheong**
Independent Non-Executive Director/
Chairman
- ♦ **Ong Seng Pheow**
Independent Non-Executive Director
- ♦ **Charles Lew Foon Keong**
Independent Non-Executive Director

MANAGEMENT OF SUBSIDIARIES

- ◆ **RHB ASSET MANAGEMENT SDN BHD**
Eliza Ong Yin Suen
Managing Director/Regional Head of
Group Asset Management

- Ho Seng Yee**
Chief Executive Officer

- ◆ **RHB ISLAMIC INTERNATIONAL ASSET
MANAGEMENT BERHAD**
Sharizad Binti Juma'at
Chief Executive Officer

- ◆ **RHB TRUSTEES BERHAD**
Tony Chieng Siong Ung
Executive Director

- ◆ **MALAYSIAN TRUSTEES BERHAD**
Tay Kok Leong
Executive Director

- ◆ **RHB RESEARCH INSTITUTE SDN BHD**
Lim Chee Sing
Chairman/Executive Director

- ◆ **RHB ASSET MANAGEMENT PTE LTD**
Eliza Ong Yin Suen
Managing Director/Regional Head of
Group Asset Management

- ◆ **RHB SECURITIES SINGAPORE PTE LTD**
Robert Angelo Hendro Santoso Huray
Chief Executive Officer

- ◆ **RHB HONG KONG LIMITED**
Wu Wai Leung, William
Chief Executive Officer

- ◆ **PT RHB SECURITIES INDONESIA**
Chan Kong Ming
President Director

- ◆ **RHB SECURITIES (THAILAND) PUBLIC
COMPANY LIMITED**
Yong Siong Sung
Acting Chief Executive Officer

COMPANY SECRETARY

- ◆ **Azman Shah Md Yaman**
(LS0006901)

REGISTERED OFFICE

Level 9, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Malaysia

Tel : 603 9287 3888
Fax : 603 9281 9314

COMPANY NO.

19663-P

BUSINESS ADDRESS

Level 3A, Tower One
RHB Centre, Jalan Tun Razak
50400 Kuala Lumpur
Tel : 603 9280 2374
Fax : 603 9284 8053

AUDITORS

PricewaterhouseCoopers
Chartered Accountants
Level 10, 1 Sentral
Jalan Rakyat, Kuala Lumpur Sentral
50470 Kuala Lumpur
P.O. Box 10192
50706 Kuala Lumpur
Tel : 603 2173 1188
Fax : 603 2173 1288

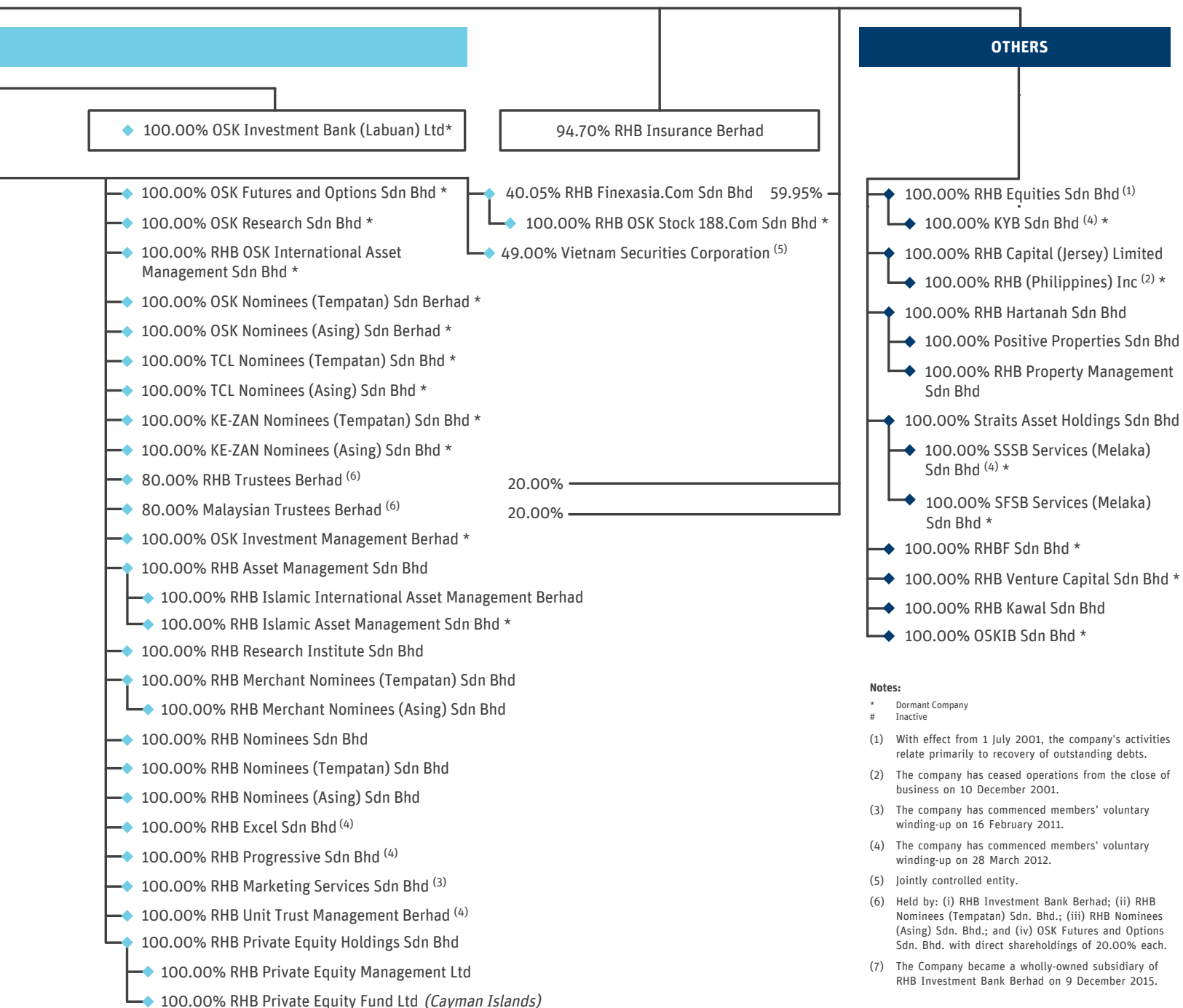
Notes:

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

GROUP CORPORATE STRUCTURE



* As at 25 February 2016



PROFILES OF THE BOARD OF DIRECTORS



TAN SRI ONG LEONG HUAT @ WONG JOO HWA

Aged 71, Malaysian
Non-Independent Non-Executive Chairman

Appointment to the Board

Appointed as a Non-Independent Non-Executive Director on 20 November 2012 and was subsequently appointed as the Chairman on 23 January 2013.

Board Committee Memberships

Nil

Qualification

- Senior Cambridge, Federation of Malaysia Certificate awarded by Methodist English School
- Capital Markets and Services Representative's licence issued by the Securities Commission of Malaysia under the Capital Markets and Services Act, 2007 for dealing in securities

Skills and Experience

For over 17 years since 1969, Tan Sri Ong Leong Huat ("Tan Sri Ong") was attached to a leading financial institution where he last held the position of Senior General Manager. He was the Managing Director/Chief Executive Officer ("CEO") of OSK Investment Bank Berhad (now known as OSKIB Sdn Bhd) from July 1985 to January 2007 and thereafter was appointed as the Group Managing Director/CEO. He was then re-designated as a Non-Independent Non-Executive Director and subsequently resigned on 30 April 2013.

Tan Sri Ong was also a Director of MESDAQ from July 1999 to March 2002 and a member of the Capital Market Advisory Council appointed by the Securities Commission in 2004 to advise on issues relating to the implementation of the Capital Market Master Plan. He was a director on the Board of Bursa Malaysia Berhad from 2008 to 2015 and was previously a member of the Securities Market Consultative Panel of Bursa Malaysia.

Directorships in Other Public Companies

- RHB Bank Berhad
- OSK Holdings Berhad
- PJ Development Holdings Berhad (Chairman)
- OSK Property Holdings Berhad
- OSK Ventures International Berhad
- KE-ZAN (Holdings) Berhad
- OSK Foundation (Trustee)



CHARLES LEW FOON KEONG

Aged 58, Malaysian
Senior Independent Non-Executive Director

Appointment to the Board

Appointed as an Independent Non-Executive Director on 15 March 2004.

On 1 March 2011, he was appointed as the Senior Independent Non-Executive Director of RHB Investment Bank Berhad.

Board Committee Memberships

Board Technology Committee (Member)

Qualification

- BA (Hons) in Finance and Accounting from University of East London
- MSC (MBA) in Management Science from Imperial College, University of London

Skills and Experience

Mr Charles Lew ("Mr Charles Lew") has more than 30 years of investment banking experience. He started his career in 1983 in London with Wardley James Capel (the then merchant banking and stockbroking operations of the HongKong Bank Group) and subsequently worked for a British merchant bank, Robert Fleming prior to joining Credit Commercial de France in 1989.

In 1990, he returned to Asia to join Hoare Govett Asia in Singapore, where he was responsible for the regional corporate finance business. In 1997, following the sale of Hoare Govett Asia to ABN AMRO Bank, Mr Charles Lew was appointed as the Managing Director of ABN AMRO's investment banking operations in Singapore. In 1999, Mr Charles Lew founded Equator Capital, an investment management and advisory company primarily active in the trading of US equities options and managed futures. He has also participated in a number of private equity and pre-Initial Public Offerings ("IPOs") investments in the region. Over the years, he has been involved in a wide range of investment banking work, including global IPOs, equity placements, takeovers and mergers, debt/equity restructuring and venture capital and private equity financing.

Directorships in Other Public Companies

- RHB Islamic Bank Berhad
- Hastings Technology Metals Ltd (company listed on Australian Securities Exchange)



DATO' MOHAMED KHADAR MERICAN

Aged 59, Malaysian
Non-Independent Non-Executive Director

Appointment to the Board

Appointed as an Independent Non-Executive Director on 4 December 2003 and was subsequently appointed as the Chairman on 30 March 2011.

On 23 January 2013, he was re-designated as an Independent Non-Executive Director. Subsequently, on 30 April 2015, he was re-designated as a Non-Independent Non-Executive Director of RHB Investment Bank Berhad.

Board Committee Memberships

- Board Credit Committee (Chairman)

Qualification

- Member of the Institute of Chartered Accountants in England and Wales
- Member of the Malaysian Institute of Accountants

Skills and Experience

Dato' Mohamed Khadar Merican ("Dato' Mohamed Khadar") has more than 40 years of experience in financial and general management. He served as an auditor and a consultant in an international accounting firm, before joining a financial services group in 1986. Dato' Mohamed Khadar has held various senior management positions in Pernas International Holdings Berhad (now known as Tradewinds Corporation Berhad) between 1988 and April 2003, including those of President and Chief Operating Officer. In 2013, Dato' Mohamed Khadar, in his capacity as the Chairman of RHB Capital Berhad, was named as the 'Chairman of The Year' by the Minority Shareholders Watchdog Group at its Malaysian-Asean Corporate Governance Index Awards 2013.

Directorships in Other Public Companies

- RHB Capital Berhad (Chairman)
- RHB Bank Berhad
- RHB Securities (Thailand) Public Company Limited (Chairman)
- AirAsia Berhad
- Astro Malaysia Holdings Berhad
- Sona Petroleum Berhad
- Rashid Hussain Berhad (In Members' Voluntary Liquidation)



PATRICK CHIN YOKE CHUNG

Aged 70, Malaysian
Independent Non-Executive Director

Appointment to the Board

Appointed as an Independent Non-Executive Director on 2 August 2007.

Board Committee Memberships

- Board Credit Committee (Member)
- Board Risk Committee (Member)

Qualification

- Fellow of The Institute of Chartered Accountants in England and Wales
- Attended the Management Development Program at Harvard Business School

Skills and Experience

Mr Patrick Chin Yoke Chung rose from the Head of Corporate Finance to become the Deputy Chief Executive Officer of Asian International Merchant Bankers Berhad from 1973 to 1993. He was appointed as the Executive Director of Morgan Grenfell Asia-Kenanga Sdn Bhd and also the Chief Representative of Morgan Grenfell responsible for co-coordinating Morgan Grenfell's activities and business interests in Malaysia from 1994 to 1995. Subsequently, he joined Bankers Trust Company, Kuala Lumpur as Chief Representative/Country Head from 1995 to 1999, managing and overseeing its Malaysian operations including the offshore bank in Labuan. He also served as the Chairman of Schroders Malaysia Sdn Bhd in 2000.

Other Directorships

- RHB Asset Management Sdn Bhd (Chairman)
- RHB Bank (L) Ltd (Chairman)
- RHB Asset Management Pte Ltd (Chairman)
- PT RHB Asset Management Indonesia (President)
- RHB International Investment Pte Ltd
- RHB Asset Management Limited
- RHB Private Equity Holdings Sdn Bhd
- Muda Holdings Berhad

PROFILES OF THE BOARD OF DIRECTORS (continued)



DATUK SERI SAW CHOO BOON

Aged 69, Malaysian
Independent Non-Executive Director

Appointment to the Board

Appointed as an Independent Non-Executive Director on 1 April 2010.

Board Committee Memberships

- Group Board Audit Committee (Chairman)
- Board Nominating & Remuneration Committee (Member)
- Board Audit Committee (Member)
- Board Risk Committee (Member)

Qualification

Bachelor of Science (Chemistry) from the University of Malaya

Skills and Experience

Datuk Seri Saw Choo Boon (“Datuk Seri Saw”) joined Shell in 1970 as a Refinery Technologist in Shell Refining Company (Federation of Malaya) Berhad. He then served in various capacities in manufacturing, supply, trading and planning in Malaysia, Singapore and Netherlands. In 1996, Datuk Seri Saw was appointed Managing Director of Shell MDS (Malaysia) Sendirian Berhad. In 1998 – 1999, he assumed the positions of Managing Director for Oil Products (Downstream) Shell Malaysia and Managing Director of Shell Refining Company (Federation of Malaya) Berhad. In 1999, with the globalisation of the Shell Oil Products business, he was appointed the Vice-President of the commercial business in the Asia-Pacific region and in 2004 he became the President of Shell Oil Product East. In 2005, he assumed the role of Vice-President Global Marine Products.

Datuk Seri Saw was appointed the Chairman of Shell Malaysia on 1 March 2006. He was also the Vice President Business Development Asia Pacific responsible for developing the commercial businesses in new market entries in Asia – China, India, Indonesia and Vietnam. From 1 January 2010, Datuk Seri Saw was appointed the Senior Advisor of Shell Malaysia until his retirement on 30 June 2010.

Directorships in Other Public Companies

- RHB Capital Berhad
- Digi.Com Berhad
- Phoenix Petroleum (M) Berhad
- Ranhill Holdings Berhad
- Guinness Anchor Berhad (Chairman)

In addition, he serves on the following associations:

- Government’s Public-Private Sector Special Task Force on Facilitating Business (PEMUDAH) (Co-Chair)
- Federation of Malaysian Manufacturers Council (President)
- Socio-Economic Research Centre Board of the Associated Chinese Chambers of Commerce and Industry Malaysia



MOHAMED ALI ISMAEIL ALI ALFAHIM

Aged 39, United Arab Emirates
Non-Independent Non-Executive Director

Appointment to the Board

Appointed as a Non-Independent Non-Executive Director on 9 May 2014.

Board Committee Memberships

Nil

Qualification

Bachelor of Science in Business Administration from the University of Suffolk, Boston

Skills and Experience

Mr Mohamed Ali Ismaeil Ali AlFahim (“Mr AlFahim”) commenced his professional career at Abu Dhabi National Oil Company from 2000 to 2008. His role as Head of Group Financing Department focused on the identification and pursuit of investment strategies reflecting a balanced investment portfolio. During that time, Mr AlFahim also worked as a corporate finance consultant for KPMG-Dubai from 2001 to 2002 and for HSBC Bank at Project and Export Finance Division-London in 2006.

Since September 2008, Mr AlFahim has been Head of Finance at the Finance & Accounts Department of International Petroleum Investment Company PJSC (“IPIC”). He represents IPIC as a board member on various boards of investee companies.

Other Directorships

- RHB Capital Berhad
- RHB Bank Berhad
- EDP Energia de Portugal
- Aabar Investments PJS
- Arabtec Holdings PJSC
- Al Izz Islamic Bank
- Depa Interiors



MIKE CHAN CHEONG YUEN

Aged 49, Malaysian
Managing Director/Chief Executive Officer

Appointment to the Board

Appointed as the Managing Director/Chief Executive Officer on 15 August 2013.

Board Committee Memberships

Nil

Qualification

- Master of Science in Finance from Boston College, United States of America
- Bachelor of Science in Accounting and Finance from California State University, United States of America

Skills and Experience

Mr Mike Chan Cheong Yuen (“Mr Mike Chan”) brings with him more than 24 years of experience in the financial services industry, where he has held positions in well-established local and foreign financial institutions.

Mr Mike Chan joined RHB Banking Group in May 2010 as the Head of Corporate Banking of RHB Bank Berhad. In addition to his role in RHB Bank Berhad then, he was also the Officer-in-Charge of RHB Investment Bank Berhad prior to his appointment as the Managing Director/Chief Executive Officer in August 2013. He played an important role in the merger and integration of RHB Investment Bank-OSK Investment Bank Berhad.

Other Directorships

- RHB Private Equity Holdings Sdn Bhd
- RHB Private Equity Management Ltd
- RHB Bank (L) Ltd
- Vietnam Securities Corporation (Chairman)
- Financial Park (Labuan) Sdn Bhd

INVESTMENT BANKING SERVICES

Client Coverage team is a group of dedicated relationship managers that market the full spectrum of products and services offered by the RHB Banking Group to **Corporate** and **Public Sector** clients across the region. This team of deal origination specialists work with the product groups to develop tailored solutions to meet the clients' specific capital market needs. The origination team, with expertise across all industries, deliver superior client experience by advising on corporate restructuring, mergers & acquisitions, lending and fundraising via both equity and debt instruments, and are involved from the point of structuring the schemes to distribution of the securities. The relationship managers also act as a one-stop point of contact for other products offered within the Group, including Treasury instruments, cash management services, asset management funds as well as other commercial banking and insurance products.

The Client Coverage team's capability in the origination of deals has helped to position RHBIB as a leading market player in both the large-caps and mid-caps segments in Corporate Malaysia as well as with the Federal Government, State Governments, Government-linked Companies, Government-linked Investment Companies and emerging Bumiputra corporations. The team leverages on RHBIB's regional platform to provide cross-border transactional services to clients across ASEAN and Greater China regions.

Corporate Finance ("CF") delivers advisory services and transactional execution expertise across a range of products to its client base. These include stock exchange listings and public offerings of equity related instruments, fund raising, mergers & acquisitions, takeovers and corporate and debt restructurings. RHBIB has advised on many of the largest transactions and its expertise is rooted in the breadth and deep knowledge of its experienced CF team.

Mergers & Acquisitions ("M&A") focuses on the origination of M&A transactions and financial advisory work. The M&A team focuses on assisting clients in acquisitions or divestitures of businesses/assets and identification of investors. In addition, the M&A team conducts valuation exercises on business entities, manages transaction due diligence process and advises on deal strategy and negotiation tactics in both domestic and regional cross-border transactions. Advisory work involves providing tailored financial solutions to clients, such as financial restructuring, project finance and balance sheet management type of assignments.

Equity Capital Markets ("ECM") provides advice and support in the origination, structuring, valuation and pricing of equity fund raising transactions such as initial public offerings, private placements, shareholder sell-downs and rights issues. In addition, ECM manages the underwriting, syndication, marketing and distribution of equity offerings. This is done through a network of institutional, corporate and private clients. ECM also manages investor relations, both prior to and after an equity fund raising transaction. Today, RHBIB's ECM team is a leading player in the primary and secondary markets for equity and equity-linked products.

Debt Capital Markets ("DCM") offers holistic debt financing solutions, globally and domestically for a broad range of fixed income services in the structuring and issuances of various forms of innovative debt securities and capital market instruments, both conventional and Islamic. With our integrated global platform, the DCM team has significant experience and distribution capabilities and has undertaken many landmark transactions that are noted by a diverse range of industry players for innovation and creativity. Our comprehensive approach is tailored to exceed each client's objective and deliver the best financing solution in the broad range of currencies and services.

Retail Securities & Futures ("RSF") offers access for trading in shares as well as futures and commodities through RHBIB's 52 branches in Malaysia and regional offices in Singapore, Thailand, Indonesia, Hong Kong and Cambodia, serviced by professional Dealer's Representatives and Futures Broker Representatives. Clients can trade in shares listed on Bursa Malaysia Securities and in 19 major global markets such as Singapore, the US and Hong Kong. In addition, its Futures & Commodities business provides a one-stop access to the Bursa Malaysia Derivatives and Global Futures Exchanges such as HKEX, CME, SGX, LIFFE, ICE and TOCOM. With its online trading portal, clients are able to trade conveniently, anytime and from anywhere with real-time market access. To complement these activities, RSF also provides share margin financing as well as custodian and nominees services.

Institutional Broking (“IBr”) provides superior equities investment advice and execution services to fund managers locally and abroad. IBr has highly qualified institutional sales teams that complement its award-winning Research franchise to provide sound investment advice to its institutional clients. In addition, IBr has dedicated operations staff providing efficient support services for domestic and international institutional funds managing billions of dollars. Today, RHBIB’s IBr regional network has expanded into most major ASEAN markets and Hong Kong. Our institutional sales teams can now provide and further facilitate cross-border trading services among these countries.

Research helps investors make informed investment decisions by providing comprehensive economic, equity and debt market research. Our award-winning teams of economists and research analysts offer regional coverage of G3, ASEAN and Greater China economies, a broad range of sectors and companies listed in Malaysia, Indonesia, Singapore, Thailand and Hong Kong/China in addition to credit opinions on debt market instruments, sovereign bonds and currency markets. Our equity and economic research teams work closely with IBr sales in providing sound investment advice to institutional clients.

Derivatives & Structured Products (“DSP”) team develops and offers innovative financial products which incorporate derivatives and other advanced financial engineering features. These products are Structured Warrants (“SW”), Exchange-traded Funds (“ETFs”) and Structured Investments linked to various asset classes, including equities, indices, commodities and currencies, amongst others. RHBIB has been a leading issuer and market-maker of SW in Malaysia since 2005. A strong market coverage and research allows RHBIB to identify the right market opportunities for issuance and offering of SW. DSP’s product specialists have extensive product expertise and market experience and it is also a participating dealer and market-maker of several ETFs listed on Bursa Malaysia.

For the more sophisticated and high net worth individuals, DSP offers innovative and custom-designed products in the form of Structured Investments. These products allow clients to customise and execute alternative investment strategies offering access to different asset classes and markets, potential superior returns and interesting risk-return profiles that are not possible with conventional equities, bonds or futures.

Financial Markets (“FM”) offers a diverse suite of Treasury investment and hedging products that include money market instruments, fixed income securities, repurchase agreements, foreign exchange and derivative structured products (FX & Interest Rates). FM is supported by a well-established sales, trading and distribution network. FM fosters primary and secondary financial and capital market activity through efficient dissemination of effective cross product investment and hedging solutions to a wide array of clients with diverse needs, comprising government agencies, pension funds, mutual funds, insurance companies, corporations, private banking and interbank counterparties.

Asset Management (“AM”) has the expertise and skills in managing a full range of investment instruments, customised according to client risk profile, including conventional and Shariah compliant instruments. The investments and mandates managed include a wide range of unit trusts across different geographical regions covering asset classes such as equity, fixed income, balanced and cash management; discretionary and non-discretionary mandates through focused portfolios; alternative investments which include private equity funds, structured investments and investment-linked products; and trustee services with the offering of all types of trustee products and services ranging from estate planning services, will-writing, private and corporate trustee services to Private Debt Securities. Other services include product manufacturing, investment services mandates, IPO mandate portfolio restructuring and management of sinking funds.

Private Equity (“PE”) has funds that invest in growth companies in a wide range of industries and sectors in the Asian region. PE aims to create shareholders value in its portfolio companies by identifying and pursuing growth drivers to achieve higher financial performance. Exits are through IPOs and/or trade sales.

STATEMENT ON CORPORATE GOVERNANCE

INTRODUCTION

“THE SUCCESS OR FAILURE OF ANY ORGANISATION IS OFTEN ATTRIBUTED TO THE QUALITY OF ITS CORPORATE GOVERNANCE. IN HEAVILY REGULATED SECTORS LIKE BANKING AND INSURANCE, THE COLLAPSE OF FINANCIAL INSTITUTIONS ESPECIALLY MAJOR GLOBAL PLAYERS INVARIABLY INVITES GREATER PUBLIC SCRUTINY AND THE TIGHTENING OF RULES AND REGULATIONS... WHILE IT IS IMPORTANT THAT THE RELEVANT CORPORATE GOVERNANCE STANDARDS ARE FURTHER STRENGTHENED, THIS MUST BE REINFORCED BY AN HONEST REFLECTION ON GAPS THAT EXIST IN PRACTICE AND A STRONG RESPONSE BY THOSE AT THE VERY TOP OF THE ORGANISATION TO ELEVATE AN INSTITUTION’S GOVERNANCE PRACTICES AND ARRANGEMENTS. IT IS IN OUR COLLECTIVE INTERESTS TO ENSURE THAT CORPORATE GOVERNANCE PRACTICES IN THE FINANCIAL SECTOR REMAIN SOUND OVER TIME. REGULATION ALONE WILL NOT ACHIEVE THIS. AS KEY PUBLIC INTEREST ENTITIES, FINANCIAL INSTITUTIONS ARE EXPECTED TO LEAD BY EXAMPLE AND REMAIN AT THE FOREFRONT IN REGARD TO CORPORATE GOVERNANCE PRACTICES.”

Datuk Nor Shamsiah Mohd Yunus, Deputy Governor, Bank Negara Malaysia
Opening Speech, Launch of the FIDE Forum’s Directors’ Remuneration Report 2015, Lanai Kijang, Kuala Lumpur
7 December 2015

COMMITMENT TO GOVERNANCE

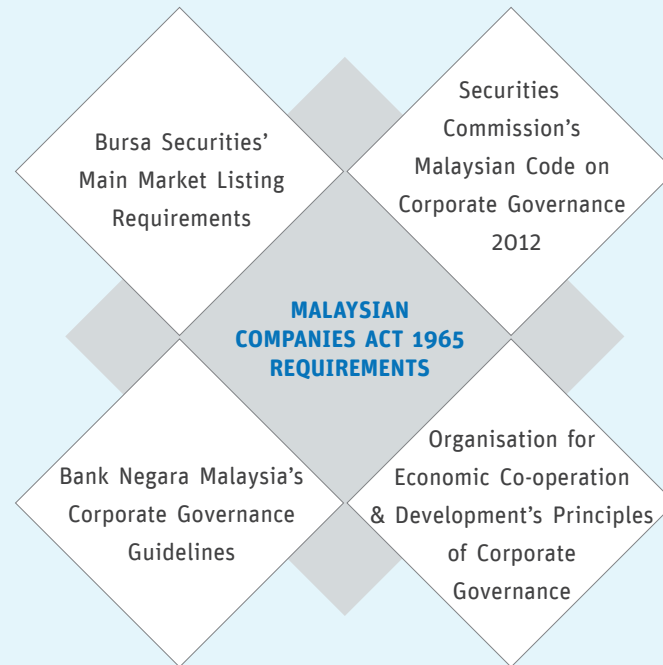
RHB Investment Bank Berhad (“RHB Investment Bank” or “The Company”) is fully committed to protect the interests of all its stakeholders by applying good corporate governance, including greater transparency and sustainable disclosure.

Excellence in corporate governance is an important element in promoting the Company’s financial services among the ASEAN and Greater China economic communities. RHB Banking Group’s current transition from the “A New Dawn” era to the next chapter of sustainable operation is rapidly progressing, thus echoing its commitment to its “Together We Progress” tagline hand in hand with its stakeholders, as the Company operates and manages its business in an orderly fashion.



CONFORMANCE CULTURE

RHB Investment Bank recognises that good corporate governance is key to ensuring long-term sustainability for the Group. As such, the Company fully subscribes and adopts the broad principles set out in the following requirements and guidelines where applicable:



In leading the organisation and ensuring that all the Group's strategic objectives and business scorecards are met, the Board is bound by its Charter, the Terms of Reference ("TOR") for its various Board Committees, and also by the Group Code of Ethics and Business Conduct for Directors.

For Senior Management, key performance indicators ("KPIs") and the TOR for various management committees reiterate the strategic objectives and risk appetite that the Board has set to achieve common organisational goals and value creation.

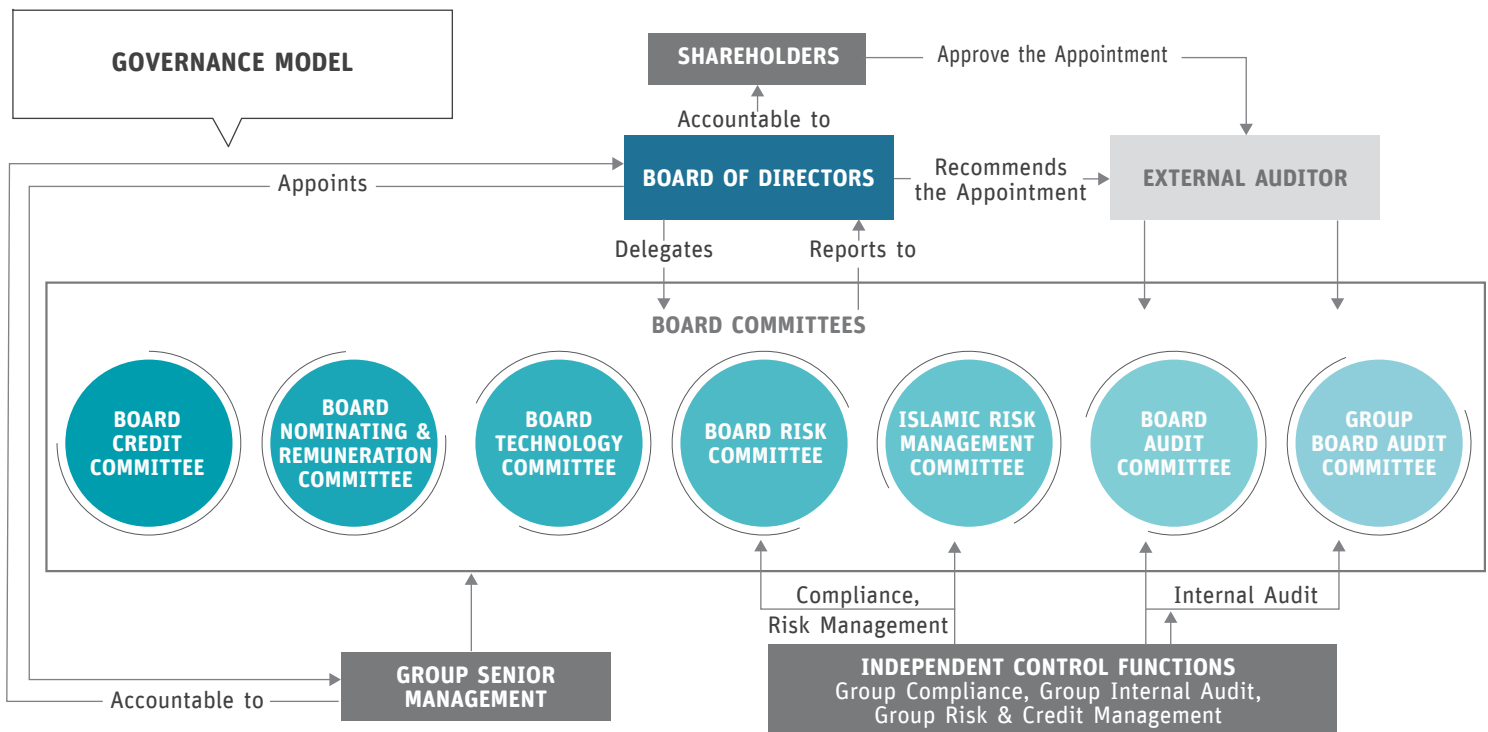
Complementing this are the Group Manual of Authority, Power of Attorney, Delegated Lending and Financing Authority (Discretionary Powers), Group Code of Ethics and Conduct for Employees, and Group Whistleblowing Policy, all of which were approved by the Board to ensure that good governance practices and fiduciary duties are implemented by the Senior Management and other key personnel.

This compliance culture encourages the Group's Directors, Senior Management and the rest of its employees to embrace professional business ethics and practise self-compliance with internal and external requirements.

This process is embedded top-down, where the Company's shared values encourage its Directors and employees in having **P.R.I.D.E.** in upholding the spirit and the letter of legal and regulatory requirements. All employees are guided by and committed to the following core shared values of the Group:

- **Professional**
We are committed to maintain a high level of proficiency, competency and reliability in all that we do.
- **Respect**
We are courteous, humble and we show empathy to everyone through our actions and interactions.
- **Integrity**
We are honest, ethical and we uphold a high standard of governance.
- **Dynamic**
We are proactive, responsive and forward thinking.
- **Excellence**
We will continuously achieve high standards of performance and service deliverables.

STATEMENT ON CORPORATE GOVERNANCE (continued)



GOVERNANCE MODEL & FRAMEWORK

The **Governance Model** outlines a clear organisational structure with robust internal control and risk management mechanisms which promote high standards of governance and of integrity, transparency and well-defined accountabilities and responsibilities of the shareholders, Board and Board Committees, Senior Management, external and internal auditors and other Independent Control Functions.

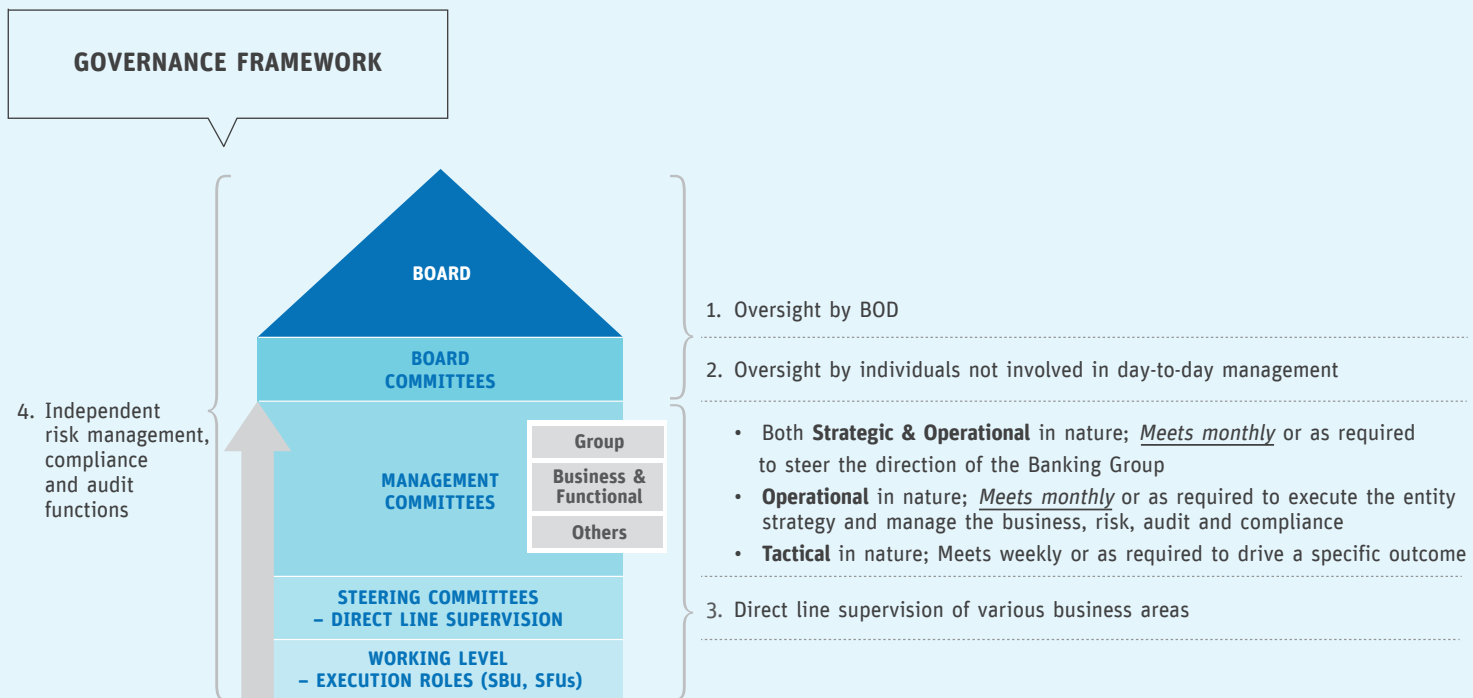
As the Board further commits to working under a solid governance structure with greater transparency, a framework on governance has been established. It is within this ambit that the Board approved the **Group Governance Framework** as the basis of effective governance and oversight to support RHB Banking Group's overall strategies.

A clear and transparent governance structure for various central and sub-committees set by the Board members and the Senior Management has institutionalised the Company as a risk-focused organisation with proper control functions and good corporate governance practices. Under this framework, there are various

levels of oversight functioning across the Group's business and functional activities. These include, among others, direct supervision, Senior Management, independent parties comprising of risk management, compliance and internal audit, Group Managing Director ("GMD"), Managing Directors ("MDs"), Board Committees and the Board.

As the framework is based on conformance with regulatory requirements of the Guidelines on Corporate Governance for Licensed Institutions issued by Bank Negara Malaysia ("BNM"), this solid foundation is thus important to create value in the Group whether in the short, medium or long-term.

The Board continuously explores enhancements to the Group's governance processes to ensure it remains robust even as it continues to expand. The Governance Model and framework is currently being used as guidance and reference to build a strong governance structure and conformance culture within the Company and other RHB entities in the Banking Group.



Business Governance

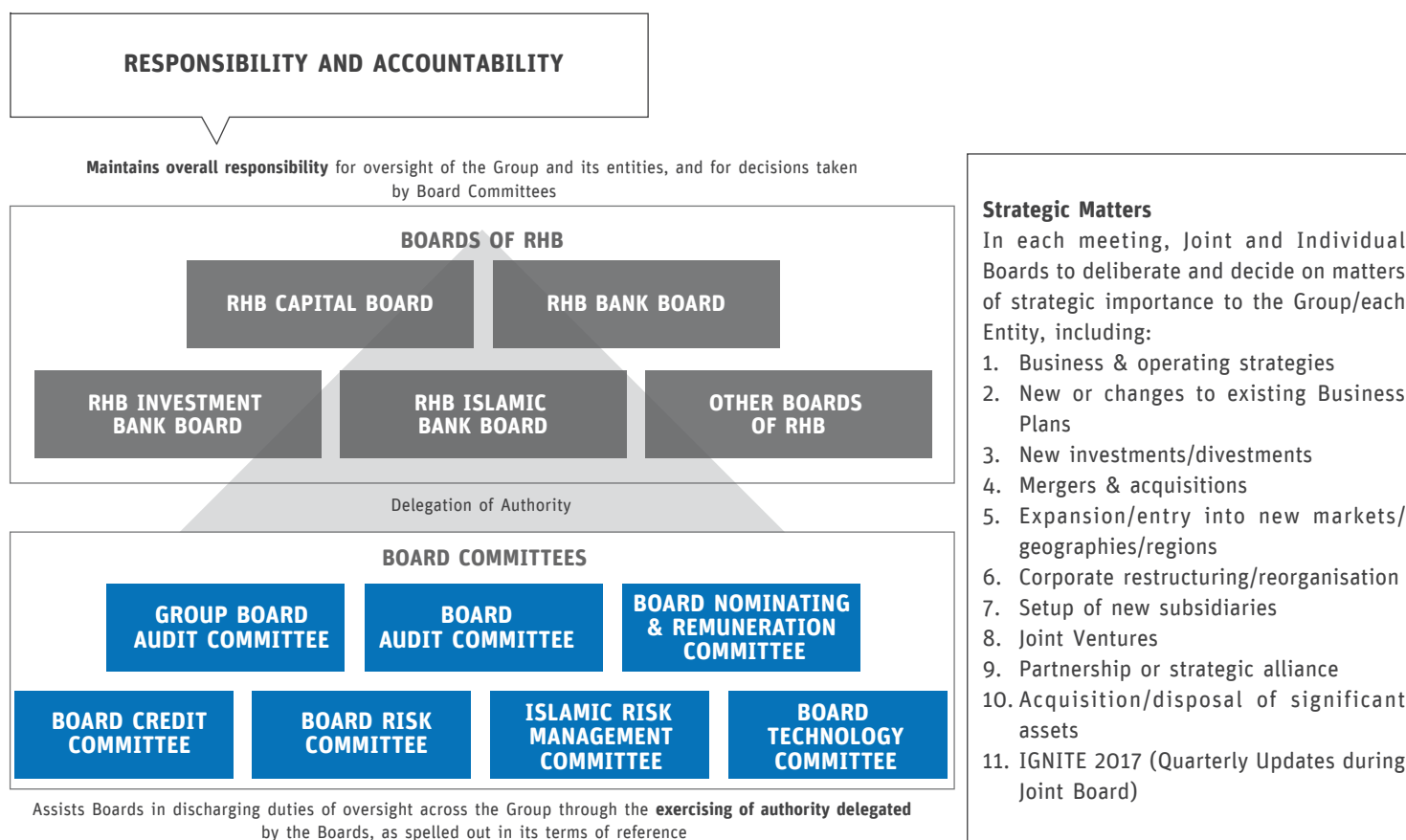
The Board acknowledges that conformance to internal and external requirements must be balanced with the Company's financial and business performance to give an overall picture of the Company's sustainability in the long-run. The Annual Business Scorecard which sets out quantitative and qualitative key performance indicators for the key Senior Management is reviewed periodically by the Board against the Group Balanced Scorecard and the Group Risk Appetite.

The progress made by the Board Committees is also scrutinised by the main Board. Each Committee's performance and progress will be deliberated on and the Board will decide on matters of strategic importance to the Group or respective entity.

In terms of monitoring financial and business performance, the main Board will discuss and make final decisions on strategic matters recommended by its respective Board Committees. An overview and analysis of RHB Investment Bank's financial performance are available on pages 52 to 233 of this Annual Report and also on the corporate website www.rhbgroup.com.

All final achievements by the MD/Chief Executive Officer ("CEO"), Senior Management and employees will be reflected on at financial year-end in terms of performance rewards and in line with the retention policy.

STATEMENT ON CORPORATE GOVERNANCE (continued)



Strategic Matters

In each meeting, Joint and Individual Boards to deliberate and decide on matters of strategic importance to the Group/each Entity, including:

1. Business & operating strategies
2. New or changes to existing Business Plans
3. New investments/divestments
4. Mergers & acquisitions
5. Expansion/entry into new markets/geographies/regions
6. Corporate restructuring/reorganisation
7. Setup of new subsidiaries
8. Joint Ventures
9. Partnership or strategic alliance
10. Acquisition/disposal of significant assets
11. IGNITE 2017 (Quarterly Updates during Joint Board)

THE BOARD OF DIRECTORS

Board Charter

The Board Charter, which sets out the key corporate governance principles adopted by the various Boards of the Group, was developed for each of the Group's major entities. It clearly defines the roles and responsibilities of the Boards, Chairperson, Senior Independent Director and the GMD/MD/CEO in the areas of strategy setting, management of company, succession planning, risk management, integrity of internal control and communication plan.

Within these boundaries, the respective Boards discuss, set and agree with Management on the Annual Balanced Scorecard, KPIs and the risk appetite that are to be duly executed and achieved by Management. The performance and progress of Management is then reviewed by the respective Boards at specified intervals.

Roles and Responsibilities of the Board

The Board is charged with leading and governing the Company in an effective, efficient and responsible manner. The Directors, collectively and individually, are aware of their responsibilities to shareholders/stakeholders and the manner in which the affairs of the Company are managed. They discharge their roles and duties with integrity, honesty and professionalism within the ambit of the law to serve the interest of the Company's shareholders and stakeholders, and ensure the Company adheres to the highest standards of corporate governance.

The Board assumes an active role and takes full responsibility for key strategy setting, business plans, financial objectives and major capital and operating budgets. While the Board scrutinises the frameworks and policies proposed by the Management, the Board also monitors the Management's performance in implementing the

adopted strategies as well as provides direction and advice to ensure the achievement of the objectives.

(a) Governing the Company's business conduct and operations

The Board governs the business conduct, performance and operations of the Company. To ensure high performance, the Board reviews the Group's business strategies and approves the Company's Balanced Scorecard. Management's performance is monitored against the Balanced Scorecard on a regular basis. Interventions and regular reviews may be held to ensure that the execution of plans is aligned with the set objectives and goals.

The Board also governs the Company's risk management, internal controls and human resource ("HR") management and information technology through the delegation of certain decision-making and/or oversight responsibilities to various Board Committees, namely the Board Risk Committee, Board Nominating & Remuneration Committee, Board Audit Committee, Board Credit Committee and Board Technology Committee. At the highest executive level, the MD assumes the overall responsibilities of executing the Company's strategies and plans in line with the Board's direction, oversees the Company's operations and drives the Company's businesses and performance towards achieving the Company's vision and goals.

In carrying out his tasks, the MD is supported by the key Senior Management of the Company.

The Board is updated on the Company's performance during monthly Board meetings. The reports include a comprehensive summary of the Company's business drivers and financial performance of each reporting period vis a vis the Company's approved Balanced Scorecard and industry benchmarks, risk management report, compliance report and transformation updates. The Board is also kept abreast of the key strategic initiatives, significant operational issues and latest developments in the financial services industry.

In addition, the Compliance Officer, on a monthly basis, provides the Board with a report on the Company's compliance with its statutory obligations as well as rules and regulations governing the Company's a business and operations, actions

taken to address shortcomings as well as self-regulating initiatives taken by the Company, especially initiatives that are critical to the Company's business and operations under local and foreign jurisdictions. Areas for improvement, non-compliance and action plans are highlighted and recommended to the Board for information and approval where required.

The Board also reviews management reports. Special meetings are held between scheduled meetings when any direction or decision is required expeditiously from the Board.

As part of the Company's initiative to continuously improve employee engagement and employee value propositions, an employee engagement survey, namely the "Internal Customer Effectiveness Survey", was conducted in November 2015 to assess the level of employee engagement and quality of service rendered by the respective Strategic Business Groups and Strategic Functional Groups within the Group. Themed "Voice Out Now - Igniting Engagement 2015", the Group sought to acquire valuable information from the employees in order to craft sustainable improvements in primary aspects of operations.

(b) Risk Management

The Board is responsible for identifying the principal risks and implementation of appropriate systems to manage and control these risks. In ensuring effective risk assessment and control, the Board Risk Committee ("BRC") has been entrusted with providing oversight and governance of risks for the Group. The BRC comprises five Independent Non-Executive Directors ("INEDs") and one Non-Independent Non-Executive Director ("NINED") representing the Group's respective entities. Matters deliberated at BRC meetings are presented to the Board on a monthly basis.

The Board is satisfied that the BRC has effectively and efficiently discharged its functions to support the Board in ensuring, among others, that the Company is adequately capitalised to support risks undertaken and to meet regulatory requirements.

STATEMENT ON CORPORATE GOVERNANCE (continued)

A Risk Management Report (including the Company's risk metrics and tolerance dashboard) is also presented to the Board on a monthly basis.

The Company maintains and reviews its internal control procedures to ensure, as far as possible, the protection of its assets and liabilities as well as its shareholders' investments. The Board considers that the Company's risk management framework and system of internal control, which are in place throughout the financial year, up to and as of the date of this report, are operating adequately and effectively. An overview of the Company's systems of risk management is contained in the Statement on Risk Management and Internal Control set out on pages 38 to 42 of this Annual Report.

(c) Talent Development and Succession Planning

Talent development and succession planning are key priorities to the Board in ensuring a high-performing workforce which contributes to the Company's sustainability and competitiveness. The Board has entrusted the Board Nominating & Remuneration Committee ("BNRC") with the responsibility of providing high-level oversight and direction on human resource matters, and with recommending remuneration and human resource strategies such as employee value propositions, retention strategies, performance management and succession planning.

The BNRC also approves changes to Group HR policies in line with the HR strategy and direction set by the Board. Additionally, the BNRC supports the Board and that of the subsidiaries in reviewing and assessing the appointment of Directors, Board Committee members, Shariah Committee and key Senior Management officers. It also advises on the optimal size and mix of skills for the Group's Boards.

In line with IGNITE 2017, the Group has made a concerted effort to enhance and realign its HR and talent management to attract and retain regional talent and build a high-performing regional workforce. During the year, this saw the BNRC considering the renewal of service contracts and new appointments for key management positions based on their profiles, professional achievements and personal assessments.

This included successfully identifying and attracting suitable candidates for all senior positions. The BNRC also considered their remuneration package(s) in finalising the terms and conditions of their service contracts. In addition, the BNRC reviewed the current organisation structure in enhancing greater alignment and accountability to deliver business value and outcomes.

The BNRC also continuously monitors succession planning updates presented by Group HR to ensure the smooth transition of key personnel into critical positions, and ensures that the development plans for identified successors are put in place based on their readiness to assume the positions. Other major issues deliberated on by the BNRC are salary and grading structure, retention plans and incentive schemes for key Senior Management as well as employee value propositions.

(d) Internal Control

The Board is responsible for ensuring the adequacy and integrity of the Company's internal control system. With the support of the Board Audit Committee and Group Internal Audit, the Board ensures that there is a process for reviewing the adequacy and effectiveness of the Company's internal control system. Details pertaining to the Company's internal control system and review of its adequacy and effectiveness are set out in the Statement on Risk Management and Internal Control in this Annual Report.

Board Composition and Balance

The Board of RHB Investment Bank is currently represented by **seven** Members, comprising a Non-Independent Non-Executive Chairman, three INEDs, two NINEDs, and the Managing Director/Chief Executive Officer (“MD/CEO”), as follows:

BOARD COMPOSITION

- **1 NINE Chairman**
 - YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa
- **1 Senior INED**
 - Mr Charles Lew Foon Keong
- **2 INEDs**
 - Mr Patrick Chin Yoke Chung
 - YBhg Datuk Seri Saw Choo Boon
- **2 NINEDs**
 - YBhg Dato’ Mohamed Khadar Merican
 - Mr Mohamed Ali Ismaeil Ali AlFahim
- **1 MD/CEO**
 - Mr Mike Chan Cheong Yuen

The above structure and composition of the Board comply with the BNM’s Guidelines on Corporate Governance for Licensed Institutions (“BNM’s CG Guidelines”). Mr Charles Lew Foon Keong (“Mr Charles Lew”) has been appointed as the Senior INED (“SINED”), to whom concerns pertaining to the Company may be conveyed by shareholder.

Current Independent Directors of the Company account for 42.9% of the Board, **exceeding** BNM’s requirement that one-third (33.3%) of Board members must be independent and fulfil the criteria of independence as defined in the BNM’s CG Guidelines.

Their presence ensures an effective check and balance on the functioning of the Board. Independent directors of the Company are not involved in the day-to-day management of the Company, nor do they participate in any of its business dealings. This ensures they remain free of any conflict of interest and can undertake their roles and responsibilities as INEDs effectively.

Boardroom Diversity Policy

Recognising the increasing importance of boardroom diversity in pursuing business and governance performance, the Group established a boardroom diversity policy in 2013. The policy is also in line with the Securities Commission’s goal for women directors to make up 30% of boards. Diversity, which includes but is not limited to gender, age, ethnicity and cultural background, is therefore a key consideration in assessing and reviewing the Board’s composition as it strives to achieve the targeted level of women’s participation.

In view that organisations are best served by having a constantly evolving board of directors with staggered terms and a healthy combination of fresh perspectives and experience, **age limits** at 70 and 73 are set for the Group’s Non-Executive Directors (“NED”), with the exception of major shareholders’ representatives. At the first checkpoint, Directors who are **over** the age limit of 70 shall retire at the next AGM but are eligible for appointment or re-appointment on the Boards of RHB Banking Group, subject to shareholders’ approval. At the second checkpoint, Directors who exceed the age limit of 73 cannot continue their service tenure further and shall retire at the next AGM of the company concerned. Only one NED in the Company, namely Mr Patrick Chin Yoke Chung (“Mr Patrick Chin”), reached the age of 70 during the current financial year and according to the Internal Guidelines on Tenure of Appointment/Re-Appointment of Non-Executive Directors for RHB Banking Group, Mr Patrick Chin shall be eligible for re-appointment on the Board of the Company subject to the shareholders’ approval during the AGM, upon the endorsement and recommendation of the BNRC.

Assessment of Independence

The independence of the Directors is reviewed annually and benchmarked against best practices and regulatory provisions. Independent Directors are required to attest to their compliance with the criteria and definition of “Independent Director” as stipulated under Clause 2.26 of BNM’s CG Guidelines for Licensed Institutions.

STATEMENT ON CORPORATE GOVERNANCE (continued)

All Independent Directors are independent from the Company's substantial shareholder, are not substantial shareholders themselves or directly associated with any substantial shareholders. Based on individual Director's self-disclosure, the Board is generally satisfied with the level of independence demonstrated by all the INEDs and their ability to act in the best interest of the Company.

At every Board Meeting, all Directors are required to disclose their interest or any possible conflicts on any matter put forth in the meeting. When required, the interested Director shall excuse himself/herself and abstain from deliberation and voting to allow unbiased and free discussion and decision making. In the event a corporate proposal requires shareholder approval, interested Directors will abstain from voting in respect of their shareholdings in the Company and will further ensure that persons connected to them similarly abstain from voting on the resolution.

Tenure of Independent Directors

In an effort to preserve the independence of INEDs, the Group has put in place its Internal Guidelines on Tenure of Appointment/Re-Appointment of Non-Executive Directors ("NEDs") for RHB Banking Group ("Internal Guidelines"). The Board believes the tenure of INEDs should balance experience and learning with the need for renewal and fresh perspectives.

YBhg Dato' Mohamed Khadar Merican ("YBhg Dato' Mohamed Khadar") was first appointed as an INED in both the Group and Company in December 2003. The Board acknowledges that YBhg Dato' Mohamed Khadar has detailed knowledge of the business and possesses the industry exposure and competency to effectively advise and oversee the management of the Company.

On 30 April 2015, YBhg Dato' Mohamed Khadar was re-designated as NINED of the Company upon conclusion of the 20th AGM of RHB Capital Berhad. His re-designation was in compliance with the Internal Guidelines and recommendations of the Malaysian Code on Corporate Governance 2012 that the service tenure of an INED should not exceed a consecutive or cumulative term of nine years.

Notwithstanding the above, YBhg Dato' Mohamed Khadar, as a NED, shall retire at the next AGM of the Company upon completion of his consecutive or cumulative term of 12 years, pursuant to the Internal Guidelines.

According to the Internal Guidelines, the limitation on re-appointment terms of Mr Charles Lew is also subject to retirement

at the forthcoming AGM in 2016 as Mr Charles Lew has served in the Company for more than a consecutive or cumulative term of 12 years i.e. he was appointed as an INED of the Company on 15 March 2004.

The Board acknowledges that Mr Charles Lew consistently demonstrates the values and principles associated with independence during Board and Board Committees' discussions. He is able to effectively delineate his roles for providing oversight as INED whilst continuously enhancing his knowledge of the operations and issues of the Company. He brings independent and objective judgement which mitigates risks arising from conflict of interest or undue influence from interested parties.

Notwithstanding the above, Mr Charles Lew, as a SINED, shall retire at the next AGM of the Company upon completion of his consecutive or cumulative term of 12 years, pursuant to the Internal Guidelines.

Roles of the Chairman and Managing Director

The distinct and separate roles and responsibilities of the Chairman and MD ensure balance of power and authority such that no one individual has unfettered powers of decision making.

The Non-Independent Non-Executive Chairman, YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa ("Tan Sri Ong"), manages the affairs of the Board with a view of ensuring that it functions effectively and meets its obligations and responsibilities. He also leads the Board in executing its responsibilities to shareholder and ensures that Members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary in the Board's decision-making.

Additionally, the Chairman must ensure that general meetings are conducted efficiently and in accordance with the requirements of the Companies Act 1965.

The MD, Mr Mike Chan Cheong Yuen ("Mr Mike Chan") who has more than 23 years of experience in the financial services industry, where he has held positions in well-established local and foreign financial institutions, assumes the overall responsibilities of executing the Company's strategies in line with the Board's direction, and driving the Company's businesses and performance towards achieving the Company's vision and goals. Mr Mike Chan leads RHB Investment Bank's management team in the execution of the Company's strategic initiatives.

Nomination Framework

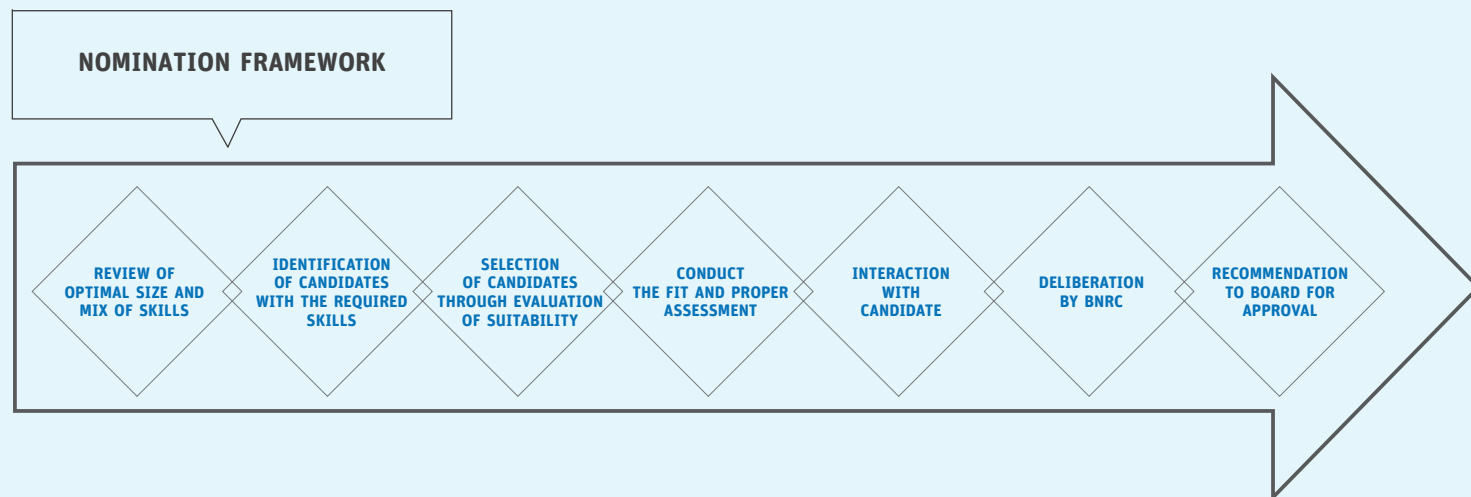
New Director nominees are assessed by the BNRC in accordance with RHB Banking Group's Policy and Guidelines on Fit and Proper for Key Responsible Persons ("Fit and Proper Policy").

The assessment takes into account the nominees' background, skills, knowledge and experience, and is part of a transparent nomination process before a recommendation is made for the Board's approval.

These assessments are carried out against a benchmark of documented competencies which have been prepared for each role, the completion of declarations by each individual, the obtaining of evidence of material qualification and the carrying out of checks on matters such as criminal record, bankruptcy and regulatory disqualification.

These assessments are reviewed on an annual basis. The Fit and Proper Policy outlines the following criteria in assessing the suitability of the candidate:

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



The Chairman of the BNRC conducts an interaction session with the proposed candidates and assesses the candidates based on their relevant skills and experience, independence (where relevant) and objectivity, track record of success, sound judgement and broad perspective. The Board's expectations on the time commitment and contribution from the Directors will also be clearly communicated to the proposed candidates.

Directors' Appointment and Assessment

(a) Appointment of Directors

The Group sources for new candidates for Board appointments from the industry talent pool and the Group's Independent Directors' network, as overseen by the BNRC.

The BNRC follows a Board-approved nomination framework, which ensures that individuals appointed to relevant senior positions and the Boards within the Group possess the appropriate fitness and propriety to discharge their prudential responsibilities on and during the course of their appointment.

STATEMENT ON CORPORATE GOVERNANCE (continued)

As part of its review of the suitability of candidates and criteria for the appointment process, the BNRC also evaluates the skill sets required, size, structure and composition of the Board. This is to ensure the Board is well-balanced and is supportive of good governance and efficient management, while complying with regulatory requirements and remaining responsive to shifts in the business environment and the entity's business needs.

For the re-appointment of existing Directors, the BNRC refers to the results of the individual assessments conducted via the Board Effectiveness Evaluation exercise in addition to their formal/informal interactions with the Directors. The BNRC also assesses the Directors based on how well they performed their roles and contributed to the Board and Board Committees, their independence of view in respect of decision making (whichever is applicable), adequacy of training and time commitment. Once approved by the Board, the application for the appointment/re-appointment of Directors is submitted to BNM for its consideration.

(b) Board Effectiveness Evaluation

The Group has undertaken the Board Effectiveness Evaluation ("BEE") exercise on the Boards and Board Committees to assess their effectiveness and that of individual Directors. Implemented in 2006, the BEE is designed to detect strengths and weaknesses to improve the Board's overall effectiveness and forms part of the BNRC's evaluation for the re-appointment of Directors.

The BEE is made up of self- and peer assessment conducted through a customised questionnaire. Messrs PricewaterhouseCoopers Consulting Services Sdn Bhd ("PwCCS") was engaged to collate and tabulate the results of the evaluation, ensuring integrity and independence of the appraisal process. The BEE also includes in-depth interviews between PwCCS and Directors and Senior Management to evaluate areas which may not be covered by the written assessment. The detailed BEE results are then discussed with the Chairmen of the BNRC and Boards.

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

Part A: Board Evaluation

1. Board responsibilities
2. Board composition
3. Board administration and process
4. Board conduct
5. Board interaction and communication with Management and stakeholders
6. Overall Board performance
7. Chairman's evaluation
8. Managing Director's evaluation

Part B: Board Committees' Evaluation

1. Structure and processes
2. Accountability and responsibilities

Part C: Directors' Self-and Peer Evaluation

1. Board dynamics and participation
2. Integrity and objectivity
3. Technical competencies
4. Recognition
5. Independent Directors' evaluation

Part D: Committee Members' Self-and Peer Evaluation

1. Participation levels and contribution
2. Technical competencies

Each Director and Board Committee member was required to perform an online self- and peer assessment for the year in review. Upon completion, individual results, together with a peer average rating on each area of assessment, were provided to each Director and Board Committee member for their information and further improvement. The latest BEE results were presented to the BNRC in July 2015 and to the Board in August 2015 to identify and address areas for improvement.

MEETINGS AND SUPPLY OF INFORMATION TO THE BOARD

Board meetings are convened monthly and additionally when required to deliberate on any arising issues. At each Board meeting, the Board is, among others, informed of decisions and salient issues by the respective Board Committees' Chairmen/representative. Minutes of the respective Board Committees' meetings are also tabled for the Board's information.

For the financial year ended 31 December 2015, the Board is satisfied with the time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of RHB Investment Bank. All Directors have complied with the required minimum Board meetings attendance of 75% under BNM's revised guidelines and as adopted by the Company.

The Board convened 13 meetings for the financial year ended 31 December 2015. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings is set out below:

Name of Director	No. of Meetings Attended	Total Percentage of Attendance (%)
YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa (Chairman)	13/13	100
Mr Charles Lew Foon Keong (Senior INED)	11/13	85
YBhg Dato' Mohamed Khadar Merican (NINED) ^v	13/13	100
Mr Patrick Chin Yoke Chung (INED)	12/13	92
YBhg Datuk Seri Saw Choo Boon (INED)	13/13	100
Encik Abdul Aziz Peru Mohamed (INED) [#]	13/13	100
Mr Mohamed Ali Ismaeil Ali AlFahim (NINED)-	12/13	92
Mr Mike Chan Cheong Yuen (MD/CEO)	13/13	100

Notes:

^v Re-designated as Non-Independent Non-Executive Director with effect from 30 April 2015.

[#] Resigned with effect from 6 February 2016.

An annual meeting schedule for Board and Board Committees' meetings and the AGM is circulated to the Directors for the convenience before the beginning of every year. Since 2014, Directors/Board Committee members have also been enabled to use their iPads to gain secure access to a meeting management solution system via an online portal.

This has significantly enhanced mobility, movement of documents, cost and time savings, as well as improved convenience and security while creating a positive impact on the environment. Directors who are unable to attend Board/Board Committee meetings are also encouraged to participate via telephone and video-conferencing using the LYNC application system.

This latest convenience allows any Board meeting's paper to be circulated to the Board members instantly. Currently, Board papers are circulated between 5 and 7 days before each meeting.

In an effort to promote transparency in discharging their duties, Directors are required to notify the Board on changes of their other directorships and shareholdings as and when such changes arise. This information is used to monitor the number of directorships held by the Directors of RHB Investment Bank including those on public listed companies, and to notify the Companies Commission of Malaysia accordingly.

The information on the Company's Directors' directorships in other companies is available on pages 8 to 13 of this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE (continued)

Information and Advice

The Board, as a group and individually as Directors, is supported by the Company Secretary who provide advice and assistance to the Board in discharging their duties. The Board members are also encouraged to interact directly with the Management, seek its clarification and advice as well as request for information on matters pertaining to the Company's and the Group's operations or business concerns. Should the need arise, the Directors are also allowed to seek independent professional advice at the Company's expense, pursuant to the Group's Standard Procedures for Directors to Have Access to Independent Advice.

Dedicated Company Secretary

The Board acknowledges and is satisfied with the performance and support rendered by the Company Secretary. In addition to acting as the custodians of the Company's and the Group's statutory records, the Company Secretary serves and advises the Board on matters relating to the affairs of the Board and good corporate governance practices, ensure that Board meetings are appropriately convened and maintain an accurate and proper record of the proceedings and minutes of the meetings.

In promoting good corporate governance practices, the Company Secretary assists the Board and Senior Management in meeting regulatory requirements and best practices specifically pertaining to Board governance. This includes making proposals on transparency and mandatory/voluntary disclosure on governance issues which are relevant and materially important to the stakeholders.

The role of the Company Secretary also includes assisting the Chairman and Directors in conducting meetings and discharging their governance obligations and responsibilities as Directors of the Company. Additionally, the Company Secretary facilitates the communication of key decisions and policies between the Board, Board Committees and the Senior Management, updating the Board on the follow-up or implementation of decisions/recommendations.

In order to play an effective advisory role to the Board, the Company Secretary is kept abreast with the latest regulatory changes, industry developments and best practices in corporate governance through continuous training and regular interactions with regulators and industry peers.

REMUNERATION STRATEGIES

The Board is mindful that fair remuneration is critical to attract, retain and motivate Directors with the relevant experience and expertise required to lead the Company and the Group. Remuneration strategies are set by the BNRC (as outlined in its terms of reference).

In an effort to ensure that remuneration levels are commensurate with responsibilities, risks and time commitment of the Boards/ Board Committees, the Group's common reference, which incorporates the Non-Executive Directors' Remuneration Framework, sets out the general principles for the remuneration of NEDs. The remuneration also takes into consideration industry practices and is reviewed at least once every two years.

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

(a) Directors' fees

The NEDs are entitled to annual Directors' fees. The annual Directors' fees are subject to shareholders' approval at the AGM of the Company.

The shareholders of the Company had, at the 39th AGM held on 7 May 2014, approved the new structure of Directors' fees—on the basis of RM150,000 per annum for Non-Executive Chairman and of RM120,000.00 per annum for every NED.

(b) Board Committee allowances

NEDs who sit on Board Committees are entitled to receive Board Committee allowances which shall be paid on an annual basis at the end of each financial year.

(c) Meeting attendance allowance

NEDs are also entitled to meeting attendance allowances when they attend any Board/Board Committee meetings.

(d) Benefits-in-kind

Benefits are accorded to the Chairmen of the Group, consisting, among others, of the provision of a company car, driver and petrol allowance.

Total allowances for Board Committee allowance and Meeting attendance allowance are subject to the number of Board Committee sittings and the number of meetings attended by each Company NED, as illustrated in the table below:

Name of Company's Director	No. of Meetings Attended					
	Board Meeting	BNRC Meeting	BRC Meeting	BAC Meeting	BCC Meeting	BTC Meeting
YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa (NINE Chairman)	13/13					
Mr Charles Lew Foon Keong (Senior INED)	11/13					6/8
YBhg Dato' Mohamed Khadar Merican (NINED)	13/13				34/37 (Chairman)	
Mr Patrick Chin Yoke Chung (INED)	12/13		15/17		33/37	
YBhg Datuk Seri Saw Choo Boon (INED)	13/13	13/13	17/17	18/18		
Encik Abdul Aziz Peru Mohamed (INED)#	13/13				34/37	
Mr Mohamed Ali Ismaeil Ali AlFahim (NINED)	12/13					
Mr Mike Chan Cheong Yuen (MD/CEO)	13/13					

Note:

Resigned with effect from 6 February 2016.

In addition to the above, the Directors are covered by Directors and Officers ("D&O") Liability Insurance in respect of any liabilities arising from acts committed in their capacity as D&O of RHB Banking Group. However, the insurance policy does not indemnify a Director or principal officer if he or she is proven to have acted negligently, fraudulently or dishonestly, or in breach of his or her duty of trust. The Directors are required to contribute jointly towards the premium of the said policy.

The MD does not receive a Director's fee or any meeting attendance allowance for any of the Board and Board Committee meetings that he attends. His remuneration, which is approved by the Board upon recommendation by the Board Nominating & Remuneration Committee, includes among others, salary, bonus and benefits-in-kind, and is derived from the Company.

Key Senior Management are remunerated based on a remuneration framework consisting of a competitive integrated pay and benefit structure, which rewards corporate and individual performance in line with contributions to the organisation. Key Senior Management Officers are made up of the Heads of respective Strategic Business Sectors and Strategic Functional Sectors across the Group who report directly to the GMD and sit in the Group Management Committee.

STATEMENT ON CORPORATE GOVERNANCE (continued)

DIRECTORS' ORIENTATION, CONTINUING EDUCATION AND TRAINING

Continuing education and training of Board Directors are integral to their responsibilities, to ensure they remain updated with the latest developments in the areas related to their duties. Costs for Directors' training are covered by a budget allocated each year by RHB Investment Bank, with the training needs of each Director assessed annually by the Board as part of the BEE exercise. The training and development of Directors is detailed in the Group's Standard Procedures on Directors' In-house Orientation and Continuing Education Programme for the RHB Banking Group.

In an effort to ensure the Company's and Group's NEDs discharge their duties in line with industry best practices, they are encouraged to participate in local and/or overseas training programmes organised by credible training organisations under the Board's High Performance Programme. This programme is intended to equip the Directors with the necessary knowledge and tools to effectively discharge their duties and responsibilities as well as provide the Directors with global business perspectives and skills that engender organisational excellence. The organisation of internal training programmes and Directors' attendance of external programmes are facilitated by the Company Secretary, who also maintain a complete record of the training received and attended by the Directors.

Learning Process for New Director

There were no new NEDs on the Board of the Company for FYE 2015. Newly appointed Company NED is required to attend an induction programme organised by the Management of the Group to provide the NED with in-depth information of the industry and familiarise them with the Group's business operations. As part of this programme, the NED is briefed by relevant Management personnel on the functions and areas of responsibility of their respective divisions. In addition to allowing the NED to understand the Group's operations and organisational structure, this exercise also helps them to establish effective channels of communication and interaction with Management.

New NEDs are also provided with a comprehensive Director's induction kit to assist him/her in building a detailed understanding of the Group's operations, its longer-term direction and statutory obligations. Pursuant to the recent revision of the Licensing Handbook by the Securities Commission of Malaysia, directors are required to complete the Capital Market Director Programme ("CMDP") conducted by Securities Industry Development Corporation ("SIDC") with the aim to enhance board effectiveness by helping directors understand their roles, responsibilities and fiduciary duties. It is also aimed at raising the standards of professionalism among directors by advocating a culture of integrity and ethical awareness.

During the year, the Directors of RHB Investment Bank attended the following training programmes, conferences and seminars:

Name of Director(s)	Training Programmes Attended	Training Scope & Description
• YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa	1. Goods and Services Tax Training (5 February 2015)	<ul style="list-style-type: none"> • Understanding Goods and Services Tax in Malaysia • Opportunity and challenges in tax strategy
	2. PNB Investment Institute Sdn Berhad – Predicting Financial Crime – Detection, Prevention & Remediation (1 April 2015)	<ul style="list-style-type: none"> • Financial Crime & Financial Fraud • Consequences of Financial Crime & Financial Fraud • Financial Fraud Red Flags • Detection, Prevention & Remediation • Building A Fraud Proof Culture
	3. Invitation Launch of FIDE FORUM's Directors' Remuneration Report 2015 (7 December 2015)	<ul style="list-style-type: none"> • NED's Remunerations Practices • Corporate governance developments

Name of Director(s)	Training Programmes Attended	Training Scope & Description
<ul style="list-style-type: none"> Mr Charles Lew Foon Keong 	1. FIDE FORUM's Special Invite to "Board's Strategic Leadership: Innovation & Growth in Uncertain Times" (21 May 2015)	<ul style="list-style-type: none"> Innovative Products High risk, high return product Compliance Cost
	2. Capital Market Director Programme (CMDP) Module 2A (16 June 2015) Module 2B (17 June 2015)	<ul style="list-style-type: none"> Business Challenges & Regulatory Expectation
	3. FIDE Core Programme Module B (Insurance) (7 to 9 October 2015)	<ul style="list-style-type: none"> Board Leadership Fiduciary Responsibilities Oversight Role in Risk Management
<ul style="list-style-type: none"> YBhg Dato' Mohamed Khadar Merican 	1. Goods and Services Tax Training (5 February 2015)	<ul style="list-style-type: none"> Understanding Goods and Services Tax in Malaysia Opportunity and challenges in tax strategy
	2. The Briefing on Charter Contracts (25 February 2015)	<ul style="list-style-type: none"> Charter and Legal Requirements Main ingredient of Charter Contracts
	3. Boardroom Program - Retail Management (16-19 March 2015)	<ul style="list-style-type: none"> Understanding the Changing Retail Environment Common Issues & Best Practices in Retail Management
	4. Governance, Director Duties and Listing Requirements Updates for Directors of Public Listed Companies [PLCs] (9 September 2015)	<ul style="list-style-type: none"> Main Market Listing Requirements Development of the capital market in Malaysia Common and current issues with regulatory authorities, private sector bodies and professional institutions Professionalism, corporate governance, value creation, quality assurance and competitiveness of PLCs
	5. Briefings on Overseas Tax and Malaysian Financial Reporting Standard 9 – "Financial Instruments" For RHB Banking Group Directors (1 October 2015)	<ul style="list-style-type: none"> Overseas Tax FATCA MFRS 9
<ul style="list-style-type: none"> Mr Patrick Chin Yoke Chung 	1. Goods and Services Tax Training (5 February 2015)	<ul style="list-style-type: none"> Understanding Goods and Services Tax in Malaysia Opportunity and challenges in tax strategy
	2. The Briefing on Charter Contracts (25 February 2015)	<ul style="list-style-type: none"> Charter and Legal Requirements Main ingredient of Charter Contracts
	3. PNB Investment Institute Sdn Berhad – Predicting Financial Crime – Detection, Prevention & Remediation (1 April 2015)	<ul style="list-style-type: none"> Financial Crime & Financial Fraud Consequences of Financial Crime & Financial Fraud Financial Fraud Red Flags Detection, Prevention & Remediation Building A Fraud Proof Culture

STATEMENT ON CORPORATE GOVERNANCE (continued)

Name of Director(s)	Training Programmes Attended	Training Scope & Description
<ul style="list-style-type: none"> Mr Patrick Chin Yoke Chung (“cont’d”) 	4. FIDE FORUM’s Special Invite to “Board’s Strategic Leadership: Innovation & Growth in Uncertain Times” (21 May 2015)	<ul style="list-style-type: none"> Innovative products High risk, high return product Compliance cost
	5. Capital Market Director Programme (CMDP) Module 2A (11 August 2015) Module 3 (30 July 2015) Module 4 (14 August 2015)	<ul style="list-style-type: none"> Business Challenges and Regulatory Expectations Risk Oversight & Compliance Capital Market in Malaysia
	6. 4th Distinguished Board Leadership Series – “Board Leading Change: Organisational Transformation Strategy as Key Sustainable Growth in Challenging Times” (18 August 2015)	<ul style="list-style-type: none"> Sustainable growth Redefined strategy Transformation
<ul style="list-style-type: none"> YBhg Datuk Seri Saw Choo Boon 	1. Briefing by Finance Department on Financial Statements (16 March 2015)	<ul style="list-style-type: none"> Latest updates on Financial Standards FRS 139
	2. Invitation from Bursa Malaysia Berhad – Risk Management & Internal Control: Workshops for Audit Committee Members (8 June 2015)	<ul style="list-style-type: none"> Audit Committee Relationship with Internal Audit Good Risk Management & Internal Control
	3. CG Breakfast Series with Directors: “The Board’s Response in Light of Rising Shareholder Engagements” (4 August 2015)	<ul style="list-style-type: none"> Fiduciary Duty Shareholders’ Needs Good Corporate Governance Practices
	4. Directors CG Series: “Building Effective Finance Function - From Reporting to Analytical to Strategic Input” (10 August 2015)	<ul style="list-style-type: none"> Financial reporting requirements Opportunity and challenges in green investment strategy Building effective finance functions Big data analysis
	5. “Cooking the Books – The Malaysian - Recipe on Financial Fraud” (10 September 2015)	<ul style="list-style-type: none"> Ingredient for fraud Type of financial fraud Red flags on fraud
	6. “Ethics Red Flags For Board of Directors” (3 November 2015)	<ul style="list-style-type: none"> Ethics & Governance Conflicts of Interest

Name of Director(s)	Training Programmes Attended	Training Scope & Description
<ul style="list-style-type: none"> YBhg Datuk Seri Saw Choo Boon (“cont’d”) 	7. Capital Market Director Programme (CMDP) Module 1 (7 September 2015) Module 2A (6 October 2015) Module 3 (8 October 2015) Module 4 (2 October 2015)	<ul style="list-style-type: none"> Good Corporate Governance Business Challenges & Regulatory Expectations Risk Oversight & Compliance Capital Market in Malaysia
<ul style="list-style-type: none"> Encik Abdul Aziz Peru Mohamed (resigned with effect from 6 February 2016) 	1. The Briefing on Charter Contracts (25 February 2015)	<ul style="list-style-type: none"> Charter and Legal Requirements Main ingredient of Charter Contracts
	2. FIDE FORUM: Invitation to Industry Consultation Session (6 May 2015)	<ul style="list-style-type: none"> Encourage development of world class directors Attract and retain highly qualified directors Promote board diversity Improve board performance
	3. Capital Market Director Programme (CMDP) Module 1 (27 July 2015) Module 2A (28 July 2015) Module 2B (1 July 2015) Module 3 (30 July 2015) Module 4 (31 July 2015)	<ul style="list-style-type: none"> Good Corporate Governance Business Challenges & Regulatory Expectations Risk Oversight & Compliance Capital Market in Malaysia
	4. 4th Distinguished Board Leadership Series – “Board Leading Change: Organisational Transformation Strategy as Key Sustainable Growth in Challenging Times” (18 August 2015)	<ul style="list-style-type: none"> Sustainable Growth Redefined strategy Transformation
	5. Briefings on Overseas Tax and Malaysian Financial Reporting Standard 9 – “Financial Instruments” for RHB Banking Group Directors (1 October 2015)	<ul style="list-style-type: none"> Overseas Tax FATCA MFRS 9
	6. Ethics Red Flags for Board of Directors (3 November 2015)	<ul style="list-style-type: none"> Ethics & Governance Conflicts of Interest
<ul style="list-style-type: none"> Mr Mohamed Ali Ismaeil Ali AlFahim 	1. Capital Market Director Programme (CMDP) Module 1 (10 August 2015) Module 2A (11 August 2015) Module 2B (12 August 2015) Module 3 (13 August 2015) Module 4 (14 August 2015)	<ul style="list-style-type: none"> Good Corporate Governance Business Challenges & Regulatory Expectations Risk Oversight & Compliance Capital Market in Malaysia
	2. FIDE Core Programme - Module A (29 September 2015 to 2 October 2015)	<ul style="list-style-type: none"> Board Leadership Fiduciary Responsibilities Oversight Role in Risk Management

STATEMENT ON CORPORATE GOVERNANCE (continued)

Name of Director(s)	Training Programmes Attended	Training Scope & Description
<ul style="list-style-type: none"> Mr Mike Chan Cheong Yuen 	1. Goods and Services Tax Training (5 February 2015)	<ul style="list-style-type: none"> Understanding Goods and Services Tax in Malaysia Opportunity and challenges in tax strategy
	2. Capital Market Director Programme (CMDP) Module 1 (29 June 2015) Module 2A (28 July 2015) Module 2B (1 July 2015) Module 3 (2 July 2015) Module 4 (3 July 2015)	<ul style="list-style-type: none"> Good Corporate Governance Business Challenges & Regulatory Expectations Risk Oversight & Compliance Capital Market in Malaysia
	3. Briefings on overseas tax and Malaysian Financial Reporting Standard 9 – “Financial Instruments” for RHB Banking Group Directors (1 October 2015)	<ul style="list-style-type: none"> Overseas Tax FATCA MFRS 9

BOARD COMMITTEES

Board Committees assist the Board in discharging its roles and responsibilities through the delegation of specific authority to the relevant Board Committees. This delegation of authority is expressly stipulated in the Terms of Reference (“TOR”) of the respective Board Committees. The TOR are also reviewed periodically to ensure effective and efficient decision making in the Group. Additionally, the Board Committees act as oversight committees, evaluating and recommending matters under their purview for the Board to consider and approve.

The Board receives updates from the respective Chairmen/representatives of the Board Audit Committee, Board Risk Committee and Board Nominating & Remuneration Committee on matters that require specific mention that have been deliberated on and considered at the meetings of the Board Committees. This practice also applies to other entities within the Group.

Board Nominating & Remuneration Committee

The key objectives of the Board Nominating & Remuneration Committee (“BNRC”) are, as follows:

- Review and assess the appointment/re-appointments of Directors, Board Committee members, Shariah Committee and key Senior Management officers for recommendation to the Boards.
- Advise the Boards on optimal size and mix of skills of Boards.
- Provide oversight and direction on HR matters and operations, and recommend to the Boards for approval of remuneration and human resource strategies.

The BNRC comprises five NEDs, of whom three are INEDs and two are NINEDs, representing the respective entities within the Group. The BNRC is chaired by YBhg Datuk Haji Faisal Siraj, the SINED of RHB Capital.

The BNRC met 13 times during the financial year 2015. The composition of the BNRC and the attendance of the members at meetings held in 2015 are as follows:

BNRC Members	Attendance at Meetings
YBhg Datuk Haji Faisal Siraj (Chairman/Senior INED)	13/13 (100%)
YBhg Tan Sri Azlan Zainol (NINED)*	7/8 (88%)
YBhg Datuk Seri Saw Choo Boon (INED)	13/13 (100%)
YBhg Tan Sri Dato' Teo Chiang Liang (INED)	11/13 (85%)
Tuan Haji Md Ja'far Carrim (NINED)	12/13 (92%)
Mr Choong Tuck Onn (INED)^	6/7 (86%)

Notes:

* Appointed with effect from 13 April 2015.

^ Resigned with effect from 1 June 2015.

Board Risk Committee

In ensuring that a robust system of risk management and internal control are in place to ensure good corporate governance and safeguard shareholders' investments as well as the Company's and the Group's assets, the Board Risk Committee ("BRC") provides oversight and governance of risks for the Group.

The BRC is also tasked with overseeing the Senior Management's risk management activities, ensuring that the risk management process in each of the Group's entities is in place and functions in accordance with a risk-return performance management framework. Furthermore, the BRC supports and leads the Senior Management in driving the Risk Culture and Risk Ownership in the Group.

The BRC's other duties and functions, among others, include the following:

- To provide oversight to ensure that the Group's risk management framework, processes, organisation and systems are functioning commensurate with its nature, scale, complexity of activities and risk appetite.

- To deliberate and assess the nature and materiality of risk exposures, potential risks and impact on capital and the Group's sustainability.
- To review and approve proposed changes to Delegated Lending (Financing) Authorities/Discretionary Powers/Powers of Attorney, limits for business and operations.
- To review and approve changes to policies and frameworks (excluding HR-related policies and framework), risk methodologies/models and other significant risk management matters, in line with the approved risk strategy.
- To review and approve new/existing products with material variations in product features.

STATEMENT ON CORPORATE GOVERNANCE (continued)

The BRC comprises six NEDs, of whom five are INEDs and one is a NINED, representing the respective entities within the Group. The BRC met 17 times during the financial year 2015. The composition of the BRC and the attendance of the members at meetings held in 2015 are as follows:

BRC Members	Attendance at Meetings
Tuan Haji Khairuddin Ahmad (INED/Chairman)	16/17 (94%)
Mr Patrick Chin Yoke Chung (INED)	15/17 (88%)
Tuan Haji Md Ja'far Abdul Carrim (NINED)	17/17 (100%)
YBhg Datuk Seri Saw Choo Boon (INED)	17/17 (100%)
Mr Choong Tuck Oon (INED)*	6/9 (67%)
Mr Chin Yoong Kheong (INED)#	8/8 (100%)
YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir (INED)^	1/1 (100%)

Notes:

* Resigned with effect from 1 June 2015.

Newly appointed with effect from 1 June 2015.

^ Newly appointed with effect from 1 December 2015.

Board Committees that reside at RHB Bank Berhad Level

In addition to the above, the following centralised Board Committees (which reside at RHB Bank Berhad level) assist the Boards and Management in governing the business activities and operations of RHB Capital's major operating subsidiaries:

Board Audit Committee

The Board Audit Committee ("BAC") comprises four INEDs who represent the Group's major operating subsidiaries. The BAC provides independent oversight of RHB Banking Group's financial reporting and internal control system, ensuring checks and balances for entities within the Group, excluding RHB Capital. The BAC continuously reinforces the independence of the external auditors and provides a line of communication between the Board and the external auditors.

The BAC also emphasises the internal audit function by increasing the objectivity and independence of the internal auditors and provides a forum for discussion that is, among others, independent of the Management. Additionally, the BAC reviews the quality of the audits conducted by internal and external auditors as well as

the Group's financial condition and performance. This enhances the perceptions held by stakeholders (including shareholder, regulators, creditors and employees) of the credibility and objectivity of financial reports.

The composition of the BAC and the attendance of the members together with the TOR and activities of the BAC during the financial year are set out in the BAC report in this Annual Report.

Board Credit Committee

The Board Credit Committee ("BCC") comprises six NEDs, of whom four are INEDs and two are NINEDs representing the respective banking entities within the Group. The BCC supports the relevant Boards in affirming, vetoing or including additional conditions on all types of credit applications (including under stock/futures broking) and all types of underwriting applications for amounts above the defined thresholds of the Group Credit Committee and/or the Group Investment & Underwriting Committee. It also endorses and recommends write-offs as well as approves all policy loans/financing and loans/financing which are required by BNM to be approved by the respective Boards.

The BCC met 37 times during the financial year 2015. The composition of the BCC and the attendance of the members at meetings held in 2015 are as follows:

BCC Members	Attendance at Meetings
YBhg Dato' Mohamed Khadar Merican (NINED/Chairman)	34/37 (92%)
Tuan Haji Khairuddin Ahmad (INED)	33/37 (89%)
Encik Abdul Aziz Peru Mohamed (INED)	34/37 (92%)
Mr Patrick Chin Yoke Chung (INED)	33/37 (89%)
Tuan Haji Md Ja'far Abdul Carrim (NINED)	35/37 (95%)
YBhg Dato' Sri Haji Syed Zainal Abidin Syed Mohamed Tahir (INED)#	1/2 (50%)

Note:

Newly appointed with effect from 1 December 2015

Board Technology Committee

The Board Technology Committee ("BTC") comprises three INEDs. The BTC guides the Boards on the Group's overall technology strategies and policies. The BTC reviews and advises the Boards on strategic and major technology investments and projects above approving authority at Group Management Committee ("GMC") level.

The BTC met 8 times during the financial year 2015. The composition of the BTC and the attendance of the members at meetings held in 2015 are as follows:

BTC Members	Attendance at Meetings
Mr Chin Yoong Kheong (INED/Chairman)#	3/3 (100%)
Mr Ong Seng Pheow (INED)	8/8 (100%)
Mr Charles Lew Foon Keong (INED)	6/8 (75%)
Mr Choong Tuck Oon (INED)*	4/4 (100%)
YBhg Dato' Mohd Ali Mohd Tahir (INED)^	4/5 (80%)
YBhg Dato' Khairussaleh Ramli (NIED)^	5/5 (100%)
Mr Kellee Kam Chee Khiong (NIED)+	0

Notes:

* Resigned with effect from 1 June 2015.

Newly appointed with effect from 29 June 2015.

^ Resigned with effect from 29 June 2015.

+ Resigned with effect from 4 May 2015.

STATEMENT ON CORPORATE GOVERNANCE (continued)

Corporate Website

In February 2015, the Company launched its revamped corporate website (www.rhbgroup.com) to meet the evolving expectations of customers and other stakeholders while reinforcing the Group's brand and image. The Corporate Section on the Company's website, which provides all relevant information on RHB Investment Bank is publicly accessible.

UPHOLDING INTEGRITY

Compliance with Financial Reporting Standards

The Annual Audited Financial Statements and quarterly reports affecting the Company provide shareholders with a clear, balanced and meaningful assessment of the Company's financial performance, position and future prospects.

Relationship with Internal and External Auditors

Internal audit

The Group Internal Audit ("GIA"), led by the Group Chief Internal Auditor, reports the results of its audits directly to the BAC. The GIA is guided by the Group Internal Audit Charter and regularly reviews and reports on the adequacy and effectiveness of the Group's risk management, internal control and governance processes. It also undertakes an independent assessment of the Company's internal control systems to assure that deficiencies or issues are promptly resolved by the Management. This is based on the annual audit plan approved by the BAC.

Any recommendations by the auditors are followed-up and reviewed by the Management via the various Management Audit Committees established within the Group. External auditors also assist the Group internal auditors in resolving any control issues as raised by them to ensure that all issues are duly acted on by the Management. Further details of the activities of the GIA function are set out in the Statement on Risk Management & Internal Control of this Annual Report.

The Group's current Internal Audit Charter is up-to-date and in line with the latest regulatory requirements as well as the International Standards for the Professional Practice of Internal Auditing.

Assessment of external auditors

The BAC undertakes an assessment of the suitability and independence of the external auditors, Messrs PricewaterhouseCoopers, based on qualifying criteria for the appointment of auditors and terms of audit

engagements in accordance with BNM's Guidelines – "External Auditor" – dated 29 August 2014. In addition, the performance of the external auditors is assessed through a survey sent to Management requesting feedback and comments on their dealings with Messrs PricewaterhouseCoopers throughout the financial reporting year.

The survey assesses quality of audit work, coordination during planning and execution of audit work, technical accounting and business knowledge, timeliness, relationship management and staff continuity. Having satisfied itself with their performance and fulfilment of criteria as set out in BNM's Guidelines, the BAC will recommend the re-appointment of the external auditors to the Board, upon which the shareholder's approval will be sought at the AGM.

RHB Banking Group has established the Group Policy on Non-Audit Fees Paid/Payable to External Auditors ("Policy"). The BAC reviews the non-audit services rendered by the external auditors and the related fees prior to the approval of the services. A report on non-audit fees is also presented to the BAC on a quarterly basis. This is to ensure the independence of the external auditors and their compliance with the Policy and terms of all relevant professional and regulatory requirements when rendering their audit and non-audit services. The external auditors are also required to declare/confirm their independence for all non-audit engagements undertaken.

Group Whistle Blower Policy

The Group Whistle Blower Policy, established in 2004 and revised and updated in 2014, serves to strengthen its controls and governance, enabling employees to report suspected fraud, corruption, dishonest practices or other similar circumstances. This policy encourages reporting of such matters in good faith, with the confidentiality of the person making such reports protected from reprisal in the best possible manner.

For the current year under review, three complaints pursuant to the Group Whistle Blower Policy were received, investigated and pursued. All reports or complaints are filed with the Designated Recipient as specified in the Group Whistle Blower Policy. The Group Whistle Blower Policy is available on the Group's internal portal for the reference of the Group's staff.

Code of Ethics

The Board is committed to inculcating a corporate culture which engenders ethical conduct throughout the Company and the Group. The Board has thus adopted a Code of Ethics and Business Conduct

for Directors (“Code of Ethics”) to enhance the standard of corporate governance, establish uniform ethical standards and promote ethical conduct for Directors in line with governing laws, regulations and guidelines. The Code of Ethics includes principles relating to general standard of conduct, conflict of interest, insider trading, maintaining confidentiality, use of corporate assets, etc.

The Group has also implemented a Group Code of Ethics and Conduct (“Code”) for its employees to ensure a high standard of ethical and professional conduct in performing their duties and responsibilities. The said Code establishes the standards that govern the way employees deal with each other, our shareholders, customers, suppliers, competitors and the community. Within this framework, employees are expected to exercise good judgement and be accountable for their actions. Compliance with the Code is part of the terms and conditions of employment for every employee. The Code is currently under revision to incorporate current best practices and to be in line with the industry standard.

Group Gifts & Hospitality Guidelines

The Group had, in November 2014, established Group Gifts & Hospitality Guidelines to promote integrity and transparency. The Guidelines complement the existing Group Code of Ethics and Conduct for Employees and are benchmarked against best practices for giving and receiving gifts as well as transparency and openness about gifting. This is also part of the overall anti-bribery and corruption initiative currently pursued by the Group.

Corporate Responsibility

The foundation of the Corporate Responsibility (“CR”) is premised on the four quadrants of Community, Environment, Workplace and Marketplace. The Group’s established CR strategic framework has supported and created value for the Group’s business, operations and brand, as well as contributed positively to the Group’s shareholders, customers, employees and society at large. The framework was introduced with the intention of translating its defined values into a governing policy that addresses the Group’s CR and sustainability reporting which incorporates the Economic, Environmental and Social, the Triple Bottom Line (TBL).

The framework will ensure that TBL factors are integrated into the Group’s daily business practices to promote its sustainability. Sustainability is defined as conducting business responsibly and ethically by factoring in economic, environmental and social considerations in the decision-making process for long-term business success that, in turn, will contribute to the socioeconomic

development of the communities in which the Group operates. As such, the Group embarks on activities that conserve the environment, enrich the lives of communities, and promote a culture of respect and care for its workforce and the public, all of which appropriately implement good governance.

The Board also acknowledges that a sustainable approach to investing is vital to the interests of long-term investors and positively impacts the value of investments. The Board further recognises that the Group’s ability to prosper hinges substantially on its ability to make business decisions that uphold economic, social and environmental responsibilities by which the stakeholders and society can hold the Group accountable. In this way, the Company can combine its economic success with environmental protection and social investment. Therefore, TBL factors are of the utmost importance in the Board’s decision making to maintain responsible corporate citizenship.

ADDITIONAL COMPLIANCE INFORMATION

Related Party Transactions

The Group has put in place a Policy on Related Party Transaction Review Process since 2004 (revised and updated in 2011, 2012 and 2015, respectively), which guides the review and reporting of all related party transactions. Under this policy, all related party transactions are reviewed by GIA and Group Legal before any submission is made to the BAC for deliberation.

COMPLIANCE STATEMENT

In carrying out its fiduciary duties, the Board of Directors (“Board”) of RHB Investment Bank is pleased to disclose that the Company for the FYE 31 December 2015 has satisfied the following:

- The Company’s financial statements have been prepared in compliance with the approved accounting standards and disclosure requirements set out in the Companies Act 1965.
- All material aspects of the principles stipulated by Bank Negara Malaysia’s (Central Bank of Malaysia) Guidelines on Corporate Governance for Licensed Institutions (“BNM CG Guidelines”) have been complied with.

This Corporate Governance Statement and the disclosures in this report have been approved by the Board on 25 April 2016.

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

BOARD'S RESPONSIBILITY

THE BOARD OF DIRECTORS (“BOARD”) ACKNOWLEDGES ITS OVERALL RESPONSIBILITY FOR ESTABLISHING RHB INVESTMENT BANK (THE “INVESTMENT BANK”)’S RISK MANAGEMENT FRAMEWORK AND INTERNAL CONTROL SYSTEM. THE INVESTMENT BANK HAS PUT IN PLACE A RISK MANAGEMENT FRAMEWORK AND INTERNAL CONTROL SYSTEM THAT ARE DESIGNED TO MANAGE RISKS ACCORDING TO THE RISK APPETITE APPROVED BY THE BOARD RATHER THAN TOTAL ELIMINATION OF RISKS TO ACHIEVE THE INVESTMENT BANK’S GOALS AND OBJECTIVES. THE SYSTEM CAN THEREFORE ONLY PROVIDE REASONABLE AND NOT ABSOLUTE ASSURANCE AGAINST MATERIAL FINANCIAL MISSTATEMENT, LOSS OR FRAUD.

The Board’s responsibility includes reviewing the adequacy and effectiveness of the risk management and internal control system in safeguarding shareholders’ investments and the Investment Bank’s assets. The Board is assisted by the Board Risk Committee and Board Audit Committee in assessing the adequacy and effectiveness of the Investment Bank’s risk management and internal control system.

The Board is further assisted by the Management who is responsible for implementing the Investment Bank’s policies and processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking timely corrective action as required, and providing assurance to the Board that the processes have been carried out.

RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

A sound risk management and internal control system is fundamental to good corporate governance. The key elements of the Investment Bank’s risk management framework and internal control system encompass the following:

Risk Management Framework

The Group’s risk management framework governs the management of risks faced by the Group, inclusive of the Investment Bank by providing a holistic overview of the risk and control environment of the Investment Bank and setting out the strategic progression of risk management towards becoming a value creation enterprise.

The Group’s risk management framework approved by the Board includes an on-going process for identifying, evaluating, managing and reporting of significant risks faced by the Investment Bank that may affect the achievement of the Investment Bank’s business objectives and strategies. The main inherent risks in the business and operations include credit risk, market risk, interest rate risk in the banking book, liquidity risk, operational risk, reputational risk and Shariah non-compliance risk.

The risk management process within the Investment Bank seeks to identify, measure, monitor and manage these risks so that risk exposures are adequately dealt with while the expected returns sufficiently compensate the risks taken. This process is regularly reviewed by the Board through its Board Risk Committee (“BRC”) which provides oversight over the risk management activities for the Investment Bank to ensure that the Investment Bank’s risk management process is in place and functional, and appropriate measures are taken to mitigate any identified weaknesses in the control environment.

The BRC assists the Board to review the Investment Bank’s overall risk management philosophy, frameworks, policies and models. In discharging its overall duties and responsibilities, the BRC is supported by the Group Capital and Risk Committee (“GCRC”) and Group Risk & Credit Management function which monitor and evaluate the effectiveness of the Group’s risk management system and operations on an ongoing basis.

The GCRC, comprising Senior Management of the Group and is chaired by the Group Managing Director, is responsible for the supervision of the management of enterprise risk and capital matters.

Group Risk & Credit Management function provides independent oversight on business activities and implements the Group Risk Management Framework in order to protect and safeguard the Group's assets, and to prevent and mitigate financial and reputational losses to the Group. Its responsibilities include implementation of the Group's risk policy and framework, daily risk measurement and monitoring, provision of timely risk analysis to Management, ensuring compliance to regulatory risk reporting requirements, overseeing group-wide credit evaluation and assessment as well as implementing a comprehensive enterprise-wide risk governance framework and a robust risk management infrastructure.

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

To support and promote accountability and ownership of risk management, Risk and Control Self-Assessment ("RCSA") guideline has been implemented in business and functional units within the Group as part of the risk management process. These business and functional units are required to identify and document the controls and processes for managing the risks arising from their business activities, as well as to assess the effectiveness thereof to ensure that the risks identified are adequately managed and mitigated. On completion of the RCSA exercise, all business and functional units within the Group are required to submit their respective results to Group Operational Risk Management for review prior to tabling the RCSA results to the GCRC for deliberation and further action when necessary.

An Internal Capital Adequacy Assessment Process ("ICAAP") has also been implemented to ensure that all material risks are identified, measured and reported, and that adequate capital levels consistent with the risk profiles including capital buffers are maintained to support the Group's current and projected demand for capital under existing and stressed conditions.

Amongst the other committees set up in the Group to manage specific areas of risk are the Group Asset and Liability Committee, Group Credit Committee, Islamic Risk Management Committee, Board Credit Committee and Board Technology Committee.

Control Environment and Control Activities

Organisation Structure

The Group has a clear organisational structure with well-defined accountabilities and responsibilities, and lines of reporting. The organisational structure provides the basic framework to help the Group's operations proceed smoothly and functionally as well as depicting the span of control in ensuring proper supervision, coordination and a sense of accountability among the employees.

Board Committees

The Board has delegated certain responsibilities to the Board Committees established in the Group, namely the Board Nominating & Remuneration Committee, Board Risk Committee, Board Credit Committee, Board Technology Committee and Board Audit Committee.

These committees have oversight authority to examine and/or consider all matters within their scope of responsibility as defined in their respective formalised terms of references and to report to the Board with their recommendations.

Group Management Committee

The Group Management Committee ("GMC") comprises the Group Managing Director as the Chairman, the Chief Executive Officers/ Managing Directors of the relevant key operating subsidiaries and the key Senior Management of the Group. The GMC provides a forum for the Group's Senior Management to discuss and deliberate strategic matters that impact the Group's vision, strategic direction, business synergies and brand value as well as to chart its strategic roadmap. The GMC meets regularly and the minutes of meetings are tabled to the Board of RHB Capital Berhad.

Internal Policies and Procedures

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (continued)

Information Technology (IT) Security

The objectives of the Group's IT security encompass the protection of programs, data, information stored and facilities of the computerised data processing system from unauthorised access and use, loss or destruction as well as reliability and continuous availability of the computerised data processing systems.

IT security protects information from a wide range of the threats as well as safeguards the confidentiality, integrity and availability of information. IT security in the Group is achieved through the implementation of a suitable set of controls which includes policies, standards, procedures, guidelines, organisational structures and software control functions.

It is the policy of the Group that while information assets of various forms and computer equipment should be provided to enable employees of the Group and relevant third parties to satisfactorily complete their duties, these assets should be subjected to adequate controls to protect them from accidental or intentional loss, unauthorised access, unauthorised modification, unauthorised manipulation or unauthorised disclosure. Controls implemented should be appropriate to the value of the asset and its risk exposure.

Authority Limits

The Board has approved the Group Manual of Authority ("MOA") which defines the approving authority with its approving limits delegated to the various levels of Management in the Group to ensure accountability and responsibility. The Group MOA is reviewed periodically and updated in line with changes in the organisation structure, business environment or operational needs.

Budgeting Process

A detailed budgeting process is established requiring all key operating companies in the Group to prepare budgets and business plans annually for approval by the respective Boards. The Investment Bank's budget and business plans as well as strategic initiatives, taking into account of risk appetite, were deliberated at the Board where the budget was presented.

A reporting system on actual performance against approved budgets is in place and the reasons for significant variances as well as action plans by Management are reported to the Board.

Business Continuity Management

The Group recognises and is fully committed to the need to provide continuous critical services to its customers, ensure the safety of its employees, protect its assets/data and safeguard the interest of its key stakeholders that collectively ensure the viability of the organisation. The Group's Business Continuity Management ("BCM") Programme is based on good business continuity practices and guidelines which are in line with the Bank Negara Malaysia and internationally recognised standards.

The Board has an oversight function on the Group's BCM readiness through the BRC and GCRC. The Group Business Continuity Steering Committee is the management committee established to oversee the Group's business continuity framework, policies, budget and plans, and reports to GCRC.

The Group has on-going and actively managed BCM programmes, which include effective crisis management to deal with real crisis. The BCP Programmes are subject to regular testing/exercising to ensure their efficacy, reliability and functionality. Simulation exercise and drills are conducted to familiarise and equip staff with the skills and techniques required to identify, assess, respond and cope with a serious situation.

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

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

Human Capital Management

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

Hence, the Group has in place policies and procedures that govern recruitment, appointment, performance management, compensation and reward as well as policies and procedures that govern discipline, termination and dismissal.

For sustainable growth, the Group also places emphasis on human capital development, talent management and succession planning. To enhance staff competencies, structured and technical training as well as management and leadership skills are provided to staff based on their identified needs during the annual performance assessment. For talent management, initiatives such as Leadership Development Programme, Individual Development Plan and mentoring are implemented to develop identified talents in the Group to facilitate the supply for future leadership demands.

Group Code of Ethics and Conduct

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

It is a requirement that all employees of the Group understand and observe the Code. New recruits are briefed on the Code and are required to sign the Employee Declaration of Compliance Form upon joining the Group.

The Group has also established the Gifts and Hospitality Guidelines which set the standards of conduct that are associated with ethical business practice and are designed to help the Group and its employees understand respective parties’ obligations in upholding corporate integrity.

Information and Communication

Performance Review

Regular and comprehensive information is provided by Management to monitor its performance against the strategic business plan approved by the Board. This information covers all key financial and operational indicators as well as key strategic initiatives undertaken by the Investment Bank during the year.

The Group Management Committee and the Board receive and review the Investment Bank’s monthly financial performance against set targets and measures that are being put in place to meet such targets.

Group Whistle Blower Policy

There is an established process for reporting anyone found to be abusing or circumventing processes and controls of the Group. All staff are accorded the opportunity to report via the whistle-blowing mechanism with the assurance that the report will be dealt with confidentiality and that the reporter’s identity will be protected.

Incident Management Reporting

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

Monitoring

Group Compliance

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

To manage compliance risk, the compliance lifecycle involves identifying the scope of compliance obligations, determining the compliance risk, conducting gap analysis to determine the state of compliance and proposing recommendations to address the compliance gaps and emplacing monitoring process to ensure compliance including periodically conducting compliance testing on key compliance risk areas.

To enable business and operating units to comply with various laws and regulations, Group Compliance also conducts off-site surveillance and reviews on a regular basis. Weaknesses noted are conveyed to the respective business and operating units so that immediate corrective actions can be taken.

Group Compliance provides monthly Compliance Assurance Report to the respective Boards based on their compliance and gap reviews. In addition, the Board is apprised on a quarterly basis on the extent of the Group’s compliance with regulatory requirements and the actions taken to address any shortcomings.

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL (continued)

Shariah Compliance

In line with the Guidelines on Shariah Governance Framework for Islamic Financial Institutions issued by Bank Negara Malaysia, the Management is responsible for observing and implementing the respective Shariah rulings and decisions.

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

In mitigating Shariah non-compliance risk, various briefings aimed at creating awareness as well as learning programmes were conducted throughout the year to ensure compliance with Shariah principles.

Internal Audit

The Group has an in-house internal audit function which reports to the Group Board Audit Committee (“Group BAC”) of RHB Capital Berhad and the BAC of the RHB Banking Group (which undertakes the functions of the Audit Committee of the major operating entities within the Group, such as RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad).

Group Internal Audit (“GIA”) performs regular reviews of the Group’s operations and system of internal controls and evaluates the adequacy and effectiveness of the controls, risk management and governance processes implemented by Management. GIA adopts a risk-based approach in determining the auditable units and frequency of audits. The annual audit plan of RHB Banking Group is reviewed and approved by the BAC.

Management Audit Committees (“MAC”) are established at the key operating subsidiaries within the Group to ensure timely rectification of any audit findings and control lapses highlighted by the internal and external auditors, and regulators. The Investment Bank’s MAC comprising senior level representatives from different business/functional groups is chaired by the Managing Director of Investment Bank. The minutes of meetings of the MACs together with the relevant audit reports are subsequently tabled to the BAC for information, deliberation and direction for further action where required.

The Group BAC and BAC hold scheduled meetings to deliberate on the findings and recommendations for improvement highlighted by both the internal and external auditors as well as the regulatory authorities on the state of the Group’s internal control system. The minutes of the meetings of the Group BAC/BAC are then tabled to the respective Boards with the highlights of these meetings being presented by the Chairman or representative of Group BAC/BAC.

Further details of the activities undertaken by the BAC are set out in the BAC Report.

Corporate and Investment Banking Business Council

The Corporate and Investment Banking Business Council (“CIB Business Council”) comprises key management personnel of the Investment Bank and is chaired by the Managing Director. The CIB Business Council provides a forum for Management to monitor and review the performance of the Group Corporate & Investment Banking Strategic Business Sector from strategic, operational and financial point of views, apart from deliberating on business strategies/initiatives, issues and proposals, and making appropriate business decisions and recommendations to the Group Management Committee and any other relevant committees/Boards. The CIB Business Council meets regularly and special meetings are convened to discuss urgent issues.

CONCLUSION

The Board has received assurance from the Investment Bank’s Managing Director and Group Chief Financial Officer as well as the Group Chief Risk Officer that the Investment Bank’s risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Investment Bank. The Board also receives monthly updates on key risk management and internal control matters through its Board Risk Committee and Board Audit Committee as well as compliance assurance from the Group Compliance function.

Based on the assurance received from Management and updates from its Board Committees, the Board is of the view that the Investment Bank’s risk management and internal control system is operating adequately and effectively for the financial year under review and up to the date of approval of this statement.

BOARD AUDIT COMMITTEE REPORT

COMPOSITION AND ATTENDANCE

During the financial year ended 31 December 2015 (“year”), a total of eighteen (18) Board Audit Committee (“BAC”) meetings were held. The BAC comprises the following members and the details of attendance of each member at the BAC meetings held during the year are as follows:

Composition of the BAC	Attendance at Meetings
1. Ong Seng Pheow (Chairman/Independent Non-Executive Director)	18/18 (100%)
2. Dato’ Othman Jusoh (Member/Independent Non-Executive Director)	18/18 (100%)
3. Datuk Seri Saw Choo Boon (Member/Independent Non-Executive Director)	18/18 (100%)
4. Datuk Haji Faisal Siraj (Member/Independent Non-Executive Director)	18/18 (100%)

SUMMARY OF BAC’S TERMS OF REFERENCE

The BAC’s objectives, authority, duties and responsibilities, reporting, composition, frequency of meetings and secretariat are defined in its Terms of Reference. A summary of the BAC’s Terms of Reference is outlined below:

Authority

The BAC is authorised by the respective Boards to:

1. Investigate any matter within its terms of reference.
2. Have direct communication channels with the external and internal auditors.
3. Obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend meetings, if it considers this necessary.
4. Provide a written confirmation to Bank Negara Malaysia (“BNM”) that the banking entities comply with BNM’s requirements on financial reporting.

Composition

1. The membership of the BAC including the position of Chairman shall be approved by the respective Boards and shall comprise at least three (3) members and there should be a fair representation on the BAC from each entity within the Group. All BAC members should be non-executive directors with majority of whom are independent directors.

2. The Chairman of the BAC shall be an independent non-executive director.
3. No alternate director shall be appointed as a member of the BAC.
4. All members of the BAC shall be financially literate and at least one member shall be a member of an accounting association or body.

Duties and Responsibilities

The key duties and responsibilities of the BAC are summarised as follows:

1. To review the adequacy of the scope, functions and resources of the internal audit function, Internal Audit Charter and that it has the necessary authority to carry out its work.
2. To review and approve the internal audit plan and the results of the internal audit programme or investigation undertaken and whether appropriate action is taken by Management on the recommendations of the internal auditors.
3. To ensure that all findings and recommendations are resolved effectively and in a timely manner.
4. To review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their management letter and discuss any matter that the external auditors may wish to raise in the absence of Management, where necessary.

BOARD AUDIT COMMITTEE REPORT (continued)

5. To recommend to the Board on the appointment and the annual reappointment of the external auditors and their audit fees, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit as well as the resignation of auditors.
6. To review the quarterly results and year-end financial statements of the respective entities before recommending to the respective Boards for approval, focusing particularly on changes in or implementation of new accounting policies and practices, significant and unusual events and compliance with applicable financial reporting standards and other legal and regulatory requirements.
7. To review any related party transaction and conflict of interest situation that may arise within the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
8. To review the minutes of meetings of other audit committees within the Group to the extent permitted by the relevant regulatory authorities and be satisfied that all matters arising therefrom are being appropriately addressed by these other audit committees.
9. To review inspection and examination reports issued by any regulatory authority and to ensure prompt and appropriate actions are taken in respect of any findings.

Meetings

1. Meetings shall be held at least once a month or when necessary with a minimum quorum of three (3) members and the majority of members present shall be independent non-executive directors.
2. The head of internal audit and the Group Chief Financial Officer shall be in attendance at the BAC meetings. The BAC may invite the external auditors, the Managing Director/Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, any other directors or members of the Management and employees of the Group to be in attendance during meetings to assist in its deliberations.
3. At least twice a year, the BAC shall meet with the external auditors without the presence of the Management or any executive board members, and upon the request of the external auditors, the Chairman of the BAC shall convene a meeting to consider any matter which the external auditors believe should be brought to the attention of the respective Boards or shareholders.

SUMMARY OF BAC'S ACTIVITIES

The main activities undertaken by the BAC during the year are summarised as follows:

Financial Reporting

1. Reviewed the quarterly unaudited financial results and the annual audited financial statements of the Investment Bank before recommending them for approval by the Board. The review process encompassed the following:
 - a. Reviewed on any changes in accounting policy or treatment and adoption of new accounting standards, and its impact to the financial statements.
 - b. Reviewed the highlights on the performance of various business sectors contributing to the financial performance of the Investment Bank and the main factors impacting the Investment Bank's operating expenses and costs.
 - c. Reviewed the financial statements for any material changes between the current and preceding or corresponding quarter/year as well as any items that may appear uncorrelated.

Internal Audit

2. Reviewed and approved the annual internal audit plan for 2016 in November 2015 to ensure adequacy of scope and coverage of the auditable areas identified from the audit universe based on Group Internal Audit's risk assessment methodology.
3. Reviewed the staffing needs of Group Internal Audit including the skill-sets and core competencies of the internal auditors required to support the internal audit function.
4. Reviewed the audit activities for the year covering the planned audit assignments, ad-hoc audit projects such as requests from regulators and Management, and investigations, review of policy, process and procedures, and IT project participation.
5. Reviewed and deliberated on the internal audit reports, audit recommendations and Management's responses to these recommendations as well as the timely actions taken by Management to improve the system of internal controls and its processes on the areas highlighted.

6. Reviewed the inspection and examination reports issued by the regulatory authorities and the appropriate remedial actions taken by Management in respect of any findings to satisfy itself that all matters highlighted in these reports had been adequately and promptly addressed by Management.
7. Reviewed the effectiveness of the internal audit function and assessed the performance of Group Internal Audit.
11. Reviewed on a quarterly basis, the non-audit services rendered by the external auditors and the related fees taking into consideration the fees threshold established under the Group policy to ensure that the external auditors' independence and objectivity are not compromised.
12. Evaluated the performance of the external auditors based on the results of assessment of their work by the relevant staff in the Group covering the categories of people, meeting objectives, responsiveness, knowledge of business, adding value and communications before making recommendations in relation to their appointment to the Board for consideration.

External Audit

8. Reviewed the audit plan of the external auditors, the audit strategy, risk assessment and areas of audit emphasis for the year.
9. Reviewed with the external auditors, the results of their annual audit and the Audit Committee Report together with the Management's response to their findings and recommendations.
10. Met twice with the external auditors without the presence of Management to discuss issues of concern to the auditors arising from their annual statutory audit or their limited review of the Investment Bank's unaudited financial results for the half year period.

Related Party Transactions

13. Reviewed the reports of related party transactions on a quarterly basis covering the nature and amount of the transactions including any conflict of interest situation in ensuring proper reporting and disclosures in accordance with the regulatory requirements.

TRAINING

During the year, the BAC members have attended the following training programmes, conferences and seminars to enhance their knowledge in order to efficiently discharge their duties as directors and members of the BAC:

Name of Director	Training Programme Attended	Training Scope & Description
<ul style="list-style-type: none"> • Ong Seng Pheow 	1. GST Training (5 February 2015)	<ul style="list-style-type: none"> • Understanding Goods and Services Tax in Malaysia • Opportunity and challenges in tax strategy
	2. Briefing by Finance Department on Financial Statements (16 March 2015)	<ul style="list-style-type: none"> • Latest updates on Financial Standards • FRS 139
	3. PNB Investment Institute Sdn Bhd - Predicting Financial Crime: Detection, Prevention & Remediation (1 April 2015)	<ul style="list-style-type: none"> • Financial Crime & Financial Fraud • Consequences of Financial Crime & Financial Fraud • Financial Fraud Red Flags • Detection, Prevention & Remediation • Building A Fraud Proof Culture
	4. FIDE Forum 3rd Board Leadership Series – Impact of the New Accounting Standard on Banks & What Directors Should Be Aware of (5 June 2015)	<ul style="list-style-type: none"> • Reclassification of assets & liabilities • Revenue recognition • Latest Accounting standard – adoption of IFRS 9
	5. Briefings on Overseas Tax and Malaysian Financial Reporting Standard 9 – “Financial Instruments” For RHB Banking Group Directors (1 October 2015)	<ul style="list-style-type: none"> • Overseas Tax • FATCA • MFRS 9

BOARD AUDIT COMMITTEE REPORT (continued)

Name of Director	Training Programme Attended	Training Scope & Description
<ul style="list-style-type: none"> Dato' Othman Jusoh 	1. GST Training (5 February 2015)	<ul style="list-style-type: none"> Understanding Goods and Services Tax in Malaysia Opportunity and challenges in tax strategy
	2. Briefing on Charter Contracts (25 February 2015)	<ul style="list-style-type: none"> Charter and Legal Requirements Main Ingredients of Charter Contracts
	3. Briefings on Overseas Tax and Malaysian Financial Reporting Standard 9 – “Financial Instruments” For RHB Banking Group Directors (1 October 2015)	<ul style="list-style-type: none"> Overseas Tax FATCA MFRS 9
	4. Capital Market Director Programme – Module 1 (10 August 2015) – Module 2A (11 August 2015) – Module 2B (12 August 2015) – Module 3 (13 August 2015) – Module 4 (14 August 2015)	<ul style="list-style-type: none"> Capital Market in Malaysia Good Corporate Governance Stakeholders' Management
	5. FIDE Forum 3rd Board Leadership Series: Impact of the New Accounting Standard on Banks & What Directors Should Be Aware of (5 June 2015)	<ul style="list-style-type: none"> Reclassification of assets & liabilities Revenue recognition Latest Accounting standard – adoption of IFRS 9
<ul style="list-style-type: none"> Datuk Seri Saw Choo Boon 	1. Briefing by Finance Department on Financial Statements (16 March 2015)	<ul style="list-style-type: none"> Latest updates on Financial Standards FRS 139
	2. Invitation from Bursa Malaysia Berhad – Risk Management & Internal Control: Workshops For Audit Committee Members (8 June 2015)	<ul style="list-style-type: none"> Audit Committee Relationship with Internal Audit Good Risk Management & Internal Control
	3. CG Breakfast Series With Directors: “The Board’s Response In Light Of Rising Shareholder Engagements” (4 August 2015)	<ul style="list-style-type: none"> Fiduciary Duty Shareholders’ Needs Good Corporate Governance Practices
	4. Directors CG Series: “Building Effective Finance Function – From Reporting to Analytic to Strategic Input” (10 August 2015)	<ul style="list-style-type: none"> Financial Reporting Requirements Opportunity and challenges in green investment strategy
	5. Cooking the Books – The Malaysian Recipe on Financial Fraud (10 September 2015)	<ul style="list-style-type: none"> Ingredients for fraud Types of financial fraud Red flags on fraud
	6. Capital Market Director’s Training Programme (CMDP): Module 1 – 7 September 2015 Module 2A – 6 October 2015 Module 3 – 8 October 2015 Module 4 – 2 October 2015	<ul style="list-style-type: none"> Capital Market in Malaysia Good Corporate Governance

Name of Director	Training Programme Attended	Training Scope & Description
<ul style="list-style-type: none"> Datuk Seri Saw Choo Boon (continued) 	7. Ethics Red Flags For Board of Directors (3 November 2015)	<ul style="list-style-type: none"> Ethics & Governance Conflicts of interest
<ul style="list-style-type: none"> Datuk Haji Faisal Siraj 	1. GST Training (5 February 2015)	<ul style="list-style-type: none"> Understanding Goods and Services Tax in Malaysia Opportunity and challenges in tax strategy
	2. Briefing by Finance Department on Financial Statements (16 March 2015)	<ul style="list-style-type: none"> Latest updates on Financial Standards FRS 139
	3. FIDE Forum: Invitation to Industry Consultation Session (Directors' Remuneration Study) (6 May 2015)	<ul style="list-style-type: none"> Encourage development of world class directors Attract and retain highly qualified directors Promote board diversity Improve board performance
	4. FIDE Forum's Special Invite to "Board's Strategic Leadership: Innovation & Growth in Uncertain Times" (21 May 2015)	<ul style="list-style-type: none"> Innovative Products High Risk, High Return Product Compliance Cost
	5. Briefings on Overseas Tax and Malaysian Financial Reporting Standard 9 - 'Financial Instruments' For RHB Banking Group Directors (1 October 2015)	<ul style="list-style-type: none"> Overseas Tax FATCA MFRS 9

INTERNAL AUDIT FUNCTION

The Group has an in-house group internal audit function ("Group Internal Audit") which is guided by the Group Internal Audit Charter and the International Standards for the Professional Practice of Internal Auditing of the Institute of Internal Auditors. Group Internal Audit reports to the Group BAC of the RHB Capital Berhad and the BAC of RHB Banking Group, and its main function is to provide the Board with independent assurance that the Group's risk management, internal control and governance processes are operating adequately and effectively.

The annual audit plan of RHB Banking Group is approved by the BAC for each financial year. Group Internal Audit continues to adopt a risk-based approach towards the planning and conduct of audits in ensuring that the audit resources are prioritised in line with the Group's key risks and areas of focus which are identified based on Group Internal Audit's risk assessment methodology.

Upon completion of the audits, all audit reports on the results of work undertaken together with the recommended action plans and their implementation status are then presented to the respective Management Audit Committees and the Board Audit Committee. Group Internal Audit closely monitors the implementation progress of its audit recommendations in order to obtain assurance that all major risk and control concerns have been duly addressed by Management.

Group Internal Audit also works closely with the external auditors to resolve any control issues raised by them to ensure that all reported issues are duly acted upon by Management via the respective Management Audit Committees of RHB Banking Group.

In addition to the planned audits, Group Internal Audit also performs investigations and special reviews as well as participate in system development activities to provide recommendations upfront on relevant system-built controls.

To ensure effectiveness of the internal audit function, the Group Chief Internal Auditor ("Group CIA") has developed and maintained a quality assurance and improvement programme that covers all aspects of the internal audit activities. The quality assurance programme assesses the effectiveness of processes within the internal audit function and identifies opportunities for improvement through both internal and external assessments.

The internal assessment is performed according to the approved Quality Assurance Review ("QAR") plan by an independent QAR team within Group Internal Audit and reports directly to the Group CIA while the external quality assessment is conducted by a qualified independent reviewer once every five years. The results of both internal and external assessment are tabled to the Board Audit Committee for deliberation and information.

AWARDS AND RECOGNITIONS

RHB INVESTMENT BANK BERHAD

THE ASSET TRIPLE A SOUTH EAST ASIA AWARDS

- **Best M&A House Award**
RHB Investment Bank
- **Best M&A Deal Award**
Kulim (Malaysia) Berhad's disposal of 49% equity interest in New Britain Palm Oil Ltd.

THE ASSET TRIPLE A ISLAMIC FINANCE AWARDS

- **Islamic Deal of the Year**
- **Best Sukuk**
- **Most Innovative Deal of the Year**
Aquasar Capital Sdn Bhd's RM1.5 billion Sukuk Murabahah

THE ASSET TRIPLE A INFRASTRUCTURE AWARDS

- **Oil and Gas Deal of the Year**
- **Project Finance Deal of the Year**
- **Best Oil and Gas Deal, Malaysia**
SapuraKencana TMC Sdn Bhd's Senior Multi-Currency Term and Revolving Facilities of up to RM17.6 billion
- **Best Transport Deal, Malaysia**
DanaInfra Nasional Berhad's Islamic Syndicated and Revolving Credit Facilities of up to RM21.0 billion

9th ANNUAL ALPHA SOUTHEAST ASIA DEAL & SOLUTION AWARDS

- **Best M&A House in ASEAN**
RHB Investment Bank
- **Best Ringgit Sukuk House in Malaysia**
RHB Investment Bank
- **Best Islamic Finance Deal of the Year in Southeast Asia**
MMC Corporation Berhad's Inaugural RM1.2 billion Sukuk Murabahah
- **Best IPO for Retail Investors in Southeast Asia**
Sunway Construction Group Berhad's RM1.55 billion IPO
- **Best Islamic REIT Deal of the Year in Southeast Asia**
Al-Salam Real Estate Investment Trust's RM252.4 million IPO

9th ANNUAL ALPHA SOUTHEAST ASIA BEST FINANCIAL INSTITUTIONS AWARDS

- **Best Small- to Mid-Cap Corporate Finance House in Malaysia**
RHB Investment Bank
- **Best Small- to Mid-Cap Corporate Finance House in Singapore**
RHB Securities Singapore

CPI FINANCIAL – 10th ISLAMIC BUSINESS & FINANCE AWARDS

- **Best Investment Bank**
RHB Investment Bank

ISLAMIC FINANCE NEWS AWARDS DEALS OF THE YEAR

- **Best Equity & IPO**
– Malakoff Corporation Berhad's RM2.74 billion IPO

RAM AWARDS OF DISTINCTION

- **Lead Manager Award (by number of issues)**
– 3rd place
- **Lead Manager Award Islamic (by number of issues)**
– 2nd place

RAM AWARDS OF DISTINCTION – MARKET PIONEER AWARDS

- **1st Innovative State Government Financing**
– Aquasar Capital Sdn Bhd's RM1.5 billion Sukuk Murabahah
- **World's 1st RMB-bond by a Mortgage Corporation**
– Cagamas Global PLC's USD2.5 billion Conventional Multi Currency Medium Term Note Programme

MARC LEAD MANAGERS AWARDS

- **Issue Value (Conventional & Islamic)**
– 2nd runner up

THE EDGE MALAYSIA'S BEST DEALS OF THE YEAR

- **Best Mergers & Acquisitions Deal**
Kulim (Malaysia) Berhad's disposal of its 49% stake in New Britain Palm Oil Ltd
- **Best Initial Public Offering Deal**
Sunway Construction Group Berhad's RM1.55 billion IPO
- **Best Corporate Restructuring Deal**
Malaysian Resources Corporation Berhad's disposal of Platinum Sentral to MRCB-Quill Real Estate Investment Trust for RM740 million

BURSA MALAYSIA ANNUAL BROKER AWARDS

- **Best Retail Equities Participating Organisation**
 - Champion
- **Best Trading Participant Financial Derivatives**
 - Champion
- **Best Online Equities Participating Organisation**
 - 1st runner up
- **Best Equities Participating Organisation**
 - 2nd runner up
- **Best Derivatives Trading Participant**
 - 2nd runner up

ASIAMONEY BROKERS POLL

- **Malaysia – firm level – top 3 rankings**
 - #3 Best Local Brokerage
 - #3 Best Events
 - #3 Best Execution
 - #3 Best Roadshows
 - #2 Best Small Cap Team
 - #2 Best Strategist Team
 - #2 Best Economist Team
 - #2 Best Analyst (Real Estate) Team
 - #2 Best Analyst (Software, Internet & Services) Team
 - #2 Best Analyst (Technology Hardware & Equipment) Team
 - #3 Best Analyst (Diversified Financials) Team
 - #3 Best Analyst (Materials) Team
 - #3 Best Analyst (Semiconductors & Semiconductor Equipment) Team
 - #3 Best Analyst (Transportation) Team

- **Malaysia – individuals – top 3 rankings**
 - Best Analyst Materials – Ang Sem Guan (ranked #1)
 - Best Analyst Real Estate – Loong Kok Wen (ranked #2)
 - Best Analyst Software, Internet & Services – Kong Heng Siong (ranked #2)
 - Best Analyst Technology, Hardware & Equipment – Kong Heng Siong (ranked #2)
 - Best Economist – Lim Chee Sing (ranked #2)
 - Best Analyst Diversified Financials – David Chong (ranked #3)
 - Best Analyst Semiconductors & Semiconductor Equipment – Kong Heng Siong (ranked #3)
- **Singapore – firm level – top 3 rankings**
 - #1 Most Improved Brokerage
 - #2 Most Independent Brokerage
 - #3 Best Local Brokerage
 - #3 Best Roadshows
 - #3 Best Overall Research
 - #3 Best Overall Sales
 - #1 Best Small Cap Team
 - #1 Best Analyst (Consumer Staples) Team
 - #1 Best Analyst (Energy) Team
 - #1 Best Analyst (Semiconductors & Semiconductor Equipment) Team
 - #1 Best Analyst (Software, Internet & Services) Team
 - #1 Best Analyst (Technology Hardware & Equipment) Team
 - #2 Best Analyst (Consumer Discretionary) Team
 - #3 Best Analyst (Industrials) Team
 - #3 Best Analyst (Materials) Team
 - #3 Best Analyst (Real Estate) Team
- **Singapore – individuals – top 3 rankings**
 - Best Analyst Consumer Discretionary – James Koh (ranked #1) & Juliana Chai (ranked #3)
 - Best Analyst Consumer Staples – James Koh (ranked #1)
 - Best Analyst Semiconductors & Semiconductor Equipment – Jarick Seet (ranked #1)
 - Best Analyst Software, Internet & Services – Jarick Seet (ranked #1)
 - Best Analyst Technology Hardware & Equipment – Jarick Seet (ranked #1)
 - Best Analyst Small Cap Analyst – Jarick Seet (ranked #1)
 - Best Analyst Energy – Lee Yue Jer (ranked #3)
 - Best Analyst Health & Care – Shekhar Jaiswal (ranked #3)
 - Best Analyst Materials – Shekhar Jaiswal (ranked #3)
 - Best Analyst Real Estate – Ong Kian Lin (ranked #3)

AWARDS AND RECOGNITIONS (continued)

- **Indonesia – firm level – top 3 rankings**
 - #2 Best Local Brokerage
 - #2 Best Small Cap Team
 - #2 Best Analyst (Technology Hardware & Equipment) Team
- **Indonesia – individuals – top 3 rankings**
 - Best Analyst Technology Hardware & Equipment – Lim Tee Yang (ranked #2) & Herman Tjahjadi (ranked #3)
- **Thailand – firm level – top 3 rankings**
 - #3 Best Local Brokerage
- **Hong Kong – firm level – top 3 rankings**
 - #3 Best Local Brokerage
 - #2 Best Small Cap Team
- **Hong Kong – individuals – top 3 rankings**
 - Best Small Cap Analyst – Ng Kong Yong (ranked #2)
 - Best Analyst Technology Hardware & Equipment – Ng Kong Yong (ranked #3)

RHB GROUP ASSET MANAGEMENT

- **THE EDGE-LIPPER FUND AWARDS 2015**
 - Best Mixed Asset MYR Balanced – Malaysia, 3 years
 - Best Mixed Asset MYR Balanced – Malaysia, 5 years
 - Best Mixed Asset MYR Balanced – Malaysia, 10 years
 - Best Equity Malaysia Diversified, 3 years
 - Best Equity Malaysia Diversified, 5 years
 - Best Bond Malaysian Ringgit – Malaysia Islamic, 3 years
 - Best Bond Malaysian Ringgit – Malaysia Islamic, 5 years
 - Best Bond Malaysian Ringgit – Malaysia Islamic, 10 years
 - Best Mixed Asset MYR Conservative, 3 years
 - Best Mixed Asset MYR Conservative, 10 years
 - Best Mixed Asset MYR Flexible, 3 years
 - Best Equity Malaysia Diversified, 10 years

- **INVESTOR – INFOVESTA'S BEST MUTUAL FUND AWARDS 2015**
 - Best Equity Fund for RHB OSK Alpha Sector Rotation
 - Best Money Market Fund for RHB OSK Rupiah Liquid Fund
- **EPF PORTFOLIO MANAGERS ANNUAL AWARD 2015**
 - Best Domestic Fixed Income Portfolio Manager Year 2014
 - Best 3-Year ROI Domestic Fixed Income Portfolio Manager Year 2014
- **ASIA ASSET MANAGEMENT BEST OF THE BEST COUNTRY AWARD**
 - Most Innovative Product
- **FUNDSPERMART – THE RECOMMENDED UNIT TRUST AWARDS 2015**
 - Best Asia ex-Japan Fund
 - Best Sub Regional Equity – US Fund
 - Best Asia Bond Fund
 - Best Emerging Markets Bond Fund
- **APRDI – BLOOMBERG INDONESIA FUND AWARDS 2015**
 - Best Index Fund
- **THE ASSET – ASIAN LOCAL CURRENCY BONDS**
 - Top 5 Investment Houses, Malaysia 2015
 - Most Astute Investor, Malaysia 2015

FINANCIAL

STATEMENTS

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DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Bank include merchant banking business, dealing in securities, stock, debt and derivatives, stock-broking business and the business of brokers and dealers in futures and options contracts.

The Group is involved in merchant banking business, dealing in securities, stock, debt and derivatives, stock-broking business and the business of brokers and dealers in futures and options contracts, investment management services, Islamic investment management services, management of unit trust funds and Islamic unit trust funds, management of private retirement schemes, provision of investment advisory services, research services and provision of nominee services.

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

FINANCIAL RESULTS

	Group	Bank
	RM'000	RM'000
Net profit for the financial year attributable to:		
– Equity holder of the Bank	71,543	53,499
– Non-controlling interests	967	–
Net profit for the financial year	72,510	53,499

DIVIDENDS

No dividend has been paid or declared by the Bank since the end of the previous financial year.

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

RESERVES AND PROVISIONS

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

DIRECTORS' REPORT (continued)

ISSUE OF SHARES

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

BAD AND DOUBTFUL DEBTS

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

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 in the financial statements of the Group and the Bank inadequate to any substantial extent.

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

- (a) any charge on the assets of the Group and the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or
- (b) any contingent liability of the Group and the Bank which has arisen since the end of the financial year other than in the ordinary course of business.

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

DIRECTORS' REPORT (continued)

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 47 to the financial statements.

DIRECTORS

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

Tan Sri Ong Leong Huat @ Wong Joo Hwa
Dato' Mohamed Khadar Merican
Lew Foon Keong
Patrick Chin Yoke Chung
Datuk Seri Saw Choo Boon
Abdul Aziz Peru Mohamed
Mohamed Ali Ismaeil Ali AlFahim
Chan Cheong Yuen

Pursuant to Article 93 of the Bank's Articles of Association and the Internal Guidelines on Tenure of Appointment/Re-Appointment of Non-Executive Directors ('NEDs') for RHB Banking Group, Dato' Mohamed Khadar Merican and Mr. Lew Foon Keong shall retire at the forthcoming Annual General Meeting, and in view that they have attained the maximum NED's tenure stipulated therein, both Dato' Mohamed Khadar Merican and Mr. Lew Foon Keong have indicated their intention of not seeking re-election. They shall accordingly retire at the forthcoming Annual General Meeting.

Pursuant to Section 129 of the Companies Act, 1965, Tan Sri Ong Leong Huat @ Wong Joo Hwa and Patrick Chin Yoke Chung shall retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-appointment.

DIRECTORS' REPORT (continued)

DIRECTORS' INTERESTS IN SECURITIES

According to the Register of Directors' Shareholdings, the Directors in office at the end of the financial year holding securities of the Bank and its related corporations are as follows:

	Number of ordinary share of RM1.00 each					As at 31.12.2015
	As at 1.1.2015	Rights Issue [^]	DRP ⁺	Bought	Sold	
Ultimate Holding Company						
RHB Capital Berhad						
Dato' Mohamed Khadar Merican						
- Direct	65,312	12,202	516	-	-	78,030
Tan Sri Ong Leong Huat @ Wong Joo Hwa						
- Indirect*	1,100	3,970	-	19,030	-	24,100
- Indirect#	255,797,588	53,449,200	2,182,412	-	-	311,429,200

Notes:

* The interest is held through family members.

Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of shares held through OSK Holdings Berhad.

[^] Arising from acceptance of provisional allotment of rights issue pursuant to the renounceable rights issue on the basis of one (1) right share for every five (5) existing shares held.

+ The shares were acquired pursuant to the Dividend Reinvestment Plan.

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

DIRECTORS' REPORT (continued)

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind as disclosed in Note 31 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

IMMEDIATE AND ULTIMATE HOLDING COMPANY

The Directors regard RHB Capital Berhad, a listed company incorporated in Malaysia, as the immediate and ultimate holding company.

AUDITORS

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

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

TAN SRI ONG LEONG HUAT @ WONG JOO HWA
CHAIRMAN

Kuala Lumpur
29 February 2016

CHAN CHEONG YUEN
MANAGING DIRECTOR

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2015

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
ASSETS					
Cash and short-term funds	2	1,132,078	1,496,220	718,596	1,235,690
Deposits and placements with banks and other financial institutions	3	13,179	–	–	–
Financial assets at fair value through profit or loss ('FVTPL')	4	398,127	311,196	131,577	91,869
Financial investments available-for-sale ('AFS')	5	3,412,471	3,817,807	3,311,449	3,636,679
Financial investments held-to-maturity ('HTM')	6	590,461	761,347	590,461	761,347
Loans and advances	7	2,069,802	2,285,890	1,320,752	1,762,286
Clients' and brokers' balances	8	1,654,213	1,525,147	572,001	616,847
Other assets	9	231,819	479,579	127,533	341,410
Derivative assets	10	57,906	31,468	57,906	26,554
Statutory deposits	11	144,152	219,837	144,152	219,837
Tax recoverable		38,979	8,100	36,894	–
Deferred tax assets	12	30,601	30,276	21,063	23,891
Investment in subsidiaries	13	–	–	1,451,367	1,395,418
Investment in associates and joint ventures	14	20,899	30,028	21,057	20,391
Property, plant and equipment	15	67,478	67,899	31,347	33,684
Goodwill and other intangible assets	16	1,321,377	1,323,947	1,143,948	1,148,137
TOTAL ASSETS		11,183,542	12,388,741	9,680,103	11,314,040

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		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	17	1,082,009	2,678,520	1,095,657	2,692,879
Deposits and placements of banks and other financial institutions	18	3,671,153	3,967,796	3,721,848	4,027,322
Obligation on securities sold under repurchase agreements	19	170,568	18,910	170,568	–
Obligation on securities borrowed		12,202	113,781	12,202	113,781
Bills and acceptances payable		138,794	137,709	–	–
Clients' and brokers' balances	20	1,346,924	1,210,841	585,773	583,785
Other liabilities	21	503,094	416,231	340,443	249,448
Derivative liabilities	10	127,546	61,568	125,994	60,280
Taxation		8,895	31,105	–	18,592
Deferred tax liabilities	12	3,728	5,755	–	–
Borrowings	22	457,784	239,213	–	–
Subordinated obligations	23	548,822	549,440	548,822	549,440
TOTAL LIABILITIES		8,071,519	9,430,869	6,601,307	8,295,527
Share capital	24	818,646	818,646	818,646	818,646
Reserves	25	2,285,613	2,132,442	2,260,150	2,199,867
		3,104,259	2,951,088	3,078,796	3,018,513
Non-controlling interests	26	7,764	6,784	–	–
TOTAL EQUITY		3,112,023	2,957,872	3,078,796	3,018,513
TOTAL LIABILITIES AND EQUITY		11,183,542	12,388,741	9,680,103	11,314,040
COMMITMENTS AND CONTINGENCIES	39	4,296,861	6,546,581	3,650,315	5,630,222

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		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income	27	379,097	431,760	303,317	360,692
Interest expense	28	(238,687)	(272,288)	(225,509)	(259,082)
Net interest income		140,410	159,472	77,808	101,610
Other operating income	29	939,193	1,116,637	475,437	724,494
Other operating expenses	30	1,079,603 (990,199)	1,276,109 (968,554)	553,245 (456,059)	826,104 (543,753)
Operating profit before allowances (Allowance)/Write back for impairment on loans, advances and other losses	32	89,404 (13,842)	307,555 45,494	97,186 (7,184)	282,351 44,797
Impairment losses written back/(made) on other assets	33	39,103	(8,294)	(7,155)	(18,267)
		114,665	344,755	82,847	308,881
Share of results of associates		733	807	-	-
Share of results of joint ventures		300	380	-	-
Profit before taxation		115,698	345,942	82,847	308,881
Taxation	34	(43,188)	(60,870)	(29,348)	(52,890)
Net profit for the financial year		72,510	285,072	53,499	255,991
Attributable to:					
- Equity holder of the Bank		71,543	266,746	53,499	255,991
- Non-controlling interests		967	18,326	-	-
		72,510	285,072	53,499	255,991
Earnings per share (sen)					
- Basic/diluted	35	8.74	32.58	6.54	31.27

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

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net profit for the financial year		72,510	285,072	53,499	255,991
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
– Actuarial gain on defined benefit plan of subsidiaries		1,568	1,290	–	–
Items that will be reclassified subsequently to profit or loss					
– Currency translation differences		127,956	36,712	–	–
– Net investment hedge	10(ii)	(46,699)	–	–	–
– Unrealised net gain on revaluation of financial investments AFS		10,100	37,903	8,627	16,432
– Net transfer to income statements on disposal or impairment of financial investments AFS		1,149	(23,272)	205	7,123
Income tax relating to components of other comprehensive (income)/loss	36	(2,381)	1,866	(2,048)	(2,978)
Other comprehensive income, net of tax, for the financial year		91,693	54,499	6,784	20,577
Total comprehensive income for the financial year		164,203	339,571	60,283	276,568
Total comprehensive income attributable to:					
– Equity holder of the Bank		162,880	333,534	60,283	276,568
– Non-controlling interests		1,323	6,037	–	–
		164,203	339,571	60,283	276,568

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 Holder of the Bank									
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
Balance as at 1 January 2015		818,646	1,515,150	406,545	3,308	34,972	-	172,467	2,951,088	6,784	2,957,872
Net profit for the financial year		-	-	-	-	-	-	71,543	71,543	967	72,510
Currency translation differences		-	-	-	(212)	127,855	-	-	127,643	313	127,956
Net investment hedge		-	-	-	-	(46,699)	-	-	(46,699)	-	(46,699)
Financial investments AFS:											
– Unrealised net gain on revaluation		-	-	-	10,069	-	-	-	10,069	31	10,100
– Net transfer to income statements on disposal or impairment		-	-	-	1,141	-	-	-	1,141	8	1,149
Actuarial gain on defined benefit plan of subsidiaries		-	-	-	-	-	-	1,563	1,563	5	1,568
Income tax relating to components of other comprehensive income	36	-	-	-	(2,048)	-	-	(332)	(2,380)	(1)	(2,381)
Other comprehensive income, net of tax, for the financial year		-	-	-	8,950	81,156	-	1,231	91,337	356	91,693
Total comprehensive income for the financial year		-	-	-	8,950	81,156	-	72,774	162,880	1,323	164,203
Effect of predecessor accounting	47(b)	-	-	-	-	-	-	(9,730)	(9,730)	-	(9,730)
Transfer to statutory reserves	25(b)	-	-	27,000	-	-	-	(27,000)	-	-	-
Transfer to regulatory reserves	25(e)	-	-	-	-	-	22,615	(22,615)	-	-	-
Dividends paid to non-controlling interest	26	-	-	-	-	-	-	-	-	(322)	(322)
Accretion of interest in a subsidiary	26	-	-	-	-	-	-	21	21	(21)	-
Total transactions with owner		-	-	27,000	-	-	22,615	(59,324)	(9,709)	(343)	(10,052)
Balance as at 31 December 2015		818,646	1,515,150	433,545	12,258	116,128	22,615	185,917	3,104,259	7,764	3,112,023

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 Holder of the Bank								
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
Balance as at 1 January 2014		818,646	1,515,150	278,549	(25,948)	(22,768)	206,734	2,770,363	191,348	2,961,711
Net profit for the financial year		-	-	-	-	-	266,746	266,746	18,326	285,072
Currency translation differences		-	-	-	(36)	36,582	(7)	36,539	173	36,712
Financial investments AFS:										
– Unrealised net gain/(loss) on revaluation		-	-	-	38,013	-	-	38,013	(110)	37,903
– Net transfer to income statements on disposal or impairment		-	-	-	(8,378)	-	-	(8,378)	(14,894)	(23,272)
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	36	-	-	-	(343)	-	(319)	(662)	2,528	1,866
Other comprehensive income/(loss), net of tax, for the financial year		-	-	-	29,256	36,582	950	66,788	(12,289)	54,499
Total comprehensive income for the financial year		-	-	-	29,256	36,582	267,696	333,534	6,037	339,571
Transfer to statutory reserves	25(b)	-	-	127,996	-	-	(127,996)	-	-	-
Dividend paid	37	-	-	-	-	-	(14,200)	(14,200)	-	(14,200)
Disposal of a subsidiary		-	-	-	-	1,708	(1,708)	-	-	-
Accretion of interest in a subsidiary	26	-	-	-	-	-	54	54	(54)	-
Acquisition of additional interest from non-controlling interest	47(k)	-	-	-	-	19,450	(158,113)	(138,663)	(190,547)	(329,210)
Total transactions with owner		-	-	127,996	-	21,158	(301,963)	(152,809)	(190,601)	(343,410)
Balance as at 31 December 2014		818,646	1,515,150	406,545	3,308	34,972	172,467	2,951,088	6,784	2,957,872

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

Bank	Note	Non-Distributable				Distributable		Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2015		818,646	1,515,150	406,544	(11,933)	-	290,106	3,018,513
Net profit for the financial year		-	-	-	-	-	53,499	53,499
Financial investments AFS:								
– Unrealised net gain on revaluation		-	-	-	8,627	-	-	8,627
– Net transfer to income statements on disposal or impairment		-	-	-	205	-	-	205
Income tax relating to components of other comprehensive income	36	-	-	-	(2,048)	-	-	(2,048)
Other comprehensive income, net of tax, for the financial year		-	-	-	6,784	-	-	6,784
Total comprehensive income for the financial year		-	-	-	6,784	-	53,499	60,283
Transfer to statutory reserves	25(b)	-	-	26,751	-	-	(26,751)	-
Transfer to regulatory reserves	25(e)	-	-	-	-	13,405	(13,405)	-
Total transactions with owner		-	-	26,751	-	13,405	(40,156)	-
Balance as at 31 December 2015		818,646	1,515,150	433,295	(5,149)	13,405	303,449	3,078,796

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

Bank	Note	Non-Distributable			Distributable	Total RM'000	
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000		Retained profits RM'000
Balance as at 1 January 2014		818,646	1,515,150	278,549	(32,510)	176,310	2,756,145
Net profit for the financial year		-	-	-	-	255,991	255,991
Financial investments AFS:							
– Unrealised net gain on revaluation		-	-	-	16,432	-	16,432
– Net transfer to income statements on disposal or impairment		-	-	-	7,123	-	7,123
Income tax relating to components of other comprehensive income	36	-	-	-	(2,978)	-	(2,978)
Other comprehensive income, net of tax, for the financial year		-	-	-	20,577	-	20,577
Total comprehensive income for the financial year		-	-	-	20,577	255,991	276,568
Transfer to statutory reserves	25(b)	-	-	127,995	-	(127,995)	-
Dividend paid	37	-	-	-	-	(14,200)	(14,200)
Total transactions with owner		-	-	127,995	-	(142,195)	(14,200)
Balance as at 31 December 2014		818,646	1,515,150	406,544	(11,933)	290,106	3,018,513

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	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		115,698	345,942
Adjustments for:			
Allowance/(write back) for impairment on loans, advances and other losses		14,206	(45,376)
Property, plant and equipment:			
– depreciation		25,144	21,518
– gain on disposal		(312)	(7)
– written off		154	384
– impairment (write back)/charge for the year		(182)	169
Intangible assets			
– amortisation		19,919	22,459
– written off		2,287	100
– impairment (write back)/charge for the year		(2,283)	2,122
Impairment losses (write back)/charge on financial investments AFS and HTM		(44,472)	6,003
Interest income from financial assets at FVTPL, financial investments AFS and HTM		(176,211)	(193,510)
Net loss/(gain) from sale/redemption of financial assets at FVTPL, financial investments AFS and HTM		13,319	(61,318)
Net unrealised loss/(gain) on revaluation of financial assets at FVTPL and derivatives		19,186	(25,441)
Net (gain)/loss from sale of derivatives		(35,434)	4,791
Gross dividend income from financial assets at FVTPL and financial investments AFS		(16,210)	(8,455)
Share of results of associates		(733)	(807)
Share of results of joint ventures		(300)	(380)
Loss on disposal of a subsidiary		–	247
Unrealised foreign exchange gain		(140,155)	(23,879)
Gain on disposal of an associate		–	(8,202)
Impairment losses of investment in a joint venture		7,834	–
Operating (loss)/profit before working capital changes		(198,545)	36,360
Decrease in operating assets:			
Deposits and placements with banks and other financial institutions		(5,054)	100,715
Financial assets at FVTPL		(113,332)	945,814
Loans and advances		218,376	164,506
Clients' and brokers' balances		(130,983)	1,046,934
Derivative assets		(26,438)	17,292
Other assets		240,685	(247,101)
Statutory deposits		75,685	(3,194)
		258,939	2,024,966

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	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Decrease in operating liabilities:			
Deposits from customers		(1,596,511)	194,091
Deposits and placements of banks and other financial institutions		(296,643)	(652,882)
Obligation on securities sold under repurchase agreements		151,658	(382,612)
Obligation on securities borrowed		(101,579)	82,047
Bills and acceptances payable		1,085	137,709
Clients' and brokers' balances		136,083	(1,104,130)
Derivative liabilities		94,669	13,310
Other liabilities		85,796	101,059
		(1,525,442)	(1,611,408)
Cash (used in)/generated from operations		(1,465,048)	449,918
Net tax paid		(100,669)	(31,787)
Net cash (used in)/generated from operating activities		(1,565,717)	418,131
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from sale of financial investments AFS and HTM		757,694	96,668
Interest income received from financial investments AFS and HTM		181,246	199,193
Dividend income received from financial assets at FVTPL and financial investments AFS		16,210	8,455
Property, plant and equipment:			
– purchase		(20,461)	(32,463)
– proceeds from disposal		830	119
Purchase of software license		(15,342)	(10,143)
Dividend income received from an associate		4,606	–
Net cash inflow from disposal of a subsidiary		–	265
Net cash inflow from disposal of an associate	47(j)	–	9,070
Net cash inflow from acquisition of a subsidiary	47(b)	30,446	–
Net cash generated from investing activities		955,229	271,164

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	2014 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of subordinated obligations		200,000	–
Redemption of subordinated obligations		(200,000)	–
Net drawdown of borrowings		218,571	87,021
Dividend paid to equity holder of the Bank	37	–	(14,200)
Dividends paid to non-controlling interests	26	(322)	–
Acquisition of additional interest from non-controlling interests	47(k)	–	(329,210)
Net cash generated from/(used in) financing activities		218,249	(256,389)
Net (decrease)/increase in cash and cash equivalents		(392,239)	432,906
Effects of exchange rate differences		28,097	(1,876)
Cash and cash equivalents:			
– at the beginning of the financial year		1,496,220	1,065,190
– at the end of the financial year		1,132,078	1,496,220
Cash and cash equivalents comprise the following:			
– Cash and short-term funds	2	1,132,078	1,496,220

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	Bank	
		2015 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		82,847	308,881
Profit before taxation			
Adjustments for:			
Allowance/(write back) for impairment on loans, advances and other losses		7,502	(44,721)
Property, plant and equipment:			
– depreciation		11,908	9,439
– gain on disposal		(233)	(2)
– written off		3	12
Intangible assets			
– amortisation		15,859	18,442
Impairment losses (write back)/made on financial investments AFS and HTM		(44,726)	6,003
Impairment losses on investment in subsidiaries		52,547	12,264
Write back of impairment losses on investment in a joint venture		(666)	–
Interest income from financial assets at FVTPL, financial investments AFS and HTM		(173,028)	(186,688)
Net gain from sale/redemption of financial assets at FVTPL, financial investments AFS and HTM		(4,863)	(3,055)
Net unrealised loss/(gain) on revaluation of financial assets at FVTPL and derivatives		1,978	(20,209)
Net loss from sale of derivatives		4,971	10,268
Gross dividend income from financial assets at FVTPL and financial investments AFS		(568)	(1,285)
Gross dividend income from subsidiaries		(15,322)	(105,102)
Gross dividend income from an associate		(4,606)	–
Loss on disposal of a subsidiary		–	2,696
Loss on disposal of an associate		–	3
Unrealised foreign exchange gain		(140,863)	(25,680)
Operating loss before working capital changes		(207,260)	(18,734)
Decrease in operating assets:			
Deposits and placements with banks and other financial institutions		–	100,715
Financial assets at FVTPL		(32,819)	985,302
Loans and advances		445,161	146,656
Clients' and brokers' balances		45,090	(78,872)
Derivative assets		(31,352)	22,206
Other assets		202,512	(247,591)
Statutory deposits		75,685	(3,194)
		704,277	925,222

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	Bank	
		2015 RM'000	2014 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Decrease in operating liabilities:			
Deposits from customers		(1,597,222)	133,631
Deposits and placements of banks and other financial institutions		(352,173)	(593,356)
Obligation on securities sold under repurchase agreements		170,568	(401,522)
Obligation on securities borrowed		(101,579)	82,047
Clients' and brokers' balances		1,988	164,516
Derivative liabilities		55,553	1,048
Other liabilities		90,377	79,355
		(1,732,488)	(534,281)
Cash (used in)/generated from operations		(1,235,471)	372,207
Net tax paid		(84,062)	(21,166)
Net cash (used in)/generated from operating activities		(1,319,533)	351,041
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from sale of financial investments AFS and HTM		686,133	148,461
Interest income received from financial investments AFS and HTM		178,618	192,935
Dividend income received from financial assets at FVTPL and financial investments AFS		568	1,285
Property, plant and equipment:			
– purchase		(9,588)	(13,334)
– proceeds from disposal		247	2
Purchase of software license		(11,670)	(5,519)
Dividend income received from subsidiaries		15,322	105,102
Dividend income received from an associate		4,606	–
Additional investment in subsidiaries	47(b),(d)	(61,797)	(339,620)
Net cash inflow from disposal of a subsidiary	47(i)	–	6,532
Net cash inflow from disposal of an associate	47(j)	–	9,070
Net cash generated from investing activities		802,439	104,914

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	Bank	
		2015 RM'000	2014 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of subordinated obligations		200,000	–
Redemption of subordinated obligations		(200,000)	–
Dividends paid to equity holder of the Bank	37	–	(14,200)
Net cash used in financing activities		–	(14,200)
Net (decrease)/increase in cash and cash equivalents		(517,094)	441,755
Cash and cash equivalents:			
– at the beginning of the financial year		1,235,690	793,935
– at the end of the financial year		718,596	1,235,690
Cash and cash equivalents comprise the following:			
– Cash and short-term funds	2	718,596	1,235,690

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 financial years presented, unless otherwise stated.

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards ('IFRS') and the requirements of the Companies Act, 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 preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

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

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

The relevant new accounting standards, amendments and improvements to published standards and interpretations to existing accounting standards that are effective for the Group's and the Bank'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 amendments do not give rise to any material financial impact to the Group and the Bank.

- (b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank 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.

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)

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

- 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.

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

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

(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 to direct the relevant activities of the entity.

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

(i) Acquisition accounting

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

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

Acquisition-related costs are expensed as incurred.

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 remeasured, and its subsequent settlement is accounted for within equity.

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in income statements. Refer to accounting policy Section A(6) 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.

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)

(ii) 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 years 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 of the Group. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity attributable to owners of the Group.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured 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.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

(d) Joint ventures

A joint venture is a joint arrangement whereby the joint venturers 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.

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

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

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

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

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

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

(3) INVESTMENT IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In the Bank's separate financial statements, investment 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 Section A(19) on impairment of non-financial assets.

The amounts due from subsidiaries of which the Bank does not expect repayment in the foreseeable future are considered as part of Bank's investment in the subsidiaries.

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

(a) Classification

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

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

Financial assets at fair value through profit or loss are financial assets held-for-trading ('HFT'). A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term. Derivatives are also categorised as HFT unless they are designated as hedges (Refer to accounting policy Section A(5)).

(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 and the Bank's management have the positive intention and ability to hold to maturity. If the Group and the Bank were to sell other than an insignificant amount of financial investments HTM, the whole category would be tainted and reclassified as financial investments AFS.

(b) Recognition and initial measurement

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

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial assets 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.

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)

(c) Subsequent measurement – gains and losses

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 Section A(17)) 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 and the Bank's right to receive payments is established.

(d) De-recognition

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

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

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

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount 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.

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)

(5) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

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

(a) Fair value hedge

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

Amounts accumulated in equity are recycled to the income statements in the periods in which the hedged item will affect 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 reclassified to 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)

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

(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.

(6) GOODWILL AND OTHER INTANGIBLE ASSETS

Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licences and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group and the Bank have a definite useful life. At each date of the statement of financial positions, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, 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 Section A(19) 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 Section A(19) on impairment of non-financial assets.

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

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) GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Computer software licences

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

(7) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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:

Renovations	10% to 11%
Office equipment and furniture	20%
Computer equipment	10% to 33 $\frac{1}{3}$ %
Motor vehicles	20%

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) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (CONTINUED)

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

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

At the end of the reporting period, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount. Refer to accounting policy Section A(19) on impairment of non-financial assets.

(8) 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 derecognised when extinguished.

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

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

A financial liability is classified as HFT 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 HFT unless they are designated as hedges. Refer to accounting policy Section A(5).

(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, obligation on securities sold under repurchase agreements, obligation on securities borrowed, bills and acceptances payable, clients' and brokers' balances, subordinated obligations and other financial liabilities.

(c) Borrowings measured at amortised cost

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between initial recognised amount and the redemption value is recognised in the 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 and subordinated obligations.

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) LEASES – WHERE THE GROUP IS LESSEE

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, a series of payments, the right to use an asset for an agreed period of time.

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

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

(b) Finance lease

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

(10) 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.

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)

(11) PROVISIONS

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

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

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

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

(12) FINANCIAL GUARANTEE CONTRACTS

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

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

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

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

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) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

(14) 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.

(15) CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of cash and bank balances and short term deposits maturing within one month that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

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) REVENUE RECOGNITION

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

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

- (b) Loan arrangement fees, commissions and placement fees are recognised as income when all conditions precedent are fulfilled.
- (c) Guarantee fees are recognised as income upon issuance of guarantees.
- (d) Commitment fees are recognised as income based on time apportionment.
- (e) 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.
- (f) Corporate advisory fees are recognised as income on completion of each stage of the engagement and issuance of invoice.
- (g) Management fees of the unit trust management company are recognised on accrual basis.
- (h) 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.

(17) IMPAIRMENT OF FINANCIAL ASSETS

- (a) Assets carried at amortised cost

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

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

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

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)

(17) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost (continued)

The amount of the impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount of the asset is reduced and the amount of the loss is recognised in 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 and advances, the Group and the Bank first assess whether objective evidence of impairment exists individually for loans and advances that are individually significant, and individually or collectively for loans and advances that are not individually significant. If the Group and the Bank determine that no objective evidence of impairment exists for individually assessed loans and advances, whether significant or not, it includes the asset in a group of loans and advances with similar credit risk characteristics and collectively assess them for impairment.

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

(i) Individual impairment allowance

The Group and the Bank determines the allowance appropriate for each individual significant loans and advances on an individual basis. The allowances are established based primarily on estimates of the realisable value of the collateral to secure the loans and advances and are measured as the difference between the carrying amount of the loans and advances and the present value of the expected future cash flows discounted at the original effective interest rate of the loans and advances. All other loans and advances 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.

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)

(17) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost (continued)

(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, net of individual impairment allowances.

Bank Negara Malaysia ('BNM'), had on 6 April 2015, issued the Revised Policy on Classification and Impairment Provision 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 and the Bank assess at the end of the reporting period whether there is objective evidence that a financial asset or a group of financial assets is impaired.

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

(18) EMPLOYEE BENEFITS

(a) Short-term employee benefits

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

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

(b) Defined contribution plans

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

(c) Termination benefits

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

(19) 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.

(20) CURRENT AND DEFERRED INCOME TAXES

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

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

(20) CURRENT AND DEFERRED INCOME TAXES (CONTINUED)

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

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

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

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

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

(21) CURRENCY CONVERSION AND TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

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) CURRENCY CONVERSION AND TRANSLATION (CONTINUED)

(c) Group companies

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

- (i) Assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statements of financial position;
- (ii) Income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of transactions); and
- (iii) All resulting exchange differences are recognised as a separate component of other comprehensive income.

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

(22) 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 RHB Capital Group's Management Committee as its chief operating decision-maker.

(23) REPURCHASE AGREEMENTS

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

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

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

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

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

(a) Allowance for impairment of financial assets

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

The Group and the Bank make allowance for losses based on assessment of recoverability. Management's judgement is made in estimation of the amount and timing of future cash flows in assessing allowance for impairment of financial assets. Among the factors considered are the Group's and the Bank's aggregate exposure to the borrower, the net realisable value of the underlying collateral value, the viability of the customer's business model, the capacity to generate sufficient cash 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.

(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 require the Group to make an estimate of the expected future cash flow from the CGUs. Determining both the expected pre-tax cash flows and the risk adjusted discount rate appropriate to the CGUs 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 are disclosed in Note 16 to the financial statements.

(c) Impairment of investment in subsidiaries

The Bank assesses whether there is any indication that investment in subsidiaries are impaired at the end of each reporting period. Impairment is measured by comparing the carrying amount of the investments with its recoverable amount.

Management has assessed the recoverable amount of the investments based on net assets of the subsidiaries and value in use calculations which approximates fair value as at year end. The impairment charge has been recognised due to the carrying amount of the investments in the separate financial statements exceeding the carrying amount of the subsidiaries' net assets in their financial statements and recoverable amounts. The impairment charge during the financial year is shown in Note 33 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

for the financial year ended 31 December 2015

1 GENERAL INFORMATION

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

The principal activities of the Bank include merchant banking business, dealing in securities, stock, debt and derivatives, stock-broking business and the business of brokers and dealers in futures and options contracts.

The Group is involved in merchant banking business, dealing in securities, stock, debt and derivatives, stock-broking business and the business of brokers and dealers in futures and options contracts, investment management services, Islamic investment management services, management of unit trust funds and Islamic unit trust funds, management of private retirement schemes, provision of investment advisory services, research services and provision of nominee services.

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

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

2 CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Cash and balances with bank and other financial institutions	759,623	583,909	371,876	345,219
Money at call and deposit placements maturing within one month	372,455	912,311	346,720	890,471
	1,132,078	1,496,220	718,596	1,235,690

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

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Licensed banks	13,179	-	-	-

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')

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Designated as FVTPL	(a)	170,314	-	-	-
Held-for-trading	(b)	227,813	311,196	131,577	91,869
		398,127	311,196	131,577	91,869

(a) Financial assets designated as FVTPL are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At fair value				
QUOTED SECURITIES:				
In Malaysia				
Unit trusts	51,583	-	-	-
UNQUOTED SECURITIES:				
Outside Malaysia				
Private equity funds	118,731	-	-	-
Total financial assets designated as FVTPL	170,314	-	-	-

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)

(b) Financial assets held-for-trading are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At fair value				
QUOTED SECURITIES:				
In Malaysia				
Shares and exchange traded funds	91,389	43,501	91,389	43,501
Unit trusts	-	56,483	-	-
Outside Malaysia				
Shares and warrants	96,544	144,106	5,057	8,367
Unit trusts	-	9,517	-	-
UNQUOTED SECURITIES:				
In Malaysia				
Private debt securities	35,131	40,001	35,131	40,001
Outside Malaysia				
Private debt securities	4,749	17,588	-	-
Total financial assets held-for-trading	227,813	311,196	131,577	91,869

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

The effects of the reclassification on the income statements for the period from the date of reclassification to 31 December 2015 were as follows:

Group and Bank	Carrying amount		Fair value	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Reclassified from financial assets at FVTPL to financial investments AFS				
- Debt securities	30,188	29,823	30,146	29,450

	Group and Bank	
	2015 RM'000	2014 RM'000
Fair value loss that would have been recognised if the financial assets at FVTPL had not been reclassified	(42)	(373)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At fair value				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	381,992	428,546	381,992	428,546
Malaysian Government Investment Issues	415,958	553,952	415,958	553,952
Cagamas bonds	35,235	75,168	35,235	75,168
Khazanah bonds	51,701	49,838	51,701	49,838
Negotiable instruments of deposits	349,010	649,516	349,010	649,516
Bankers' acceptance	58,458	73,627	58,458	73,627
Sukuk Perumahan Kerajaan ('SPK')	67,040	67,394	67,040	67,394
QUOTED SECURITIES:				
In Malaysia				
Shares	40	47	8	9
Unit trusts	14,753	12,976	-	-
OUTSIDE MALAYSIA				
Shares	1,595	1,588	-	-
Unit trusts	28,562	29,663	25,062	24,640
UNQUOTED SECURITIES:				
In Malaysia				
Private and Islamic debt securities	1,149,697	1,447,870	1,149,697	1,447,870
Shares	99,356	97,491	27,767	25,903
Loan stocks	14,997	14,418	14,997	14,418
Prasarana bonds	24,902	35,185	24,902	35,185
Outside Malaysia				
Private and Islamic debt securities	868,056	440,952	858,782	351,742
Shares	280	251	-	-
Loan stocks	-	2,151	-	-
	3,561,632	3,980,633	3,460,609	3,797,808
Accumulated impairment losses	(149,161)	(162,826)	(149,160)	(161,129)
	3,412,471	3,817,807	3,311,449	3,636,679

Included in financial investments AFS of the Group and the Bank are private debts securities outside Malaysia, which are pledged as collateral for obligations on securities sold under repurchase agreements amounted to RM188,814,000 and RM188,814,000 respectively (2014: Group: RM20,484,000 and Bank: RMNil).

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

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

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Movement in allowance for impairment losses:					
Balance as at the beginning of the financial year		162,826	181,410	161,129	179,811
Allowance made	33	6,348	15,600	6,094	15,600
Amount written back	33	(18,063)	(4,616)	(18,063)	(4,616)
Allowance written off		(2,147)	-	-	-
Transfer to loans and advances		-	(29,666)	-	(29,666)
Exchange differences		197	98	-	-
Balance as at the end of the financial year		149,161	162,826	149,160	161,129

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

	Group and Bank	
	2015 RM'000	2014 RM'000
At amortised cost		
MONEY MARKET INSTRUMENTS:		
Malaysian Government Securities	20,370	20,445
Malaysian Government Investment Issues	347,678	455,786
Khazanah bonds	10,691	10,281
Wakala Global Sukuk	9,153	7,502
UNQUOTED SECURITIES:		
In Malaysia		
Private and Islamic debt securities	231,756	277,281
Credit link notes	30,044	45,058
Bonds	23	23
Loan stocks	28,433	31,837
Prasarana bonds	40,388	40,473
Outside Malaysia		
Private and Islamic debt securities	480	16,082
Credit link notes	-	17,891
	719,016	922,659
	(128,555)	(161,312)
Accumulated impairment losses	590,461	761,347

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

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

	Note	Group and Bank	
		2015 RM'000	2014 RM'000
Movement in allowance for impairment losses:			
Balance as at the beginning of the financial year		161,312	166,293
Allowance made	33	1,306	2,585
Amount written back	33	(34,063)	(7,566)
Balance as at the end of the financial year		128,555	161,312

7 LOANS AND ADVANCES

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
At amortised cost				
Term loans:				
– syndicated term loans	46,402	44,767	46,402	44,767
– other term loans	442,914	887,670	309,136	826,106
Share margin financing	1,594,074	1,370,319	933,471	835,697
Staff loans	963	1,579	963	1,579
Revolving credit	–	–	42,965	69,949
Gross loans and advances	2,084,353	2,304,335	1,332,937	1,778,098
Allowance for impaired loans and advances:				
– individual impairment allowance	(12,301)	(7,557)	(9,711)	(4,924)
– collective impairment allowance	(2,250)	(10,888)	(2,474)	(10,888)
Net loans and advances	2,069,802	2,285,890	1,320,752	1,762,286

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

7 LOANS AND ADVANCES (CONTINUED)

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
i) By type of customer				
Domestic business enterprises:				
– Small medium enterprises	106,634	25,083	106,634	25,083
– Others	413,382	882,429	413,382	882,429
Individuals	663,770	553,437	663,770	553,437
Foreign entities:				
– Malaysian operations	106,186	247,200	149,151	317,149
– Singapore operations	222,501	281,384	–	–
– Hong Kong operations	358,550	143,844	–	–
– Indonesia operations	28,977	7,209	–	–
– Thailand operations	184,353	163,749	–	–
	2,084,353	2,304,335	1,332,937	1,778,098
ii) By geographical distribution				
In Malaysia	1,289,972	1,708,149	1,332,937	1,778,098
Outside Malaysia:				
– Singapore operations	222,501	281,384	–	–
– Hong Kong operations	358,550	143,844	–	–
– Indonesia operations	28,977	7,209	–	–
– Thailand operations	184,353	163,749	–	–
	2,084,353	2,304,335	1,332,937	1,778,098
iii) By interest rate sensitivity				
Fixed rate:				
– Other fixed rate loans	1,478,252	1,797,324	1,145,621	1,498,107
Variable rate:				
– Cost plus	110,805	170,496	153,770	240,445
– BLR/BFR plus	495,296	336,515	33,546	39,546
	2,084,353	2,304,335	1,332,937	1,778,098

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

7 LOANS AND ADVANCES (CONTINUED)

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
iv) By purpose				
Purchase of securities	1,963,138	2,074,889	1,168,757	1,478,703
Purchase of transport vehicles	72	128	72	128
Purchase of landed property:				
– Residential	893	1,454	893	1,454
– Non-residential	53,842	162,999	53,842	162,999
Construction	12,053	15,047	12,053	15,047
Working capital	–	–	42,965	69,949
Other purposes	54,355	49,818	54,355	49,818
	2,084,353	2,304,335	1,332,937	1,778,098
v) By remaining contractual maturities				
Maturity within one year	1,956,766	1,902,086	1,205,350	1,375,849
One year to three years	76,517	354,590	76,517	354,590
Three years to five years	50,503	16,777	50,503	16,777
Over five years	567	30,882	567	30,882
	2,084,353	2,304,335	1,332,937	1,778,098
vi) Impaired loans and advances				
a) Movement in impaired loans and advances				
Balance as at the beginning of the financial year	162,785	78,915	160,151	78,915
Classified as impaired during the financial year	70,883	203,144	68,676	199,175
Transfer from financial investments AFS	–	39,543	–	39,543
Reclassified as non-impaired during the financial year	(15,072)	(46,421)	(15,072)	(46,421)
Amount recovered	(98,847)	(110,187)	(98,203)	(110,187)
Amount written off	(2,017)	(2,210)	–	(874)
Exchange differences	410	1	–	–
Balance as at the end of the financial year	118,142	162,785	115,552	160,151

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

7 LOANS AND ADVANCES (CONTINUED)

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
vi) Impaired loans and advances (continued)					
b) By purpose					
Purchase of securities		32,241	88,863	29,651	86,229
Purchase of landed property:					
– Non-residential		53,842	68,999	53,842	68,999
Construction		12,053	–	12,053	–
Other purposes		20,006	4,923	20,006	4,923
		118,142	162,785	115,552	160,151
c) By geographical distribution					
In Malaysia		115,552	160,151	115,552	160,151
Outside Malaysia:					
– Singapore		681	2,634	–	–
– Hong Kong		1,909	–	–	–
		118,142	162,785	115,552	160,151
d) Movement in allowance for impaired loans and advances					
Individual impairment allowance					
Balance as at the beginning of the financial year		7,557	29,592	4,924	29,592
Transfer from financial investments AFS		–	29,666	–	29,666
Net allowance made/(written back) during the financial year	32	6,351	(50,031)	4,787	(54,000)
Amount written off		(2,017)	(1,671)	–	(334)
Exchange differences		410	1	–	–
Balance as at the end of the financial year		12,301	7,557	9,711	4,924
Collective impairment allowance					
Balance as at the beginning of the financial year		10,888	7,629	10,888	7,629
Net allowance (written back)/made during the financial year	32	(8,638)	3,259	(8,414)	3,259
Balance as at the end of the financial year		2,250	10,888	2,474	10,888

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

8 CLIENTS' AND BROKERS' BALANCES

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Amounts owing by clients	481,139	828,187	37,901	330,040
Allowance for impaired balances:				
– individual impairment allowance	(16,480)	(35,505)	(6,332)	(6,518)
– collective impairment allowance	(6,654)	(6,142)	(2,409)	(4,700)
	458,005	786,540	29,160	318,822
Amounts owing by brokers	821,511	522,266	421,237	232,261
Allowance for impaired balances:				
– individual impairment allowance	(1,297)	(1,309)	(1,297)	(1,309)
	1,278,219	1,307,497	449,100	549,774
Amounts owing by clearing houses and stock exchanges	375,994	217,650	122,901	67,073
	1,654,213	1,525,147	572,001	616,847
Individual impairment allowance				
Balance as at the beginning of the financial year	36,814	38,315	7,827	2,561
Net allowance made/(written back)	4,941	(1,198)	1,783	5,266
Amount written off	(26,743)	(1,036)	(1,981)	–
Exchange differences	2,765	733	–	–
Balance as at the end of the financial year	17,777	36,814	7,629	7,827
Collective impairment allowance				
Balance as at the beginning of the financial year	6,142	4,175	4,700	4,175
Net allowance made/(written back)	127	1,967	(2,291)	525
Exchange differences	385	–	–	–
Balance as at the end of the financial year	6,654	6,142	2,409	4,700

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

9 OTHER ASSETS

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other receivables	(i)	71,867	205,807	25,795	140,595
Cash collateral in relation to derivative transactions		72,757	58,679	72,757	58,679
Deposits		44,461	37,372	7,032	6,998
Prepayments		21,033	18,635	5,102	8,662
Amount receivable for release of units from funds		6,311	39,312	–	–
Amount due from reverse repo transactions		12,508	115,092	12,508	115,092
Transferable memberships		346	330	262	262
Amount due from holding company	(ii)	1	1,731	–	1,698
Amount due from subsidiaries	(ii)	–	–	3,256	9,312
Amount due from related companies	(ii)	2,535	2,621	821	112
		231,819	479,579	127,533	341,410

(i) Other receivables of the Group and the Bank are stated net of allowance for impairment losses of RM17,129,000 and RM14,179,000 (2014: Group: RM5,808,000 and Bank: RM3,114,000) respectively.

(ii) Amounts due from holding company/subsidiaries/related companies are unsecured, interest free and repayable on demand.

10 DERIVATIVE ASSETS/(LIABILITIES)

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

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Derivative assets				
– trading derivatives	57,906	31,468	57,906	26,554
Derivative liabilities				
– trading derivatives	(127,546)	(61,568)	(125,994)	(60,280)
	(69,640)	(30,100)	(68,088)	(33,726)

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

10 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
2014			
Trading derivatives:			
Foreign exchange related contracts:			
– forwards/swaps	1,027,366	19,512	19,074
– options	281,352	1,041	1,791
– cross currency interest rate swaps	142,222	–	22,530
	1,450,940		
Equity related contracts:			
– options	15,508	4,914	–
Interest rate related contracts:			
– swaps	2,295,000	6,001	5,060
Structured warrants	50,412	–	13,113
		31,468	61,568

	Bank		
	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
2014			
Trading derivatives:			
Foreign exchange related contracts:			
– forwards/swaps	957,429	19,512	19,062
– options	281,352	1,041	1,791
– cross currency interest rate swaps	142,222	–	22,530
	1,381,003		
Interest rate related contracts:			
– swaps	2,295,000	6,001	5,060
Structured warrants	40,997	–	11,837
		26,554	60,280

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

10 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

(i) Fair value hedges

Fair value hedges are used by the Bank for protection against the changes in fair value of financial assets and financial liabilities due to movements in foreign exchange rates. The Bank uses non-derivatives financial liability to hedge against foreign exchange risk of investment in subsidiary. For designated and qualifying fair value hedges, the changes in fair value of hedging instrument and hedged item in relation to the hedged risk are recognised in the income statements.

Included in the other operating income is the net gains and losses arising from fair value hedges during the financial year as follows:

	Bank	
	2015 RM'000	2014 RM'000
Loss on hedging instruments *	(46,699)	-
Gain on the hedged items attributable to the hedged risk	46,699	-
	-	-

* Hedging instrument includes non-derivative financial liabilities used to hedge foreign exchange risk from investment in a subsidiary.

(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 exchange risk via the designation of foreign currency denominated interbank borrowings and the fair value as at 31 December 2015 amounting to RM267,631,000 (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.

11 STATUTORY DEPOSITS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Statutory deposits with BNM	144,152	219,837	144,152	219,837

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

12 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deferred tax assets	30,601	30,276	21,063	23,891
Deferred tax liabilities	(3,728)	(5,755)	-	-
	26,873	24,521	21,063	23,891
Deferred tax assets				
– settled more than 12 months	3,908	-	1,356	-
– settled within 12 months	34,649	30,811	25,125	28,430
Deferred tax liabilities				
– settled more than 12 months	(6,241)	(4,403)	(1,456)	(3,177)
– settled within 12 months	(5,443)	(1,887)	(3,962)	(1,362)
	26,873	24,521	21,063	23,891

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

12 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Group	Note	Property, plant and equipment and other 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		(14,168)	2,962	-	34,863	864	24,521
Transfer from/(to) income statements	34	4,445	(138)	3,217	(4,926)	1,794	4,392
Transfer to equity	36	-	(2,048)	-	-	(333)	(2,381)
Exchange differences		(163)	(45)	222	135	192	341
Balance as at the end of the financial year		(9,886)	731	3,439	30,072	2,517	26,873
2014							
Balance as at the beginning of the financial year		(15,183)	1,687	-	19,461	352	6,317
Transfer from/(to) income statements	34	1,047	(935)	-	15,304	824	16,240
Transfer from/(to) equity	36	-	2,188	-	-	(322)	1,866
Exchange differences		(32)	22	-	98	10	98
Balance as at the end of the financial year		(14,168)	2,962	-	34,863	864	24,521

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

12 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Bank	Note	Property, plant and equipment and other intangible assets RM'000	Financial investments AFS RM'000	Other liabilities RM'000	Total RM'000
2015					
Balance as at the beginning of the financial year		(9,139)	3,744	29,286	23,891
Transfer from/(to) income statements	34	3,721	–	(4,501)	(780)
Transfer to equity	36	–	(2,048)	–	(2,048)
Balance as at the end of the financial year		(5,418)	1,696	24,785	21,063
2014					
Balance as at the beginning of the financial year		(9,709)	6,722	14,108	11,121
Transfer from income statements	34	570	–	15,178	15,748
Transfer to equity	36	–	(2,978)	–	(2,978)
Balance as at the end of the financial year		(9,139)	3,744	29,286	23,891

13 INVESTMENT IN SUBSIDIARIES

	Note	Bank	
		2015 RM'000	2014 RM'000
Unquoted shares, at cost:			
– in Malaysia		307,202	307,202
– outside Malaysia		1,297,107	1,235,310
Fair value changes arising from fair value hedge	10(i)	1,604,309	1,542,512
		46,699	–
Accumulated impairment losses		1,651,008	1,542,512
		(199,641)	(147,094)
		1,451,367	1,395,418

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

13 INVESTMENT 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 the Non-controlling interest		Principal activities
			2015 %	2014 %	2015 %	2014 %	
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	100	100	-	-	Nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	100	100	-	-	Nominee services for foreign beneficial shareholders
RHB Nominees Sdn Bhd	Malaysia	25,000	100	100	-	-	Nominee and custodian services
RHB Nominees (Asing) Sdn Bhd	Malaysia	25,000	100	100	-	-	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	25,000	100	100	-	-	Nominee and custodian services for Malaysian beneficial shareholders
RHB Asset Management Sdn Bhd	Malaysia	10,000,000	100	100	-	-	Rendering of investment management services, management of unit trust funds and private retirement schemes and provision of investment advisory services
RHB Islamic International Asset Management Berhad	Malaysia	13,000,000	100	100	-	-	Rendering of Islamic fund management services and management of Islamic unit trust funds
RHB Research Institute Sdn Bhd	Malaysia	500,000	100	100	-	-	Research services
RHB Private Equity Holdings Sdn Bhd	Malaysia	55,000,002	100	100	-	-	Investment holding

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

13 INVESTMENT 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 the Non-controlling interest		Principal activities
			2015 %	2014 %	2015 %	2014 %	
RHB Private Equity Management Ltd	Malaysia	USD1	100	100	-	-	Investment holding, investment management and other ancillary services for private equity business
RHB Private Equity Fund Ltd ⁸	Cayman Islands	USD10,001	100	100	-	-	Investment company
RHB International Investments Pte Ltd ^{1,5} (formerly known as RHB OSK International Investments Pte Ltd)	Singapore	SGD12,000,000	100	100	-	-	Investment holding
RHB Asset Management Pte Ltd ^{1,5} (formerly known as RHB OSK Asset Management Pte Ltd)	Singapore	SGD12,100,000	100	100	-	-	Fund management
RHB Hong Kong Limited ^{2,7} (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

13 INVESTMENT 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 the Non-controlling interest		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 ^{2,7} (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
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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

13 INVESTMENT 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 the Non-controlling interest		Principal activities
			2015 %	2014 %	2015 %	2014 %	
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, 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)	Singapore	SGD75,000,000	100	100	-	-	Provision of stock and share broking services and corporate finance advisory services
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 TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

13 INVESTMENT 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 the Non-controlling interest		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	Invest in equity and equity related securities of entities operating in substantially related to natural resources industries
RHB OSK Indochina Securities Limited ^{1,6}	Cambodia	USD12,500,000	100	–	–	–	Securities underwriting, dealing, brokerage and investment advisory service
RHB Trustees Berhad	Malaysia	6,000,000	80	80	20	20	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

13 INVESTMENT 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 the Non-controlling interest		Principal activities
			2015 %	2014 %	2015 %	2014 %	
Malaysian Trustees Berhad	Malaysia	550,000	80	80	20	20	Engage in the business of trustee agents, executors and administrators pursuant to the Trust Companies Act, 1949
Dormant subsidiaries							
RHB Excel Sdn Bhd ³	Malaysia	200,000,000	100	100	-	-	Dormant
RHB Progressive Sdn Bhd ³	Malaysia	13,500,000	100	100	-	-	Dormant
RHB Marketing Services Sdn Bhd ⁴	Malaysia	100,000	100	100	-	-	Dormant
RHB Unit Trust Management Berhad ³	Malaysia	5,000,000	100	100	-	-	Dormant
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
TCL Nominees (Tempatan) Sdn Bhd	Malaysia	644,000	100	100	-	-	Dormant

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

13 INVESTMENT 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 the Non-controlling interest		Principal activities
			2015 %	2014 %	2015 %	2014 %	
Dormant subsidiaries (continued)							
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
OSK Investment Management Berhad	Malaysia	10,000,000	100	100	-	-	Dormant

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 companies have commenced member's voluntary winding up on 28 March 2012.
- ⁴ The companies have commenced member's voluntary winding up on 16 February 2011.
- ⁵ As set out in Note 47(d) to the financial statements, the Bank subscribed for SGD3,000,000 new ordinary shares in RHB International Investments Pte. Ltd. ('RII') on 30 June 2015. The issued and paid-up share capital of RII increased from SGD9,000,000 to SGD12,000,000. On the same date, RII subscribed for SGD3,000,000 new ordinary shares in RHB Asset Management Pte. Ltd. ('RAM'). The issued and paid-up share capital of RAM increased from SGD9,100,000 to SGD12,100,000.
- ⁶ As set out in Note 47(b) to the financial statements, the Bank acquired the entire equity interest in RHB OSK Indochina Securities Limited ('RHBISL') from RHB Indochina Bank Limited ('RHBIBL') on 9 December 2015 for USD12,500,000.
- ⁷ As set out in Note 47(g) to the financial statements, RHB Hong Kong Limited subscribed for HKD3,000,000 new ordinary shares in RHB Asset Management Limited. The issued and paid-up share capital of RHB Asset Management Limited increased from HKD14,000,000 to HKD17,000,000 on 18 December 2015.
- ⁸ Subsidiary not audited pursuant to Companies Act 2013, in Cayman Islands.
- [^] The funds are subsidiaries consolidated in the Group as the Bank 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

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Share of net assets of associates	(a)	7,785	11,657	5,028	5,028
Less: Allowance for impairment loss		(2,650)	(2,650)	-	-
		5,135	9,007	5,028	5,028
Share of net assets of joint ventures	(b)	29,534	26,957	27,399	27,399
Less: Allowance for impairment loss		(13,770)	(5,936)	(11,370)	(12,036)
		15,764	21,021	16,029	15,363
		20,899	30,028	21,057	20,391

(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		Principal activities
			2015 %	2014 %	
RHB Finexasia.Com Sdn Bhd ('Finexasia')	Malaysia	11,361,111	40.05	40.05	Investment holding, development of products and provision of services related to IT
Prostar Capital (Asia-Pacific) Ltd.^ ('Prostar')	Cayman Islands	USD60	33.33	-	Investment holding with subsidiaries involved in investment advisory and management of private equity funds

^ Held through RHB Private Equity Management Ltd, a subsidiary of RHB Private Equity Holdings Sdn Bhd.

As the Group's share of cumulative losses of RM940,000 (2014: RMNil) as at 31 December 2015 has exceeded its interest in Prostar, the Group does not recognise further losses in its financial statements.

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

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

(a) Share of net assets of associates (continued)

Summarised financial information of material associates which are accounted for using the equity method is as follows:

(i) Summarised statements of financial position

	Finexasia		Prostar		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Assets						
Cash and cash equivalents	13,132	22,687	375	-	13,507	22,687
Other current assets	213	282	15	-	228	282
Total assets	13,345	22,969	390	-	13,735	22,969
Liabilities						
Financial liabilities	(97)	(480)	(3,209)	-	(3,306)	(480)
Other current liabilities	(427)	-	-	-	(427)	-
Total liabilities	(524)	(480)	(3,209)	-	(3,733)	(480)
Net Assets/(Liabilities)	12,821	22,489	(2,819)	-	10,002	22,489

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

(a) Share of net assets of associates (continued)

Summarised financial information of material associates which are accounted for using the equity method is as follows: (continued)

(ii) Summarised statements of comprehensive income

	Finexasia		Prostar		Total	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Interest income	551	639	-	-	551	639
Interest expense	-	-	-	-	-	-
Net interest income	551	639	-	-	551	639
Other operating income	4,598	5,576	9,720	-	14,318	5,576
Net operating income	5,149	6,215	9,720	-	14,869	6,215
Other operating expenses	(2,677)	(3,139)	(12,283)	-	(14,960)	(3,139)
Including:						
Depreciation and amortisation	(43)	(63)	-	-	(43)	(63)
Profit/(loss) before taxation	2,472	3,076	(2,563)	-	(91)	3,076
Taxation	(640)	(797)	-	-	(640)	(797)
Net profit/(loss) for the financial year	1,832	2,279	(2,563)	-	(731)	2,279

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

	Finexasia		Prostar		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	22,489	20,210	-	-	22,489	20,210
Net profit/(loss) for the financial year	1,832	2,279	(2,563)	-	(731)	2,279
Dividend paid	(11,500)	-	-	-	(11,500)	-
Translation reserves	-	-	(256)	-	(256)	-
Balance as at the end of the financial year	12,821	22,489	(2,819)	-	10,002	22,489
Equity interest attributable to net assets	5,135	9,007	-	-	5,135	9,007
Goodwill	2,650	2,650	-	-	2,650	2,650
Accumulated impairment loss	(2,650)	(2,650)	-	-	(2,650)	(2,650)
Carrying value	5,135	9,007	-	-	5,135	9,007

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

14 INVESTMENT 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		Principal activities
			2015 %	2014 %	
Vietnam Securities Corporation ('VSEC')	Vietnam	VND135 billion	49	49	Securities brokerage, securities investment consultancy and self-trading
RHB GC-Millennium Capital Pte. Ltd. ('RHB GC') (formerly known as RHB OSK GC-Millennium Capital Pte. Ltd.)	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 material joint ventures 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

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

Summarised financial information of material joint ventures 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 (loss)/income	(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
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 loss	(13,770)	(5,936)	-	-	(13,770)	(5,936)
Exchange differences	(583)	(683)	-	-	(583)	(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

15 PROPERTY, PLANT AND EQUIPMENT

Group 2015	Note	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost						
Balance as at the beginning of the financial year		98,810	78,104	122,010	13,221	312,145
Effect of predecessor accounting	47(b)	2,003	559	149	130	2,841
Additions		2,439	5,634	11,915	473	20,461
Disposals		-	(759)	(1,276)	(2,628)	(4,663)
Written off		(1,077)	(1,756)	(685)	-	(3,518)
Exchange differences		1,900	2,527	5,772	810	11,009
Balance as at the end of the financial year		104,075	84,309	137,885	12,006	338,275
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		66,302	66,282	101,735	9,757	244,076
Effect of predecessor accounting	47(b)	1,124	315	131	92	1,662
Charge for the financial year	30	5,760	5,199	12,979	1,206	25,144
Disposals		-	(347)	(1,184)	(2,614)	(4,145)
Written off		(1,099)	(656)	(1,609)	-	(3,364)
Exchange differences		980	1,496	4,388	560	7,424
Balance as at the end of the financial year		73,067	72,289	116,440	9,001	270,797
Less: Accumulated impairment loss						
Balance as at the beginning of the financial year		-	-	170	-	170
Reversal of impairment loss	33	-	-	(182)	-	(182)
Exchange differences		-	-	12	-	12
Balance as at the end of the financial year		-	-	-	-	-
Net book value as at the end of the financial year		31,008	12,020	21,445	3,005	67,478

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2014	Note	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost						
Balance as at the beginning of the financial year		78,235	125,009	64,294	12,495	280,033
Additions		9,893	4,150	17,748	672	32,463
Disposals		–	(99)	–	(181)	(280)
Written off		(1,136)	(806)	(1,286)	(10)	(3,238)
Reclassifications		11,436	(50,805)	40,057	–	688
Exchange differences		382	655	1,197	245	2,479
Balance as at the end of the financial year		98,810	78,104	122,010	13,221	312,145
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		52,281	111,535	51,898	8,244	223,958
Charge for the financial year	30	5,068	3,473	11,490	1,487	21,518
Disposals		–	(85)	–	(83)	(168)
Written off		(1,015)	(546)	(1,283)	(10)	(2,854)
Reclassifications		9,741	(48,407)	38,823	–	157
Exchange differences		227	312	807	119	1,465
Balance as at the end of the financial year		66,302	66,282	101,735	9,757	244,076
Less: Accumulated impairment loss						
Balance as at the beginning of the financial year		–	–	–	–	–
Charge for the financial year	33	–	–	169	–	169
Exchange differences		–	–	1	–	1
Balance as at the end of the financial year		–	–	170	–	170
Net book value as at the end of the financial year		32,508	11,822	20,105	3,464	67,899

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank 2015	Note	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost						
Balance as at the beginning of the financial year		78,888	54,927	75,127	6,177	215,119
Additions		2,415	1,205	5,968	-	9,588
Disposals		-	-	-	(2,005)	(2,005)
Written off		(892)	(602)	(465)	-	(1,959)
Balance as at the end of the financial year		80,411	55,530	80,630	4,172	220,743
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		55,335	52,801	67,931	5,368	181,435
Charge for the financial year	30	4,111	1,607	5,859	331	11,908
Disposals		-	-	-	(1,991)	(1,991)
Written off		(890)	(601)	(465)	-	(1,956)
Balance as at the end of the financial year		58,556	53,807	73,325	3,708	189,396
Net book value as at the end of the financial year		21,855	1,723	7,305	464	31,347

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank 2014	Note	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
Cost						
Balance as at the beginning of the financial year		63,029	102,488	30,961	6,193	202,671
Additions		4,950	618	7,766	–	13,334
Disposals		–	–	–	(16)	(16)
Written off		(531)	(195)	(888)	–	(1,614)
Reclassifications		11,440	(47,984)	37,288	–	744
Balance as at the end of the financial year		78,888	54,927	75,127	6,177	215,119
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		42,426	98,337	27,726	4,969	173,458
Charge for the financial year	30	3,687	589	4,748	415	9,439
Disposals		–	–	–	(16)	(16)
Written off		(523)	(191)	(888)	–	(1,602)
Reclassifications		9,745	(45,934)	36,345	–	156
Balance as at the end of the financial year		55,335	52,801	67,931	5,368	181,435
Net book value as at the end of the financial year		23,553	2,126	7,196	809	33,684

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

16 GOODWILL AND OTHER INTANGIBLE ASSETS

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Goodwill on consolidation	(a)	1,269,934	1,269,934	1,118,418	1,118,418
Other intangible assets	(b)				
– Customer relationship		15,262	17,495	3,867	4,433
– Brand		3,379	9,472	–	5,598
– Trading rights and memberships		1,361	1,195	–	–
– Computer software license		31,441	25,851	21,663	19,688
		1,321,377	1,323,947	1,143,948	1,148,137

(a) Goodwill on consolidation

The carrying amount of goodwill allocated to the Group's and the Bank's cash generating units ('CGUs') are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
CGUs				
Investment banking	374,438	374,438	360,875	360,875
Treasury	614,176	614,176	614,176	614,176
Asset Management	143,367	143,367	143,367	143,367
Subsidiaries				
– RHB Securities Singapore Pte. Ltd.	63,948	63,948	–	–
– PT RHB Securities Indonesia	74,005	74,005	–	–
	1,269,934	1,269,934	1,118,418	1,118,418

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 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

16 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill on consolidation (continued)

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

	Discount rate		Growth rate	
	2015 %	2014 %	2015 %	2014 %
Investment banking	9.4	9.7	4.0	3.0
Treasury	9.3	9.7	4.0	3.0
Asset Management	9.2	9.7	4.0	3.0
RHB Securities Singapore Pte. Ltd.	6.5	6.1	2.0	2.0
PT RHB Securities Indonesia	9.3	10.6	5.0	5.8

Impairment was not required for goodwill arising from all the 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

16 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets

Group 2015	Note	Customer relationship RM'000	Brand RM'000	Trading rights and memberships RM'000	Computer software license RM'000	Total RM'000
Cost						
Balance as at the beginning of the financial year		22,333	25,098	2,314	95,346	145,091
Additions		-	-	-	15,342	15,342
Written off		-	-	-	(3,458)	(3,458)
Exchange differences		-	-	336	2,406	2,742
Balance as at the end of the financial year		22,333	25,098	2,650	109,636	159,717
Less: Accumulated amortisation						
Balance as at the beginning of the financial year		4,838	15,626	1,119	64,439	86,022
Charge for the financial year	30	2,233	6,093	-	11,593	19,919
Written off		-	-	-	(1,171)	(1,171)
Exchange differences		-	-	170	409	579
Balance as at the end of the financial year		7,071	21,719	1,289	75,270	105,349
Less: Accumulated impairment loss						
Balance as at the beginning of the financial year		-	-	-	5,056	5,056
Reversal of impairment loss	33	-	-	-	(2,283)	(2,283)
Exchange differences		-	-	-	152	152
Balance as at the end of the financial year		-	-	-	2,925	2,925
Net book value as at the end of the financial year		15,262	3,379	1,361	31,441	51,443

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

16 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets (continued)

Group 2014	Note	Customer relationship RM'000	Brand RM'000	Trading rights and memberships RM'000	Computer software license RM'000	Total RM'000
Cost						
Balance as at the beginning of the financial year		22,333	25,098	2,175	86,329	135,935
Additions		–	–	–	10,143	10,143
Written off		–	–	–	(830)	(830)
Reclassifications		–	–	–	(688)	(688)
Exchange differences		–	–	139	392	531
Balance as at the end of the financial year		22,333	25,098	2,314	95,346	145,091
Less: Accumulated amortisation						
Balance as at the beginning of the financial year		2,605	8,414	1,052	52,178	64,249
Charge for the financial year	30	2,233	7,212	–	13,014	22,459
Written off		–	–	–	(730)	(730)
Reclassifications		–	–	–	(157)	(157)
Exchange differences		–	–	67	134	201
Balance as at the end of the financial year		4,838	15,626	1,119	64,439	86,022
Less: Accumulated impairment loss						
Balance as at the beginning of the financial year		–	–	–	2,925	2,925
Charge for the financial year	33	–	–	–	2,122	2,122
Exchange differences		–	–	–	9	9
Balance as at the end of the financial year		–	–	–	5,056	5,056
Net book value as at the end of the financial year		17,495	9,472	1,195	25,851	54,013

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

16 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets (continued)

Bank 2015	Note	Customer relationship RM'000	Brand RM'000	Computer software license RM'000	Total RM'000
Cost					
Balance as at the beginning of the financial year		5,659	20,153	80,246	106,058
Additions		-	-	11,670	11,670
Balance as at the end of the financial year		5,659	20,153	91,916	117,728
Less: Accumulated amortisation					
Balance as at the beginning of the financial year		1,226	14,555	57,633	73,414
Charge for the financial year	30	566	5,598	9,695	15,859
Balance as at the end of the financial year		1,792	20,153	67,328	89,273
Less: Accumulated impairment loss					
Balance as at the beginning/end of the financial year		-	-	2,925	2,925
Net book value as at the end of the financial year		3,867	-	21,663	25,530

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

16 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets (continued)

Bank 2014	Note	Customer relationship RM'000	Brand RM'000	Computer software license RM'000	Total RM'000
Cost					
Balance as at the beginning of the financial year		5,659	20,153	75,477	101,289
Additions		–	–	5,519	5,519
Written off		–	–	(6)	(6)
Reclassifications		–	–	(744)	(744)
Balance as at the end of the financial year		5,659	20,153	80,246	106,058
Less: Accumulated amortisation					
Balance as at the beginning of the financial year		660	7,838	46,638	55,136
Charge for the financial year	30	566	6,717	11,159	18,442
Written off		–	–	(6)	(6)
Reclassifications		–	–	(158)	(158)
Balance as at the end of the financial year		1,226	14,555	57,633	73,414
Less: Accumulated impairment loss					
Balance as at the beginning/end of the financial year		–	–	2,925	2,925
Net book value as at the end of the financial year		4,433	5,598	19,688	29,719

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

17 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
i) By type of deposits				
Short term deposits	460,093	499,956	460,093	501,909
Fixed/investment deposits	613,657	2,148,809	627,305	2,161,215
Negotiable instruments of deposits	8,259	29,755	8,259	29,755
	1,082,009	2,678,520	1,095,657	2,692,879
ii) By type of customer				
Government and statutory bodies	161,872	547,059	161,872	547,059
Business enterprises	908,304	2,033,055	921,952	2,047,414
Individuals	11,833	98,406	11,833	98,406
	1,082,009	2,678,520	1,095,657	2,692,879
iii) By maturity structure of the fixed/investment deposits and negotiable instrument of deposits				
Due within six months	1,072,482	2,633,323	1,086,130	2,647,682
Six months to one year	9,426	38,816	9,426	38,816
One year to three years	101	6,381	101	6,381
	1,082,009	2,678,520	1,095,657	2,692,879

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Licensed banks	2,206,884	675,629	2,206,884	675,629
Licensed investment banks	140,188	120,142	140,188	120,142
Other financial institutions	1,324,081	3,172,025	1,374,776	3,231,551
	3,671,153	3,967,796	3,721,848	4,027,322

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

19 OBLIGATION ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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

The carrying value of the financial assets sold under repurchase agreement are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Financial investments available-for-sale	188,814	20,484	188,814	–

20 CLIENTS' AND BROKERS' BALANCES

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Amounts due to:				
– Clients	998,008	985,151	541,482	573,587
– Brokers	146,046	163,925	44,291	9,993
– Clearing houses and stock exchanges	202,870	61,765	–	205
	1,346,924	1,210,841	585,773	583,785

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

21 OTHER LIABILITIES

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Other creditors and accruals		132,056	118,221	78,526	74,277
Deferred income		13,294	5,384	10,438	3,434
Remisiers' trust deposits		62,824	59,480	62,824	59,480
Amount payable for creation of units due to funds		42,017	44,268	-	-
Amount payable for redemption units		9,333	20,660	-	-
Short term employee benefits		106,712	157,759	55,153	100,346
Amount due to subsidiaries	(i)	-	-	5,741	6,044
Amount due to related companies	(i)	136,858	10,459	127,761	5,867
		503,094	416,231	340,443	249,448

(i) Amount due to subsidiaries and related companies are unsecured, interest free and repayable on demand.

22 BORROWINGS

	Note	Group	
		2015 RM'000	2014 RM'000
Unsecured:			
Revolving credits:			
- Hong Kong Dollar ('HKD')	(a(i))	192,778	13,524
- United States Dollar ('USD')	(a(ii))	221,443	54,201
- Thai Baht ('THB')	(a(iii))	23,809	36,169
Term loans:			
- Singapore Dollar ('SGD')	(b)	19,754	119,089
- Japanese Yen ('JPY')	(c)	-	2,115
- Indonesia Rupiah ('IDR')	(d)	-	14,115
		457,784	239,213

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

22 BORROWINGS (CONTINUED)

The borrowings of the Group are as follows:

(a) Revolving credits

(i) 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.

(ii) USD revolving credits

The unsecured USD revolving credit facilities of the Group which bears interest at rates ranging from 2.11% to 3.02% (2014: 2.23%) per annum and repayable on demand.

(iii) THB revolving credits

The unsecured THB revolving credit facilities of the Group which bears interest at rates 2.20% (2014: ranging from 2.98% to 3.03%) per annum.

(b) Term loans

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

(c) Term loans

The unsecured JPY term loans of the Group in 2014 bears interest at 1.36% per annum.

(d) Term loans

The unsecured IDR term loans of the Group in 2014 bears interest at 10.65% per annum.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

23 SUBORDINATED OBLIGATIONS

	Note	Group and Bank	
		2015 RM'000	2014 RM'000
4.40% RM245 million Tier II Subordinated Notes 2012/2022	(a)	245,650	245,650
7.25% RM125 million Tier II Subordinated Notes 2010/2020	(b)	-	127,135
7.15% RM75 million Tier II Subordinated Notes 2010/2020	(c)	-	75,543
5.20% RM100 million Tier II Subordinated Notes 2011/2021	(d)	101,112	101,112
4.95% RM200 million Tier II Subordinated Notes 2015/2025	(e)	202,060	-
		548,822	549,440

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

On 10 December 2012, the Bank issued RM245 million nominal value of Subordinated Notes as follows:

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

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

On 5 April 2010, the 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% per annum 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.

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

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

On 24 May 2010, the 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% per annum 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.

The Bank had fully redeemed the RM75 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

23 SUBORDINATED OBLIGATIONS (CONTINUED)

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

On 15 April 2011, the 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.

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

On 16 April 2015, the Bank issued RM200 million nominal value of Subordinated Notes, being part of its RM1 billion Multi-currency Medium Term Note ('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

24 SHARE CAPITAL

	Group and Bank	
	2015 RM'000	2014 RM'000
Ordinary shares of RM1.00 each Authorised:		
Balance as at the beginning/end of the financial year	1,000,000	1,000,000
Issued and fully paid:		
Balance as at the beginning/end of the financial year	818,646	818,646

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

25 RESERVES

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Retained profits	(a)	185,917	172,467	303,449	290,106
Share premium		1,515,150	1,515,150	1,515,150	1,515,150
Statutory reserves	(b)	433,545	406,545	433,295	406,544
AFS reserves	(c)	12,258	3,308	(5,149)	(11,933)
Translation reserves	(d)	116,128	34,972	-	-
Regulatory reserves	(e)	22,615	-	13,405	-
		2,285,613	2,132,442	2,260,150	2,199,867

- (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 Bank, but are exempted from tax to the shareholders ('single tier system'). As at 31 December 2015, the Bank's retained profits are distributable profits and may be distributed as dividends under the single tier system.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax exempt income of RM57,983,000 (2014: RM57,945,000) under Section 12 of the Income Tax Act (Amendment) Act 1999 to pay dividends out of its retained profits as at 31 December 2015.

- (b) The statutory reserves represent non-distributable profits held by:
- (i) The Bank in compliance with Section 47(2)(f) of the Financial Services Act 2013, in Malaysia; and
 - (ii) 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 available-for-sale. The unrealised gains or losses are transferred to the income statements upon disposal, derecognition or impairment of such securities.
- (d) Translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and joint ventures, and the effect of the effective portion of the 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 reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

26 NON-CONTROLLING INTERESTS ('NCI')

	Group	
	2015 RM'000	2014 RM'000
Balance as at the beginning of the financial year	6,784	191,348
Share of the profit for the financial year	967	18,326
Share of other comprehensive income/(loss) for the financial year	356	(12,289)
Accretion of interest in a subsidiary	(21)	(54)
Acquisition of additional interest from non-controlling interests	-	(190,547)
Dividends paid to non-controlling interest	(322)	-
Balance as at the end of the financial year	7,764	6,784

The Group's subsidiaries which have non-controlling interests are not material individually or in aggregate to the financial position, financial performance and cash flows of the Group.

27 INTEREST INCOME

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Loans and advances	147,527	184,075	96,025	135,672
Money at call and deposit placements with banks and other financial institutions	38,137	38,372	31,520	33,138
Financial assets at fair value through profit or loss	1,342	14,169	787	13,606
Financial investments available-for-sale	150,295	147,001	147,667	140,742
Financial investments held-to-maturity	24,574	32,340	24,574	32,340
Others	17,222	15,803	2,744	5,194
	379,097	431,760	303,317	360,692
of which:				
Interest income accrued on impaired financial assets	8,672	7,180	8,672	7,180

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

28 INTEREST EXPENSE

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Deposits and placements of banks and other financial institutions	132,585	145,216	134,251	145,216
Deposits from customers	63,330	90,991	63,778	93,134
Subordinated obligations	27,480	20,732	27,480	20,732
Borrowings	13,301	13,466	-	-
Others	1,991	1,883	-	-
	238,687	272,288	225,509	259,082

29 OTHER OPERATING INCOME

Note	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Fee Income:				
Arrangement fees and underwriting	81,063	79,454	65,788	63,765
Service charges and fees	5,368	5,735	142	1,705
Commission	403	376	3,464	2,160
Brokerage income	336,759	362,874	198,423	233,975
Unit trust fee income	90,109	45,849	-	-
Corporate advisory fees	51,169	164,191	30,261	123,399
Fund management fees	141,391	115,685	-	-
Placement fees	39,268	28,249	26,902	14,962
Rollover fees	9,651	8,985	7,191	6,240
Other fee income	51,274	125,315	23,651	88,832
	806,455	936,713	355,822	535,038
Net (loss)/gain arising from financial assets at FVTPL				
- net (loss)/gain on disposal	(15,301)	28,430	2,890	14,807
- unrealised (loss)/gain on revaluation	(12,443)	(13,555)	3,212	(13,111)
- gross dividend income	14,996	5,204	201	1,127
Net gain/(loss) arising from derivatives				
- net gain/(loss) on disposal	35,434	(4,791)	(4,971)	(10,268)
- net (loss)/gain on revaluation	(6,743)	38,996	(5,190)	33,320
Net gain/(loss) arising from financial investments AFS				
- net gain/(loss) on disposal	1,961	32,614	1,952	(12,026)
- gross dividend income	1,214	3,251	367	158
	19,118	90,149	(1,539)	14,007

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

29 OTHER OPERATING INCOME (CONTINUED)

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net gain arising from financial investments HTM					
– net gain on redemption		21	274	21	274
Gross dividend income from subsidiaries					
– In Malaysia		–	–	15,322	12,500
– Outside Malaysia		–	–	–	92,602
Gross dividend income from an associate		–	–	4,606	–
Other income:					
Net foreign exchange (loss)/gain:					
– realised		(74,673)	22,694	(78,086)	20,257
– unrealised		140,155	23,879	140,863	25,680
Net gain on disposal of property, plant and equipment		312	7	233	2
Rental income		–	–	31	195
Gain/(loss) on disposal of an associate	47(j)	–	8,202	–	(3)
Loss on disposal of a subsidiary		–	(247)	–	(2,696)
Other operating income		45,884	32,838	38,164	26,638
Other non-operating income		1,921	2,128	–	–
		113,599	89,501	101,205	70,073
		939,193	1,116,637	475,437	724,494

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

30 OTHER OPERATING EXPENSES

Note	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Personnel costs				
Salaries, bonus, wages and allowances	375,700	439,824	172,393	244,379
Defined contribution plan	37,075	46,021	23,888	33,584
Career transition scheme	28,498	–	24,078	–
Other staff related costs	53,461	53,549	32,590	37,583
	494,734	539,394	252,949	315,546
Establishment costs				
Property, plant and equipment:				
– Depreciation	25,144	21,518	11,908	9,439
– Written off	154	384	3	12
Intangible assets				
– Amortisation	19,919	22,459	15,859	18,442
– Written off	2,287	100	–	–
Information technology expenses	48,734	27,973	34,155	18,442
Security and escorting charges	746	739	349	423
Repair and maintenance	7,222	8,486	3,497	5,355
Rental of premises	48,200	43,303	19,731	20,123
Water and electricity	6,795	7,447	4,807	5,486
Rental of equipment	5,979	4,787	2,146	1,681
Insurance	6,659	5,761	4,556	3,900
Others	13,419	14,855	6,338	8,114
	185,258	157,812	103,349	91,417
Marketing expenses				
Advertisement and publicity	15,021	12,482	10,680	8,369
Sales commission	95,078	88,209	15,430	56,338
Others	54,074	55,954	9,541	10,329
	164,173	156,645	35,651	75,036
Administration and general expenses				
Communication expenses	55,408	50,744	27,070	23,288
Auditors' remuneration (Note (i))	2,263	1,703	471	461
Legal and professional fee	7,655	7,628	2,688	3,549
Others	80,708	54,628	33,881	34,456
	146,034	114,703	64,110	61,754
	990,199	968,554	456,059	543,753

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

30 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
(i) Auditors' remuneration				
(a) Audit				
Statutory audit				
– Malaysia	820	614	385	370
– Overseas	1,263	934	–	–
Limited review	70	75	70	75
	2,153	1,623	455	445
(b) Non-audit				
– Malaysia	110	80	16	16
	110	80	16	16
	2,263	1,703	471	461

Included in the personnel costs is the Managing Director/CEO remuneration (excluding benefits-in-kind) totalling RM2,239,000 (2014: RM2,966,000) for the Group and the Bank, as disclosed in Note 31.

Included in administration and general expenses of the Group and the Bank are non-executive directors' remuneration (excluding benefits-in-kind) totalling RM2,170,000 (2014: RM2,106,000) and RM1,344,000 (2014: RM1,335,000) respectively, as disclosed in Note 31.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

31 DIRECTORS' REMUNERATION

The remuneration of the Managing Director and Directors of the Group and Bank are as follows:

	Group and Bank			
	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
2015				
Managing Director/Chief Executive Officer				
Chan Cheong Yuen	1,384	35	855	2,274
2014				
Managing Director/Chief Executive Officer				
Chan Cheong Yuen	1,436	86	1,530	3,052

	Group				Bank			
	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000
2015								
Non-executive Directors								
Tan Sri Ong Leong Huat @ Wong Joo Hwa	268	24	24	316	150	24	20	194
Dato' Mohamed Khadar Merican	177	-	93	270	120	-	70	190
Lew Foon Keong	120	-	36	156	120	-	36	156
Patrick Chin Yoke Chung	392	24	155	571	120	-	89	209
Datuk Seri Saw Choo Boon	172	-	171	343	120	-	169	289
Abdul Aziz Peru Mohamed	324	-	100	424	120	-	72	192
Mohamed Ali Ismaeil Ali AlFahim	120	-	18	138	120	-	18	138
	1,573	48	597	2,218	870	24	474	1,368

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

31 DIRECTORS' REMUNERATION (CONTINUED)

The remuneration of the Managing Director and Directors of the Group and Bank are as follows: (continued)

	Group				Bank			
	Fees RM'000	Benefits- in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000	Fees RM'000	Benefits- in-kind (based on an estimated monetary value) RM'000	Other remuneration RM'000	Total RM'000
2014								
Non-executive Directors								
Tan Sri Ong Leong Huat @ Wong Joo Hwa	258	31	25	314	150	31	21	202
Dato' Mohamed Khadar Merican	165	–	100	265	120	–	77	197
Lew Foon Keong	120	–	41	161	120	–	41	161
Patrick Chin Yoke Chung	358	24	139	521	120	–	91	211
Datuk Seri Saw Choo Boon	170	–	127	297	120	–	125	245
Abdul Aziz Peru Mohamed	315	–	96	411	120	–	67	187
Mohamed Ali Ismaeil Ali AlFahim (Appointed on 9 May 2014)	78	–	14	92	78	–	14	92
Tan Sri Azlan Zainol (Resigned on 9 July 2014)	90	–	10	100	62	–	9	71
	1,554	55	552	2,161	890	31	445	1,366

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

32 ALLOWANCE/(WRITE BACK) FOR IMPAIRMENT ON LOANS, ADVANCES AND OTHER LOSSES

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Allowance for impaired loans and advances:				
– Individual impairment allowance made/(write back)	6,351	(50,031)	4,787	(54,000)
– Collective impairment allowance (write back)/made	(8,638)	3,259	(8,414)	3,259
Impaired loans written off	123	396	42	335
Impaired loans recovered	(487)	(514)	(360)	(411)
Allowance made for impairment on other assets	16,493	1,396	11,129	6,020
	13,842	(45,494)	7,184	(44,797)

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Charge for the financial year:				
– Financial investments AFS	6,348	15,600	6,094	15,600
– Financial investments HTM	1,306	2,585	1,306	2,585
– Investment in subsidiaries	–	–	52,547	15,556
– Investment in a joint venture	7,834	–	–	–
– Property, plant and equipment	–	169	–	–
– Other intangible assets	–	2,122	–	–
Reversal for the financial year:				
– Financial investments AFS	(18,063)	(4,616)	(18,063)	(4,616)
– Financial investments HTM	(34,063)	(7,566)	(34,063)	(7,566)
– Investment in subsidiaries	–	–	–	(3,292)
– Investment in a joint venture	–	–	(666)	–
– Property, plant and equipment	(182)	–	–	–
– Other intangible assets	(2,283)	–	–	–
	(39,103)	8,294	7,155	18,267

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

34 TAXATION

	Note	Group		Bank	
		2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Income tax based on profit for the financial year					
– Malaysian income tax		35,660	80,598	25,798	72,075
– Overseas tax		2,788	8,096	19	271
Deferred taxation	12	(4,392)	(16,240)	780	(15,748)
Under/(Over) provision in respect of prior years		9,132	(11,584)	2,751	(3,708)
		43,188	60,870	29,348	52,890
Current tax					
Current year		38,448	88,694	25,817	72,346
Under/(Over) provision in respect of prior years		9,132	(11,584)	2,751	(3,708)
		47,580	77,110	28,568	68,638
Deferred tax					
Origination and reversal of temporary differences	12	(4,392)	(16,240)	780	(15,748)
		(4,392)	(16,240)	780	(15,748)
		43,188	60,870	29,348	52,890

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

34 TAXATION (CONTINUED)

The numerical reconciliation between the tax expense and the product of accounting profit multiplied by the statutory rate is as follows:

	Group		Bank	
	2015 %	2014 %	2015 %	2014 %
Tax at Malaysian statutory applicable tax rate	25.0	25.0	25.0	25.0
Tax effects in respect of:				
– Effect of different tax rates in other countries	1.1	(2.0)	–	–
– Income not subject to tax	(6.2)	(6.1)	(7.9)	(9.6)
– Expenses not deductible for tax purposes	14.7	4.0	21.2	3.0
– Utilisation of previously unrecognised tax losses	(2.2)	(0.4)	–	–
– Current year loss not recognised as deferred tax assets during the year	1.6	0.5	–	–
– Under/(Over) provision in respect of prior years	7.9	(3.4)	3.3	(1.2)
– Temporary differences not recognised in prior years	(5.4)	–	(7.3)	–
– Change in tax rate	0.8	–	1.1	–
Effective tax rate	37.3	17.6	35.4	17.2

The unabsorbed tax losses and unabsorbed capital allowances carried forward of the Group are as follows:

	Group	
	2015 RM'000	2014 RM'000
Unabsorbed tax losses carried forward	82,257	84,860
Unabsorbed capital allowances carried forward	724	654

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

35 EARNINGS PER SHARE

(a) Basic earnings per share

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Net profit attributable to equity holder	71,543	266,746	53,499	255,991
Weighted average number of ordinary shares in issue ('000)	818,646	818,646	818,646	818,646
Basic earnings per share (sen)	8.74	32.58	6.54	31.27

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2015 and 31 December 2014. As a result, the diluted earnings per share equal to the basic earnings per share.

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

	Group		
	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
2015			
Financial investments available-for-sale			
– net fair value gain and amount transfer to income statements	11,249	(2,048)	9,201
Actuarial gain on defined benefit plan of subsidiaries			
– net fair value gain and amount transfer to income statements	1,568	(333)	1,235
	12,817	(2,381)	10,436
2014			
Financial investments available-for-sale			
– net fair value gain and amount transfer to income statements	14,631	2,188	16,819
Actuarial gain on defined benefit plan of subsidiaries			
– net fair value gain and amount transfer to income statements	1,290	(322)	968
	15,921	1,866	17,787

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

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

2015	Bank		
	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
Financial investments available-for-sale – net fair value gain and amount transfer to income statements	8,832	(2,048)	6,784

2014	Bank		
	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
Financial investments available-for-sale – net fair value gain and amount transfer to income statements	23,555	(2,978)	20,577

37 ORDINARY DIVIDENDS

The Bank does not propose any final dividend for the financial year ended 31 December 2015.

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

	Group and Bank			
	2015		2014	
	Gross dividend per share sen	Amount of dividend RM'000	Gross dividend per share sen	Amount of dividend RM'000
Ordinary shares Interim dividend – 2014	–	–	1.73	14,200

Dividends paid by the Bank's subsidiaries to the non-controlling interest amounting to RM322,000 during the financial year ended 31 December 2015.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

38 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

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

Related parties	Relationships
RHB Capital Berhad	Holding company
Subsidiaries of RHB Capital Berhad as disclosed in its financial statements	Subsidiaries of the holding company
Employee Provident Fund ('EPF')	Substantial shareholder of the holding company, a fund body that is significantly influenced by the government
Subsidiaries, associates and joint ventures of EPF as disclosed in its financial statements	Reporting entities that EPF has control or significant influence
Subsidiaries of the Bank as disclosed in Note 13	Subsidiaries
Key management personnel	The key management personnel of the Group and the Bank consists of: – all Directors of the Bank and its key subsidiaries; and – members of the Group Management Committee ('GMC')
Related parties of key management personnel (deemed as related to the Bank)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significantly influenced, by or for which significant voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

(b) Significant related party balances and transactions

In addition to related party disclosures mentioned in Notes 9 and 21, set out below are other significant related party transactions and balances.

Transactions or balances with newly acquired subsidiaries during the financial year are reported as related party transactions or balances from the date the Group and the Bank are deemed to have control over the subsidiaries.

Other related parties of the Bank comprise of transactions and balances with RHB Capital'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

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group 2015	Holding company RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	Other related companies RM'000
Income				
Interest income on deposits	-	-	-	4,282
Interest income on financial investments AFS	-	5,788	-	9,441
Fee income	520	20,189	2,850	4,564
Brokerage income	-	16,389	395	3
Fund management fees	-	-	-	1,007
Other operating income	17	67	38	35,041
	537	42,433	3,283	54,338
Expenses				
Insurance premium	-	-	375	4,600
Interest expense on deposits and placements	-	5,834	526	19,902
Interest expense on borrowings	-	-	-	4,088
Rental of premises	-	-	11,002	8,522
Personnel expenses	-	-	-	330
Establishment expenses	-	-	-	910
Marketing expenses	-	780	518	7,994
Administration and general expenses	-	-	-	11,865
	-	6,614	12,421	58,211
Amounts due from				
Cash and short-term funds	-	-	-	384,684
Deposits and placements with banks and other financial institutions	-	-	-	5,054
Financial investments AFS	-	80,570	-	-
Clients' and brokers' balances	-	78,001	2,480	-
Derivative assets	-	-	-	3,486
Other assets	1	6,459	5	2,535
	1	165,030	2,485	395,759
Amounts due to				
Deposits from customers	-	114,843	24,863	10,602
Deposits and placements of banks and other financial institutions	-	-	-	1,806,410
Clients' and brokers' balances	-	29,327	-	-
Derivative liabilities	-	-	-	12,695
Borrowings	-	-	-	245,252
Other liabilities	-	-	22	136,858
	-	144,170	24,885	2,211,817

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group 2014	Holding company RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	Other related companies RM'000
Income				
Interest on loans and advances	-	-	-	2,984
Interest income on financial investments AFS	-	6,059	-	4,417
Fee income	2,688	11,598	-	9,033
Brokerage income	-	18,024	38	-
Fund management fees	-	-	-	1,153
Other operating income	-	14,962	-	4,052
	2,688	50,643	38	21,639
Expenses				
Insurance premium	-	-	-	2,981
Interest expense on deposits and placements	-	7,984	928	3,221
Interest expense on borrowings	-	-	-	1,627
Rental of premises	-	-	11,038	7,526
Personnel expenses	-	-	-	467
Establishment expenses	-	-	-	137
Marketing expenses	-	-	-	6,084
Administration and general expenses	-	-	-	13,269
	-	7,984	11,966	35,312
Amounts due from				
Cash and short-term funds	-	-	-	238,016
Financial investments AFS	-	145,631	-	4,597
Clients' and brokers' balances	-	54,400	-	-
Other assets	1,731	1,142	-	2,621
	1,731	201,173	-	245,234
Amounts due to				
Deposits from customers	-	265,790	22,489	21,006
Deposits and placements of bank and other financial institutions	-	-	-	570,747
Clients' and brokers' balances	-	103,825	-	-
Derivative liabilities	-	-	-	25,464
Borrowings	-	-	-	90,369
Other liabilities	-	-	-	10,459
	-	369,615	22,489	718,045

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank 2015	Holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
Income					
Interest income on deposits	-	-	-	-	3,575
Interest on loans and advances	-	-	775	-	-
Interest income on financial investments AFS	-	5,788	-	-	9,441
Fee income	520	20,002	5,272	2,705	720
Brokerage income	-	16,389	723	392	3
Rental income	-	-	192	-	-
Other operating income	17	67	14,434	38	35,041
	537	42,246	21,396	3,135	48,780
Expenses					
Insurance premium	-	-	-	375	3,948
Interest expense on deposits and placements	-	5,834	2,114	526	19,902
Rental of premises	-	-	-	8,646	8,341
Personnel expenses	-	-	-	-	320
Establishment expenses	-	-	-	-	910
Marketing expenses	-	780	1,746	518	-
Administration and general expenses	-	-	21,691	-	4,858
	-	6,614	25,551	10,065	38,279

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank 2015	Holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
Amounts due from					
Cash and short-term funds	-	-	-	-	293,767
Financial investments AFS	-	80,570	-	-	-
Loans and advances	-	-	42,965	-	-
Clients' and brokers' balances	-	78,001	-	2,480	-
Derivative assets	-	-	-	-	3,486
Other assets	-	6,385	3,256	5	821
	-	164,956	46,221	2,485	298,074
Amounts due to					
Deposit from customers	-	114,843	13,648	24,863	10,602
Deposits and placements of bank and other financial institutions	-	-	50,695	-	1,806,410
Clients' and brokers' balances	-	29,327	-	-	-
Derivative liabilities	-	-	-	-	12,695
Other liabilities	-	-	5,741	-	127,761
	-	144,170	70,084	24,863	1,957,468

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank 2014	Holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
Income					
Interest on deposits	-	-	-	-	1,939
Interest on loans and advances	-	-	1,276	-	-
Interest income on financial investments AFS	-	6,059	-	-	4,417
Fee income	2,688	11,518	4,620	-	4,248
Brokerage fees	-	17,477	1,119	38	-
Rental income	-	-	226	-	-
Other operating income	-	14,962	1,701	-	4,052
	2,688	50,016	8,942	38	14,656
Expenses					
Insurance premium	-	-	-	-	2,599
Interest expense on deposits and placements	-	7,984	2,156	928	2,506
Rental of premises	-	-	-	8,872	7,346
Personnel expenses	-	-	-	-	457
Establishment expenses	-	-	-	-	136
Marketing expenses	-	-	8,364	-	-
Administration and general expenses	-	-	21,688	-	5,618
	-	7,984	32,208	9,800	18,662

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank 2014	Holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
Amounts due from					
Cash and short-term funds	-	-	-	-	154,418
Financial investments AFS	-	145,631	-	-	-
Loans and advances	-	-	69,937	-	-
Clients' and brokers' balances	-	54,400	-	-	-
Derivative assets	-	-	-	-	4,597
Other assets	1,698	1,142	9,312	-	112
	1,698	201,173	79,249	-	159,127
Amounts due to					
Deposits from customers	-	265,790	73,885	22,489	21,006
Deposits and placements of banks and other financial institutions	-	-	-	-	570,747
Clients' and brokers' balances	-	103,825	-	-	-
Derivative liabilities	-	-	-	-	25,464
Other liabilities	-	-	6,044	-	5,867
	-	369,615	79,929	22,489	623,084

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel

The remuneration of key management personnel are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Short-term employee benefits				
– Fees	1,411	1,311	870	890
– Salary and other remuneration	3,787	4,409	3,686	4,339
– Contribution to EPF	479	562	479	562
– Benefits-in-kind	83	141	59	117
	5,760	6,423	5,094	5,908

The above remuneration includes Directors' remuneration as disclosed in Note 31.

(d) Credit exposures arising from transactions with connected parties

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Outstanding credit exposure with connected parties (RM'000)	65,639	109,914	65,639	109,914
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	1.72%	2.62%	1.72%	2.62%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default	–	–	–	–

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

39 COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies comprise the following:

	Group	
	2015 RM'000	2014 RM'000
Principal amount		
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	195,053	–
Irrevocable commitments to extend credit:		
– maturity not exceeding one year	1,761,866	1,272,907
– maturity exceeding one year	22	6,172
Foreign exchange related contracts: ^		
– less than one year	1,050,731	677,400
– one year to less than five years	198,874	2,279,594
Interest rate related contracts: ^		
– less than one year	860,000	1,330,000
– one year to less than five years	230,000	965,000
Equity related contracts: ^		
– less than one year	315	15,508
	4,296,861	6,546,581

^ These derivatives are revalued on gross position basis and the unrealised gains or losses have been reflected in Note 10 as derivatives assets or derivative liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

39 COMMITMENTS AND CONTINGENCIES

The commitments and contingencies comprise the following: (continued)

	Bank	
	2015 RM'000	2014 RM'000
Principal amount		
Direct credit substitutes#	800,539	171,308
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	195,053	–
Irrevocable commitments to extend credit:		
– maturity not exceeding one year	314,781	271,593
– maturity exceeding one year	22	5,270
Foreign exchange related contracts: ^		
– less than one year	1,050,731	607,457
– one year to less than five years	198,874	2,279,594
Interest rate related contracts: ^		
– less than one year	860,000	1,330,000
– one year to less than five years	230,000	965,000
Equity related contracts: ^		
– less than one year	315	–
	3,650,315	5,630,222

Included in direct credit substitutes is financial guarantee contract of RM800,539,000 (2014 : RM171,308,000).

^ These derivatives are revalued on gross position basis and the unrealised gains or losses have been reflected in Note 10 as derivative assets or derivative liabilities.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

40 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Rental of premises				
Within one year	39,557	37,968	19,425	17,761
Between one to five years	36,920	18,830	19,638	10,475
More than five years	54	97	54	97
	76,531	56,895	39,117	28,333

41 CAPITAL COMMITMENTS

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Capital expenditure for property, plant and equipment:				
– Authorised and contracted for	38,881	16,316	30,480	6,680
– Authorised but not contracted for	21,465	9,073	18,584	8,222
	60,346	25,389	49,064	14,902

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Objectives and Policies

Risk is inherent in the Group's activities and is managed through a process of on-going identification, measurement and monitoring, subject to limits and other controls. Besides credit risk, the Group is exposed to a range of other risk types such as market, liquidity, operational, legal, 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 RHB Banking 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, frameworks, policies and models.

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/Islamic Risk Management Committee 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 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)

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 and the Bank to manage capital constraints and shareholders' expectations. The risk appetite is a key component of the management of risks and describes the types and level of risk that the Bank and 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.

The main areas of financial risks faced by the Group and the Bank and the policies to address these financial risks are set out below:

Major Areas of Risk

As a banking institution with key activities covering corporate banking and advisory services, treasury products and services, and securities and futures related business, the Group and the Bank 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 rates, credit spreads, equity prices, currency exchange rates and commodity prices.
- (ii) Liquidity risk - the risk of the Group and the Bank being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due and transact at a reasonable cost. Liquidity risk also arises from the inability to manage unplanned decreases or changes in funding sources.
- (iii) Credit risk - the risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the Group's and the Bank's lending/financing, 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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Market Risk

- A framework of risk policies, measurement methodologies and limits, as approved by the Board, which controls the Group's and the Bank's financial market activities as well as to identify potential risk areas early in order to mitigate against any adverse effects arising from market volatility.
- The Group Asset and Liability Committee ('Group ALCO') performs a critical role in the oversight of the management of market risk and supports the BRC in the overall market risk management.
- The Group Risk Management function forms a centralised function to support Senior Management to operationalise the processes and methods, to ensure adequate risk control and oversight are in place.
- The Group and the Bank applies risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk ('VaR'), sensitivity analysis and stress testing.
- Market risk is primarily monitored and controlled via a structure of limits and triggers i.e. cut loss, VaR, trading and notional limit set in accordance with the size of positions and risk tolerance appetites.
- Periodic stress testing are applied to the Group and the Bank 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 Group and the Bank, and establishes strategies to assist in controlling and reducing any potential exposures to liquidity risk.
- The liquidity risk management process involves establishing liquidity risk management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.
- Limits on the minimum portion of maturing funds available to meet obligations and the minimum level of inter-bank and other borrowing facilities are set to ensure adequate cover for withdrawals arising from unexpected levels of demand.
- Defined liquidity management ratios are maintained and monitored.
- The Group and the Bank 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Credit Risk

- The Group and the Bank 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.
- The Group Investment Underwriting Committee ('GIUC') deliberates and approves investment banking related proposals such as equity underwriting, equity capital market activities and share margin financing cases. The Group Credit Committee ('GCC') deliberates and approves credit lending related proposals including structured products and bonds purchase. GIUC and GCC submit to the Board Credit Committee ('BCC') for affirmation or veto if the proposals exceed a pre-defined threshold.
- The Group and the Bank 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.
- 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.

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 control tools used includes Risk and Control Self-Assessment, Key Risk Indicators, Incident and Loss Management.
- The Group's and the Bank's operational risk management system has integrated applications to support the operational risk management process. This system facilitates the Group's and the Bank's capabilities for the Advanced Measurement Approach of the Basel II Framework in the future.
- The Group and the Bank 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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category

Group 2015	Loans and receivables RM'000	Assets at fair value through profit or loss RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Total RM'000
Financial assets					
Cash and short-term funds	1,132,078	-	-	-	1,132,078
Deposits and placements with banks and other financial institutions	13,179	-	-	-	13,179
Financial assets at FVTPL	-	398,127	-	-	398,127
Financial investments AFS	-	-	3,412,471	-	3,412,471
Financial investments HTM	-	-	-	590,461	590,461
Loans and advances	2,069,802	-	-	-	2,069,802
Clients' and brokers' balances	1,654,213	-	-	-	1,654,213
Other financial assets	210,740	-	-	-	210,740
Derivative assets	-	57,906	-	-	57,906
	5,080,012	456,033	3,412,471	590,461	9,538,977

	Liabilities at fair value through profit or loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Financial liabilities			
Deposits from customers	-	1,082,009	1,082,009
Deposits and placements of banks and other financial institutions	-	3,671,153	3,671,153
Obligation on securities sold under repurchase agreements	-	170,568	170,568
Obligation on securities borrowed	-	12,202	12,202
Bills and acceptances payable	-	138,794	138,794
Clients' and brokers' balances	-	1,346,924	1,346,924
Other financial liabilities	-	489,800	489,800
Derivative liabilities	127,546	-	127,546
Borrowings	-	457,784	457,784
Subordinated obligations	-	548,822	548,822
	127,546	7,918,056	8,045,602

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Group 2014	Loans and receivables RM'000	Assets at fair value through profit or loss RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Total RM'000
Financial assets					
Cash and short-term funds	1,496,220	–	–	–	1,496,220
Financial assets at FVTPL	–	311,196	–	–	311,196
Financial investments AFS	–	–	3,817,807	–	3,817,807
Financial investments HTM	–	–	–	761,347	761,347
Loans and advances	2,285,890	–	–	–	2,285,890
Clients' and brokers' balances	1,525,147	–	–	–	1,525,147
Other financial assets	460,269	–	–	–	460,269
Derivative assets	–	31,468	–	–	31,468
	5,767,526	342,664	3,817,807	761,347	10,689,344

	Liabilities at fair value through profit or loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Financial liabilities			
Deposits from customers	–	2,678,520	2,678,520
Deposits and placements of banks and other financial institutions	–	3,967,796	3,967,796
Obligation on securities sold under repurchase agreements	–	18,910	18,910
Obligation on securities borrowed	–	113,781	113,781
Bills and acceptances payable	–	137,709	137,709
Clients' and brokers' balances	–	1,210,841	1,210,841
Other financial liabilities	–	410,847	410,847
Derivative liabilities	61,568	–	61,568
Borrowings	–	239,213	239,213
Subordinated obligations	–	549,440	549,440
	61,568	9,327,057	9,388,625

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank 2015	Loans and receivables RM'000	Assets at fair value through profit or loss RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Total RM'000
Financial assets					
Cash and short-term funds	718,596	-	-	-	718,596
Financial assets at FVTPL	-	131,577	-	-	131,577
Financial investments AFS	-	-	3,311,449	-	3,311,449
Financial investments HTM	-	-	-	590,461	590,461
Loans and advances	1,320,752	-	-	-	1,320,752
Clients' and brokers' balances	572,001	-	-	-	572,001
Other financial assets	122,431	-	-	-	122,431
Derivative assets	-	57,906	-	-	57,906
	2,733,780	189,483	3,311,449	590,461	6,825,173
Financial liabilities					
			Liabilities at fair value through profit or loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Deposits from customers			-	1,095,657	1,095,657
Deposits and placements of banks and other financial institutions			-	3,721,848	3,721,848
Obligation on securities sold under repurchase agreements			-	170,568	170,568
Obligation on securities borrowed			-	12,202	12,202
Clients' and brokers' balances			-	585,773	585,773
Other financial liabilities			-	330,005	330,005
Derivative liabilities			125,994	-	125,994
Subordinated obligations			-	548,822	548,822
			125,994	6,464,875	6,590,869

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank 2014	Loans and receivables RM'000	Assets at fair value through profit or loss RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Total RM'000
Financial assets					
Cash and short-term funds	1,235,690	-	-	-	1,235,690
Financial assets at FVTPL	-	91,869	-	-	91,869
Financial investments AFS	-	-	3,636,679	-	3,636,679
Financial investments HTM	-	-	-	761,347	761,347
Loans and advances	1,762,286	-	-	-	1,762,286
Clients' and brokers' balances	616,847	-	-	-	616,847
Other financial assets	332,748	-	-	-	332,748
Derivative assets	-	26,554	-	-	26,554
	3,947,571	118,423	3,636,679	761,347	8,464,020

	Liabilities at fair value through profit or loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Financial liabilities			
Deposits from customers	-	2,692,879	2,692,879
Deposits and placements of banks and other financial institutions	-	4,027,322	4,027,322
Obligation on securities borrowed	-	113,781	113,781
Clients' and brokers' balances	-	583,785	583,785
Other financial liabilities	-	246,014	246,014
Derivative liabilities	60,280	-	60,280
Subordinated obligations	-	549,440	549,440
	60,280	8,213,221	8,273,501

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank as at 31 December 2015.

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

(i) Interest rate sensitivity analysis

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

	Impact on profit after tax RM'000	Group Impact on equity RM'000	Impact on profit after tax RM'000	Bank Impact on equity RM'000
2015				
+100 bps	(19,595)	(75,000)	(20,959)	(75,000)
-100 bps	19,595	79,204	20,959	79,204
2014				
+100 bps	(27,056)	(85,326)	(27,396)	(84,552)
-100 bps	27,056	90,857	27,396	90,069

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

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

Impact on equity represents the changes in fair values of fixed income instruments held in the available-for-sale portfolio arising from the shift in the interest rate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 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 United States Dollar ('USD') and Singapore Dollar ('SGD') on the consolidated currency position, while other variables remain constant.

	Group Impact on profit after tax RM'000	Bank Impact on profit after tax RM'000
2015		
+10%	7,437	11,719
-10%	(7,437)	(11,719)
2014		
+5%	5,237	(369)
-5%	(5,237)	369

Impact on the profit after taxation 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.

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk

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

Group 2015	Non-trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000			
ASSETS									
Cash and short-term funds	930,247	-	-	-	-	-	201,831	-	1,132,078
Deposits and placements with banks and other financial institutions	-	4,508	537	8,121	-	-	13	-	13,179
Financial assets at FVTPL	-	-	-	-	-	-	-	398,127	398,127
Financial investments AFS	58,458	361,241	51,821	181,122	791,760	1,766,842	201,227	-	3,412,471
Financial investments HTM	-	10,002	30,012	125,150	166,656	228,705	29,936	-	590,461
Loans and advances									
- performing	1,852,079	13,044	100,001	-	8	956	123	-	1,966,211
- impaired	-	-	-	-	-	-	103,591*	-	103,591
Clients' and brokers' balances	12,111	-	-	-	-	-	1,642,102	-	1,654,213
Other assets	12,510	100	100	-	-	3,263	215,846	-	231,819
Derivative assets	-	-	-	-	-	-	-	57,906	57,906
Statutory deposits	-	-	-	-	-	-	144,152	-	144,152
Tax recoverable	-	-	-	-	-	-	38,979	-	38,979
Deferred tax assets	-	-	-	-	-	-	30,601	-	30,601
Investment in associates and joint ventures	-	-	-	-	-	-	20,899	-	20,899
Property, plant and equipment	-	-	-	-	-	-	67,478	-	67,478
Goodwill and other intangible assets	-	-	-	-	-	-	1,321,377	-	1,321,377
TOTAL ASSETS	2,865,405	388,895	182,471	314,393	958,424	1,999,766	4,018,155	456,033	11,183,542

* 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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

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

Group 2015	Non-trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000			
LIABILITIES									
Deposits from customers	830,873	130,889	107,608	9,362	100	-	3,177	-	1,082,009
Deposits and placements of banks and other financial institutions	2,723,559	873,245	48,656	19,000	-	-	6,693	-	3,671,153
Obligation on securities sold under repurchase agreements	-	170,393	-	-	-	-	175	-	170,568
Obligation on securities borrowed	-	-	-	-	-	12,168	34	-	12,202
Bills and acceptances payable	83,220	35,574	20,000	-	-	-	-	-	138,794
Clients' and brokers' balances	-	-	-	-	-	-	1,346,924	-	1,346,924
Other liabilities	-	-	-	-	-	-	503,094	-	503,094
Derivative liabilities	-	-	-	-	-	-	-	127,546	127,546
Taxation	-	-	-	-	-	-	8,895	-	8,895
Deferred tax liabilities	-	-	-	-	-	-	3,728	-	3,728
Borrowings	323,897	132,844	-	-	-	-	1,043	-	457,784
Subordinated obligations	-	-	100,000	-	245,000	200,000	3,822	-	548,822
TOTAL LIABILITIES	3,961,549	1,342,945	276,264	28,362	245,100	212,168	1,877,585	127,546	8,071,519
Shareholders' funds	-	-	-	-	-	-	3,104,259	-	3,104,259
Non-controlling interests	-	-	-	-	-	-	7,764	-	7,764
TOTAL LIABILITIES AND EQUITY	3,961,549	1,342,945	276,264	28,362	245,100	212,168	4,989,608	127,546	11,183,542
On-balance sheet interest sensitivity gap	(1,096,144)	(954,050)	(93,793)	286,031	713,324	1,787,598	-	-	-
Off-balance sheet interest sensitivity gap	-	(40,000)	-	60,000	(110,000)	-	-	-	-
TOTAL INTEREST-SENSITIVITY GAP	(1,096,144)	(994,050)	(93,793)	346,031	603,324	1,787,598			

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

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

Group 2014	Non-trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000			
ASSETS									
Cash and short-term funds	1,307,729	-	-	-	-	-	188,491	-	1,496,220
Financial assets at FVTPL	-	-	-	-	-	-	-	311,196	311,196
Financial investments AFS	273,479	424,899	161,519	164,704	734,992	1,871,248	186,966	-	3,817,807
Financial investments HTM	-	22,684	25,038	140,287	215,580	344,427	13,331	-	761,347
Loans and advances									
- performing	1,592,999	-	237,099	46,829	261,756	1,516	1,351	-	2,141,550
- impaired	-	-	-	-	-	-	144,340*	-	144,340
Clients' and brokers' balances	36,327	-	-	-	-	-	1,488,820	-	1,525,147
Other assets	115,111	-	-	-	-	3,420	361,048	-	479,579
Derivative assets	-	-	-	-	-	-	-	31,468	31,468
Statutory deposits	-	-	-	-	-	-	219,837	-	219,837
Tax recoverable	-	-	-	-	-	-	8,100	-	8,100
Deferred tax assets	-	-	-	-	-	-	30,276	-	30,276
Investment in associates and joint ventures	-	-	-	-	-	-	30,028	-	30,028
Property, plant and equipment	-	-	-	-	-	-	67,899	-	67,899
Goodwill and other intangible assets	-	-	-	-	-	-	1,323,947	-	1,323,947
TOTAL ASSETS	3,325,645	447,583	423,656	351,820	1,212,328	2,220,611	4,064,434	342,664	12,388,741

* 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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

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

Group	Non-trading book						Non-interest sensitive	Trading book	Total
	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years			
2014	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
LIABILITIES									
Deposits from customers	2,129,430	384,480	110,879	38,462	6,331	-	8,938	-	2,678,520
Deposits and placements of banks and other financial institutions	2,968,312	431,617	415,063	144,215	-	-	8,589	-	3,967,796
Obligation on securities sold under repurchase agreements	18,910	-	-	-	-	-	-	-	18,910
Obligation on securities borrowed	-	-	-	-	94,124	19,482	175	-	113,781
Bills and acceptances payable	116,669	21,040	-	-	-	-	-	-	137,709
Clients' and brokers' balances	-	-	-	-	-	-	1,210,841	-	1,210,841
Other liabilities	109	-	-	-	-	-	416,122	-	416,231
Derivative liabilities	-	-	-	-	-	-	-	61,568	61,568
Taxation	-	-	-	-	-	-	31,105	-	31,105
Deferred tax liabilities	-	-	-	-	-	-	5,755	-	5,755
Borrowings	186,235	52,926	-	-	-	-	52	-	239,213
Subordinated obligations	-	-	200,000	-	345,000	-	4,440	-	549,440
TOTAL LIABILITIES	5,419,665	890,063	725,942	182,677	445,455	19,482	1,686,017	61,568	9,430,869
Shareholders' funds	-	-	-	-	-	-	2,951,088	-	2,951,088
Non-controlling interests	-	-	-	-	-	-	6,784	-	6,784
TOTAL LIABILITIES AND EQUITY	5,419,665	890,063	725,942	182,677	445,455	19,482	4,643,889	61,568	12,388,741
On-balance sheet interest sensitivity gap	(2,094,020)	(442,480)	(302,286)	169,143	766,873	2,201,129	-	-	-
Off-balance sheet interest sensitivity gap	-	350,000	237,778	(300,000)	(100,000)	45,000	-	-	-
TOTAL INTEREST-SENSITIVITY GAP	(2,094,020)	(92,480)	(64,508)	(130,857)	666,873	2,246,129	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

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

Bank 2015	Non-trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000			
ASSETS									
Cash and short-term funds	716,928	-	-	-	-	-	1,668	-	718,596
Financial assets at FVTPL	-	-	-	-	-	-	-	131,577	131,577
Financial investments AFS	58,458	361,241	51,822	171,847	788,260	1,766,842	112,979	-	3,311,449
Financial investments HTM	-	10,002	30,012	125,150	166,656	228,705	29,936	-	590,461
Loans and advances									
- performing	1,103,222	13,044	100,002	-	8	956	153	-	1,217,385
- impaired	-	-	-	-	-	-	103,367*	-	103,367
Clients' and brokers' balances	12,111	-	-	-	-	-	559,890	-	572,001
Other assets	12,509	-	-	-	-	3,262	111,762	-	127,533
Derivative assets	-	-	-	-	-	-	-	57,906	57,906
Statutory deposits	-	-	-	-	-	-	144,152	-	144,152
Tax recoverable	-	-	-	-	-	-	36,894	-	36,894
Deferred tax assets	-	-	-	-	-	-	21,063	-	21,063
Investments in subsidiaries	-	-	-	-	-	-	1,451,367	-	1,451,367
Investment in associates and joint ventures	-	-	-	-	-	-	21,057	-	21,057
Property, plant and equipment	-	-	-	-	-	-	31,347	-	31,347
Goodwill and other intangible assets	-	-	-	-	-	-	1,143,948	-	1,143,948
TOTAL ASSETS	1,903,228	384,287	181,836	296,997	954,924	1,999,765	3,769,583	189,483	9,680,103

* 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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

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

Bank 2015	Non-trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000			
LIABILITIES									
Deposits from customers	844,521	130,889	107,608	9,362	100	-	3,177	-	1,095,657
Deposits and placements of banks and other financial institutions	2,774,254	873,245	48,656	19,000	-	-	6,693	-	3,721,848
Obligation on securities sold under repurchase agreements	-	170,393	-	-	-	-	175	-	170,568
Obligation on securities borrowed	-	-	-	-	-	12,169	33	-	12,202
Clients' and brokers' balances	-	-	-	-	-	-	585,773	-	585,773
Other liabilities	-	-	-	-	-	-	340,443	-	340,443
Derivative liabilities	-	-	-	-	-	-	-	125,994	125,994
Subordinated obligations	-	-	100,000	-	245,000	200,000	3,822	-	548,822
TOTAL LIABILITIES	3,618,775	1,174,527	256,264	28,362	245,100	212,169	940,116	125,994	6,601,307
Total equity	-	-	-	-	-	-	3,078,796	-	3,078,796
TOTAL LIABILITIES AND EQUITY	3,618,775	1,174,527	256,264	28,362	245,100	212,169	4,018,912	125,994	9,680,103
On-balance sheet interest sensitivity gap	(1,715,547)	(790,240)	(74,428)	268,635	709,824	1,787,596			
Off-balance sheet interest sensitivity gap	-	(40,000)	-	60,000	(110,000)	-			
TOTAL INTEREST-SENSITIVITY GAP	(1,715,547)	(830,240)	(74,428)	328,635	599,824	1,787,596			

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

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

Bank 2014	Non-trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000			
ASSETS									
Cash and short-term funds	1,235,428	-	-	-	-	-	262	-	1,235,690
Financial assets at FVTPL	-	-	-	-	-	-	-	91,869	91,869
Financial investments AFS	273,479	424,899	161,519	164,704	640,759	1,871,248	100,071	-	3,636,679
Financial investments HTM	-	22,684	25,038	140,287	215,580	344,427	13,331	-	761,347
Loans and advances									
- performing	1,069,405	-	237,070	46,829	261,756	1,516	1,371	-	1,617,947
- impaired	-	-	-	-	-	-	144,339*	-	144,339
Clients' and brokers' balances	18,228	-	-	-	-	-	598,619	-	616,847
Other assets	115,111	-	-	-	-	3,420	222,879	-	341,410
Derivative assets	-	-	-	-	-	-	-	26,554	26,554
Statutory deposits	-	-	-	-	-	-	219,837	-	219,837
Deferred tax assets	-	-	-	-	-	-	23,891	-	23,891
Investment in subsidiaries	-	-	-	-	-	-	1,395,418	-	1,395,418
Investment in associates and joint ventures	-	-	-	-	-	-	20,391	-	20,391
Property, plant and equipment	-	-	-	-	-	-	33,684	-	33,684
Goodwill and other intangible assets	-	-	-	-	-	-	1,148,137	-	1,148,137
TOTAL ASSETS	2,711,651	447,583	423,627	351,820	1,118,095	2,220,611	3,922,230	118,423	11,314,040

* 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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

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

Bank 2014	Non-trading book						Non- interest sensitive RM'000	Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000			
LIABILITIES									
Deposits from customers	2,143,789	384,480	110,879	38,462	6,331	-	8,938	-	2,692,879
Deposits and placements of banks and other financial institutions	3,027,838	431,617	415,063	144,215	-	-	8,589	-	4,027,322
Obligation on securities borrowed	-	-	-	-	94,124	19,482	175	-	113,781
Clients' and brokers' balances	-	-	-	-	-	-	583,785	-	583,785
Other liabilities	-	-	-	-	-	-	249,448	-	249,448
Derivative liabilities	-	-	-	-	-	-	-	60,280	60,280
Taxation	-	-	-	-	-	-	18,592	-	18,592
Subordinated obligations	-	-	200,000	-	345,000	-	4,440	-	549,440
TOTAL LIABILITIES	5,171,627	816,097	725,942	182,677	445,455	19,482	873,967	60,280	8,295,527
Total equity	-	-	-	-	-	-	3,018,513	-	3,018,513
TOTAL LIABILITIES AND EQUITY	5,171,627	816,097	725,942	182,677	445,455	19,482	3,892,480	60,280	11,314,040
On-balance sheet interest sensitivity gap	(2,459,976)	(368,514)	(302,315)	169,143	672,640	2,201,129			
Off-balance sheet interest sensitivity gap	-	350,000	237,778	(300,000)	(100,000)	45,000			
TOTAL INTEREST-SENSITIVITY GAP	(2,459,976)	(18,514)	(64,537)	(130,857)	572,640	2,246,129			

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

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

The table below analyses the carrying amount of assets and liabilities (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	1,043,894	88,184	-	-	-	-	-	1,132,078
Deposits and placements with banks and other financial institutions	-	-	4,508	537	8,125	-	9	13,179
Financial assets at FVTPL	-	4,748	-	-	-	35,132	358,247	398,127
Financial investments AFS	19,025	44,487	374,066	58,718	181,125	2,591,961	143,089	3,412,471
Financial investments HTM	194	211	11,058	32,383	127,129	419,486	-	590,461
Loans and advances	617,643	1,119,106	47,644	105,916	136,322	43,171	-	2,069,802
Clients' and brokers' balances	1,142,772	511,441	-	-	-	-	-	1,654,213
Other assets	80,708	19,171	28,276	40,998	29,802	18,650	14,214	231,819
Derivative assets	452	1,038	3,748	22,175	15,091	15,402	-	57,906
Statutory deposits	-	-	-	-	-	-	144,152	144,152
Tax recoverable	-	-	-	-	-	-	38,979	38,979
Deferred tax assets	-	-	-	-	-	-	30,601	30,601
Investment in associates and joint ventures	-	-	-	-	-	-	20,899	20,899
Property, plant and equipment	-	-	-	-	-	-	67,478	67,478
Goodwill and other intangible assets	-	-	-	-	-	-	1,321,377	1,321,377
TOTAL ASSETS	2,904,688	1,788,386	469,300	260,727	497,594	3,123,802	2,139,045	11,183,542

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group 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	283,549	548,845	131,470	108,619	9,426	100	-	1,082,009
Deposits and placements of banks and other financial institutions	2,066,571	661,498	875,099	48,891	19,094	-	-	3,671,153
Obligation on securities sold under repurchase agreements	-	-	170,568	-	-	-	-	170,568
Obligation on securities borrowed	-	-	34	-	-	12,168	-	12,202
Bills and acceptances payable	23,798	59,421	35,574	20,001	-	-	-	138,794
Clients' and brokers' balances	753,499	593,425	-	-	-	-	-	1,346,924
Other liabilities	134,587	293,935	51,732	4,691	9,261	534	8,354	503,094
Derivative liabilities	324	673	9,676	57,461	34,601	24,811	-	127,546
Taxation	-	-	-	-	-	-	8,895	8,895
Deferred tax liabilities	-	-	-	-	-	-	3,728	3,728
Borrowings	236,341	87,702	133,741	-	-	-	-	457,784
Subordinated obligations	-	-	-	101,111	-	447,711	-	548,822
TOTAL LIABILITIES	3,498,669	2,245,499	1,407,894	340,774	72,382	485,324	20,977	8,071,519
Total equity	-	-	-	-	-	-	3,112,023	3,112,023
TOTAL LIABILITIES AND EQUITY	3,498,669	2,245,499	1,407,894	340,774	72,382	485,324	3,133,000	11,183,542

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group 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	1,067,722	428,498	-	-	-	-	-	1,496,220
Financial assets at FVTPL	-	-	-	-	17,588	40,001	253,607	311,196
Financial investments AFS	59,316	218,479	442,392	167,023	164,704	2,630,395	135,498	3,817,807
Financial investments HTM	158	1,115	24,731	27,578	140,287	567,478	-	761,347
Loans and advances	629,046	840,793	57,898	268,215	211,363	278,575	-	2,285,890
Clients' and brokers' balances	1,067,603	457,544	-	-	-	-	-	1,525,147
Other assets	303,416	50,539	33,295	27,142	15,279	31,610	18,298	479,579
Derivative assets	1,082	5,310	328	1,874	-	22,874	-	31,468
Statutory deposits	-	-	-	-	-	-	219,837	219,837
Tax recoverable	-	-	-	-	-	-	8,100	8,100
Deferred tax assets	-	-	-	-	-	-	30,276	30,276
Investment in associates and joint ventures	-	-	-	-	-	-	30,028	30,028
Property, plant and equipment	-	-	-	-	-	-	67,899	67,899
Goodwill and other intangible assets	-	-	-	-	-	-	1,323,947	1,323,947
TOTAL ASSETS	3,128,343	2,002,278	558,644	491,832	549,221	3,570,933	2,087,490	12,388,741

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group 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	284,461	1,851,171	385,748	111,944	38,816	6,380	-	2,678,520
Deposits and placements of banks and other financial institutions	1,609,300	1,364,092	433,258	416,515	144,631	-	-	3,967,796
Obligation on securities sold under repurchase agreements	-	18,910	-	-	-	-	-	18,910
Obligation on securities borrowed	-	-	-	-	-	113,781	-	113,781
Bills and acceptances payable	-	116,669	21,040	-	-	-	-	137,709
Clients' and brokers' balances	847,589	363,252	-	-	-	-	-	1,210,841
Other liabilities	8,611	335,435	47,302	2,832	9,529	8,509	4,013	416,231
Derivative liabilities	1,150	2,342	1,014	23,340	10,648	23,074	-	61,568
Taxation	-	-	-	-	-	-	31,105	31,105
Deferred tax liabilities	-	-	-	-	-	-	5,755	5,755
Borrowings	83,001	103,284	52,928	-	-	-	-	239,213
Subordinated obligations	-	-	-	204,440	-	345,000	-	549,440
TOTAL LIABILITIES	2,834,112	4,155,155	941,290	759,071	203,624	496,744	40,873	9,430,869
Total equity	-	-	-	-	-	-	2,957,872	2,957,872
TOTAL LIABILITIES AND EQUITY	2,834,112	4,155,155	941,290	759,071	203,624	496,744	2,998,745	12,388,741

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank 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	718,596	-	-	-	-	-	-	718,596
Financial assets at FVTPL	-	-	-	-	-	35,132	96,445	131,577
Financial investments AFS	19,025	44,487	374,065	58,719	171,851	2,591,961	51,341	3,311,449
Financial investments HTM	194	211	11,059	32,382	127,129	419,486	-	590,461
Loans and advances	81,922	905,776	47,644	105,916	136,323	43,171	-	1,320,752
Clients' and brokers' balances	400,401	171,600	-	-	-	-	-	572,001
Other assets	51,675	389	5,186	32,774	19,893	17,616	-	127,533
Derivative assets	452	1,038	3,748	22,175	15,091	15,402	-	57,906
Statutory deposits	-	-	-	-	-	-	144,152	144,152
Tax recoverable	-	-	-	-	-	-	36,894	36,894
Deferred tax assets	-	-	-	-	-	-	21,063	21,063
Investment in subsidiaries	-	-	-	-	-	-	1,451,367	1,451,367
Investment in associates and joint ventures	-	-	-	-	-	-	21,057	21,057
Property, plant and equipment	-	-	-	-	-	-	31,347	31,347
Goodwill and other intangible assets	-	-	-	-	-	-	1,143,948	1,143,948
TOTAL ASSETS	1,272,265	1,123,501	441,702	251,966	470,287	3,122,768	2,997,614	9,680,103

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank 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	283,549	562,493	131,470	108,619	9,426	100	-	1,095,657
Deposits and placements of banks and other financial institutions	2,113,057	665,707	875,099	48,891	19,094	-	-	3,721,848
Obligation on securities sold under repurchase agreements	-	-	170,568	-	-	-	-	170,568
Obligation on securities borrowed	-	-	34	-	-	12,168	-	12,202
Clients' and brokers' balances	410,041	175,732	-	-	-	-	-	585,773
Other liabilities	133,502	206,941	-	-	-	-	-	340,443
Derivative liabilities	324	673	8,981	56,755	34,450	24,811	-	125,994
Subordinated obligations	-	-	-	101,111	-	447,711	-	548,822
TOTAL LIABILITIES	2,940,473	1,611,546	1,186,152	315,376	62,970	484,790	-	6,601,307
Total equity	-	-	-	-	-	-	3,078,796	3,078,796
TOTAL LIABILITIES AND EQUITY	2,940,473	1,611,546	1,186,152	315,376	62,970	484,790	3,078,796	9,680,103

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank 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	845,026	390,664	-	-	-	-	-	1,235,690
Financial assets at FVTPL	-	-	-	-	-	40,001	51,868	91,869
Financial investments AFS	59,316	218,479	442,392	167,023	164,704	2,535,708	49,057	3,636,679
Financial investments HTM	158	1,115	24,731	27,578	140,287	567,478	-	761,347
Loans and advances	77,715	868,549	57,898	268,186	211,363	278,575	-	1,762,286
Clients' and brokers' balances	431,793	185,054	-	-	-	-	-	616,847
Other assets	278,085	2,194	359	22,349	12,515	25,908	-	341,410
Derivative assets	1,082	396	328	1,874	-	22,874	-	26,554
Statutory deposits	-	-	-	-	-	-	219,837	219,837
Deferred tax assets	-	-	-	-	-	-	23,891	23,891
Investment in subsidiaries	-	-	-	-	-	-	1,395,418	1,395,418
Investment in associates and joint ventures	-	-	-	-	-	-	20,391	20,391
Property, plant and equipment	-	-	-	-	-	-	33,684	33,684
Goodwill and other intangible assets	-	-	-	-	-	-	1,148,137	1,148,137
TOTAL ASSETS	1,693,175	1,666,451	525,708	487,010	528,869	3,470,544	2,942,283	11,314,040

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank 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	286,413	1,863,578	385,748	111,944	38,816	6,380	-	2,692,879
Deposits and placements of banks and other financial institutions	1,668,026	1,364,892	433,258	416,515	144,631	-	-	4,027,322
Obligation on securities borrowed	-	-	-	-	-	113,781	-	113,781
Clients' and brokers' balances	408,650	175,135	-	-	-	-	-	583,785
Other liabilities	11,136	237,249	-	-	-	1,063	-	249,448
Derivative liabilities	1,144	2,254	369	22,959	10,480	23,074	-	60,280
Taxation	-	-	-	-	-	-	18,592	18,592
Subordinated obligations	-	-	-	204,440	-	345,000	-	549,440
TOTAL LIABILITIES	2,375,369	3,643,108	819,375	755,858	193,927	489,298	18,592	8,295,527
Total equity	-	-	-	-	-	-	3,018,513	3,018,513
TOTAL LIABILITIES AND EQUITY	2,375,369	3,643,108	819,375	755,858	193,927	489,298	3,037,105	11,314,040

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 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
LIABILITIES							
Deposits from customers	860,959	243,296	9,802	102	-	-	1,114,159
Deposits and placements of banks and other financial institutions	2,831,493	929,914	19,761	-	-	-	3,781,168
Obligation on securities sold under repurchase agreements	-	170,793	-	-	-	-	170,793
Obligation on securities borrowed	-	131	131	526	526	13,351	14,665
Bills and acceptances payable	139,267	-	-	-	-	-	139,267
Clients' and brokers' balances	1,346,924	-	-	-	-	-	1,346,924
Other liabilities	436,452	35,712	8,748	529	-	8,359	489,800
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(57,967)	(320,569)	(95,035)	(103,237)	-	-	(576,808)
- Outflow	58,290	370,594	114,663	127,161	-	-	670,708
- Net settled derivatives	674	17,111	14,973	886	-	-	33,644
Borrowings	324,125	134,350	-	-	-	-	458,475
Subordinated obligations	-	-	113,030	280,960	219,827	-	613,817
TOTAL FINANCIAL LIABILITIES	5,940,217	1,581,332	186,073	306,927	220,353	21,710	8,256,612

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 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
LIABILITIES							
Deposits from customers	2,168,156	502,210	39,805	7,724	–	–	2,717,895
Deposits and placements of banks and other financial institutions	3,094,056	859,876	145,856	–	–	–	4,099,788
Obligation on securities sold under repurchase agreements	18,910	–	–	–	–	–	18,910
Obligation on securities borrowed	–	–	–	94,170	8,819	10,792	113,781
Bills and acceptances payable	116,868	21,249	–	–	–	–	138,117
Clients' and brokers' balances	1,210,841	–	–	–	–	–	1,210,841
Other liabilities	341,011	47,904	9,429	8,464	6	4,033	410,847
Derivative liabilities:							
– Gross settled derivatives							
– Inflow	(179,891)	(145,124)	–	(300,457)	–	–	(625,472)
– Outflow	180,545	167,654	–	318,876	–	–	667,075
– Net settled derivatives	2,838	1,824	10,648	4,654	–	–	19,964
Borrowings	186,378	53,106	–	–	–	–	239,484
Subordinated obligations	–	215,146	8,012	369,226	–	–	592,384
TOTAL FINANCIAL LIABILITIES	7,139,712	1,723,845	213,750	502,657	8,825	14,825	9,603,614

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank 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
LIABILITIES							
Deposits from customers	847,298	243,296	9,802	102	-	-	1,100,498
Deposits and placements of banks and other financial institutions	2,780,782	929,914	19,761	-	-	-	3,730,457
Obligation on securities sold under repurchase agreements	-	170,793	-	-	-	-	170,793
Obligation on securities borrowed	-	131	131	526	526	13,351	14,665
Clients' and brokers' balances	585,773	-	-	-	-	-	585,773
Other liabilities	330,005	-	-	-	-	-	330,005
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(57,967)	(320,569)	(95,035)	(103,237)	-	-	(576,808)
- Outflow	58,290	370,594	114,663	127,161	-	-	670,708
- Net settled derivatives	674	15,711	14,822	886	-	-	32,093
Subordinated obligations	-	-	113,030	280,960	219,827	-	613,817
TOTAL FINANCIAL LIABILITIES	4,544,855	1,409,870	177,174	306,398	220,353	13,351	6,672,001

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank 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
LIABILITIES							
Deposits from customers	2,153,776	502,210	39,805	7,724	–	–	2,703,515
Deposits and placements of banks and other financial institutions	3,034,522	859,876	145,856	–	–	–	4,040,254
Obligation on securities borrowed	–	–	–	94,170	8,819	10,792	113,781
Clients' and brokers' balances	583,785	–	–	–	–	–	583,785
Other liabilities	244,951	–	–	1,063	–	–	246,014
Derivative liabilities:							
– Gross settled derivatives							
– Inflow	(109,954)	(145,124)	–	(300,457)	–	–	(555,535)
– Outflow	110,597	167,654	–	318,876	–	–	597,127
– Net settled derivatives	2,755	799	10,480	4,654	–	–	18,688
Subordinated obligations	–	215,146	8,012	369,226	–	–	592,384
TOTAL FINANCIAL LIABILITIES	6,020,432	1,600,561	204,153	495,256	8,819	10,792	8,340,013

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 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			
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	195,053	–	195,053
Irrevocable commitments to extend credit	1,761,866	22	1,761,888
TOTAL COMMITMENTS AND CONTINGENCIES	1,956,919	22	1,956,941
2014			
Irrevocable commitments to extend credit	1,272,907	6,172	1,279,079
TOTAL COMMITMENTS AND CONTINGENCIES	1,272,907	6,172	1,279,079

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

Bank	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
2015			
Direct credit substitutes	800,539	–	800,539
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	195,053	–	195,053
Irrevocable commitments to extend credit	314,781	22	314,803
TOTAL COMMITMENTS AND CONTINGENCIES	1,310,373	22	1,310,395
2014			
Direct credit substitutes	171,308	–	171,308
Irrevocable commitments to extend credit	271,593	5,270	276,863
TOTAL COMMITMENTS AND CONTINGENCIES	442,901	5,270	448,171

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk

(i) Maximum exposure to credit risk

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

	Group	
	2015 RM'000	2014 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds (exclude cash in hand)	1,131,888	1,496,063
Deposits and placements with banks and other financial institutions	13,179	–
Financial assets and investments portfolios (exclude equity instruments):		
– Fair value through profit or loss	39,880	57,589
– Available-for-sale	3,269,382	3,677,287
– Held-to-maturity	590,461	761,347
Loans and advances	2,069,802	2,285,890
Clients' and brokers' balances	1,654,213	1,525,147
Other financial assets	210,740	460,269
Derivative assets	57,906	31,468
	9,037,451	10,295,060
Credit risk exposure relating to off-balance sheet items:		
Commitments and contingencies	1,956,941	1,279,079
Total maximum credit risk exposure	10,994,392	11,574,139

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

	Bank	
	2015 RM'000	2014 RM'000
Credit risk exposure relating to on-balance sheet assets:		
Short-term funds (exclude cash in hand)	718,507	1,235,614
Financial assets and investments portfolios (exclude equity instruments):		
– Fair value through profit or loss	35,131	40,001
– Available-for-sale	3,260,108	3,587,623
– Held-to-maturity	590,461	761,347
Loans and advances	1,320,752	1,762,286
Clients' and brokers' balances	572,001	616,847
Other financial assets	122,431	332,748
Derivative assets	57,906	26,554
	6,677,297	8,363,020
Credit risk exposure relating to off-balance sheet items:		
Commitments and contingencies	1,310,395	448,171
Total maximum credit risk exposure	7,987,692	8,811,191

(ii) Collaterals

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

- Fixed deposits and cash deposits/margin
- Land and buildings
- Quoted shares, warrants and unquoted securities

The Group and the Bank also accepts non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, which are subject to internal guidelines on eligibility.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans and advances as at 31 December 2015 for the Group and the Bank are 99.7% (2014: 97.4%) and 96.3% (2014: 92.6%) respectively and clients' and brokers' balances as at 31 December 2015 for the Group and the Bank are 97.4% (2014: 97.4%) and 97.6% (2014: 95.6%) respectively. The financial effect of collateral held for the other financial assets are insignificant.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality

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

Credit quality description is summarised as follows:

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

The credit quality of financial assets other than loans and advances 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 and advances

Loans and advances are summarised as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Neither past due nor impaired	1,966,211	2,141,550	1,217,385	1,617,947
Individually impaired	118,142	162,785	115,552	160,151
Gross loans and advances	2,084,353	2,304,335	1,332,937	1,778,098
Less: Individual impairment allowance	(12,301)	(7,557)	(9,711)	(4,924)
Collective impairment allowance	(2,250)	(10,888)	(2,474)	(10,888)
Net loans and advances	2,069,802	2,285,890	1,320,752	1,762,286

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans and advances (continued)

(i) Loans and advances neither past due nor impaired

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Good	653,475	831,514	296,833	687,670
Fair	–	39,543	–	39,543
No Rating	1,312,736	1,270,493	920,552	890,734
	1,966,211	2,141,550	1,217,385	1,617,947

Loans and advances classified as non-rated mainly comprise of loans under the standardised approach for credit risk including share margin financing and staff loans.

(ii) Loans and advances that are individually determined to be impaired are as follows:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Individually impaired loans	118,142	162,785	115,552	160,151

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 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, financial assets and investments portfolios, clients' and brokers' balances, derivative assets and other financial assets are summarised as follows:

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
2015							
Neither past due nor impaired	1,145,067	39,880	3,229,389	566,360	1,618,055	205,595	57,906
Past due but not impaired	-	-	-	-	26,748	3,198	-
Impaired	-	-	187,658	152,656	33,841	19,076	-
	1,145,067	39,880	3,417,047	719,016	1,678,644	227,869	57,906
Less: Impairment losses	-	-	(147,665)	(128,555)	(24,431)	(17,129)	-
	1,145,067	39,880	3,269,382	590,461	1,654,213	210,740	57,906
2014							
Neither past due nor impaired	1,496,063	57,589	3,649,184	758,230	1,507,048	454,580	31,468
Past due but not impaired	-	-	-	-	12,436	5,368	-
Impaired	-	-	189,433	164,429	48,619	6,129	-
	1,496,063	57,589	3,838,617	922,659	1,568,103	466,077	31,468
Less: Impairment losses	-	-	(161,330)	(161,312)	(42,956)	(5,808)	-
	1,496,063	57,589	3,677,287	761,347	1,525,147	460,269	31,468

The amount of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, derivative assets and other financial 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

42 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, financial assets and investments portfolios, clients' and brokers' balances, derivative assets and other financial assets are summarised as follows: (continued)

Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
2015							
Neither past due nor impaired	718,507	35,131	3,220,115	566,360	572,001	119,685	57,906
Past due but not impaired	-	-	-	-	-	2,746	-
Impaired	-	-	187,658	152,656	10,038	14,179	-
	718,507	35,131	3,407,773	719,016	582,039	136,610	57,906
Less: Impairment losses	-	-	(147,665)	(128,555)	(10,038)	(14,179)	-
	718,507	35,131	3,260,108	590,461	572,001	122,431	57,906
2014							
Neither past due nor impaired	1,235,614	40,001	3,559,975	758,230	616,847	327,719	26,554
Past due but not impaired	-	-	-	-	-	4,708	-
Impaired	-	-	187,282	164,429	12,527	3,435	-
	1,235,614	40,001	3,747,257	922,659	629,374	335,862	26,554
Less: Impairment losses	-	-	(159,634)	(161,312)	(12,527)	(3,114)	-
	1,235,614	40,001	3,587,623	761,347	616,847	332,748	26,554

The amount of short-term funds, deposits and placements with banks and other financial institutions, financial assets and investments portfolios, clients' and brokers' balances, derivative assets and other financial 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

42 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, 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	Financial assets at fair value through profit or loss RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	-	-	1,035,076	96,266	-	-	56,781
A1 to A3	-	-	498,926	9,153	-	-	722
Baa1 to Baa3	-	-	128,230	-	-	-	-
P1 to P3	1,135,289	-	-	-	-	86,746	362
C to D	-	-	453	-	-	-	-
Non-rated including:	9,778	39,880	1,566,704	460,941	1,618,055	118,849	41
- Malaysian Government Securities	-	-	381,992	20,370	-	-	-
- Malaysian Government Investment Issues	-	-	415,958	347,678	-	-	-
- Private debt securities	-	4,749	207,310	82,202	-	-	-
- SPK Bonds	-	-	67,040	-	-	-	-
- Cagamas Bonds	-	-	35,235	-	-	-	-
- Bankers' acceptances & Islamic accepted notes	-	-	58,458	-	-	-	-
- Khazanah bonds	-	-	51,701	10,691	-	-	-
- Negotiable instruments of deposits	-	-	349,010	-	-	-	-
- Others	9,778	35,131	-	-	1,618,055	118,849	41
	1,145,067	39,880	3,229,389	566,360	1,618,055	205,595	57,906

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 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, 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	Financial assets at fair value through profit or loss RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	-	1	1,308,032	136,759	-	-	25,077
A1 to A3	-	-	170,037	7,502	-	115,092	-
Baa1 to Baa3	-	-	81,065	-	-	-	-
P1 to P3	1,485,425	-	-	-	-	65,138	1,451
Non-rated including:	10,638	57,588	2,090,050	613,969	1,507,048	274,350	4,940
- Malaysian Government Securities	-	-	428,546	20,445	-	-	-
- Malaysian Government Investment Issues	-	-	553,952	455,786	-	-	-
- Private debt securities	-	-	192,009	127,457	-	-	-
- SPK Bonds	-	-	67,394	-	-	-	-
- Cagamas Bonds	-	-	75,168	-	-	-	-
- Bankers' acceptances & Islamic accepted notes	-	-	73,627	-	-	-	-
- Khazanah bonds	-	-	49,838	10,281	-	-	-
- Negotiable instruments of deposits	-	-	649,516	-	-	-	-
- Others	10,638	57,588	-	-	1,507,048	274,350	4,940
	1,496,063	57,589	3,649,184	758,230	1,507,048	454,580	31,468

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 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, 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)

Bank 2015	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	-	-	1,025,802	96,266	-	-	56,781
A1 to A3	-	-	498,926	9,153	-	-	722
Baa1 to Baa3	-	-	128,230	-	-	-	-
P1 to P3	718,507	-	-	-	-	88,367	362
C to D	-	-	453	-	-	-	-
Non-rated including:	-	35,131	1,566,704	460,941	572,001	31,318	41
- Malaysian Government Securities	-	-	381,992	20,370	-	-	-
- Malaysian Government Investment Issues	-	-	415,958	347,678	-	-	-
- Private debt securities	-	-	207,310	82,202	-	-	-
- SPK Bonds	-	-	67,040	-	-	-	-
- Cagamas Bonds	-	-	35,235	-	-	-	-
- Bankers' acceptances & Islamic accepted notes	-	-	58,458	-	-	-	-
- Khazanah bonds	-	-	51,701	10,691	-	-	-
- Negotiable instruments of deposits	-	-	349,010	-	-	-	-
- Others	-	35,131	-	-	572,001	31,318	41
	718,507	35,131	3,220,115	566,360	572,001	119,685	57,906

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 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, 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)

Bank 2014	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at fair value through profit or loss RM'000	Financial investments available- for-sale RM'000	Financial investments held-to- maturity RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	-	1	1,244,864	136,759	-	-	25,076
A1 to A3	-	-	143,996	7,502	-	115,092	-
Baa1 to Baa3	-	-	81,065	-	-	-	-
P1 to P3	1,231,223	-	-	-	-	71,910	1,451
Non-rated including:	4,391	40,000	2,090,050	613,969	616,847	140,717	27
- Malaysian Government Securities	-	-	428,546	20,445	-	-	-
- Malaysian Government Investment Issues	-	-	553,952	455,786	-	-	-
- Private debt securities	-	-	192,009	127,457	-	-	-
- SPK Bonds	-	-	67,394	-	-	-	-
- Cagamas Bonds	-	-	75,168	-	-	-	-
- Bankers' acceptances & Islamic accepted notes	-	-	73,627	-	-	-	-
- Khazanah bonds	-	-	49,838	10,281	-	-	-
- Negotiable instruments of deposits	-	-	649,516	-	-	-	-
- Others	4,391	40,000	-	-	616,847	140,717	27
	1,235,614	40,001	3,559,975	758,230	616,847	327,719	26,554

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

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

Group 2015	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at fair value through profit or loss~ RM'000	Financial investments available- for-sale@ RM'000	Financial investments held-to- maturity RM'000	Loans and advances# RM'000	Clients' and brokers' balances and other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	-	-	24,523	-	34,349	1,921	-	60,793
Mining and quarrying	-	-	-	-	3,423	-	719	4,142
Manufacturing	-	35,131	41,726	1,788	11,164	-	2,087	91,896
Electricity, gas and water	-	-	45,326	45,416	-	551	-	91,293
Construction	-	-	277,192	5,350	60,680	-	-	343,222
Real estate	-	-	-	-	31	-	260	291
Purchase of landed property	-	-	-	-	891	-	18	909
Transport, storage and communication	-	4,749	168,881	22,312	-	-	196	196,138
Finance, insurance and business services	1,145,067	-	1,846,209	136,727	533,026	73,621	10	3,734,660
Government and government agencies	-	-	864,990	367,736	-	-	-	1,232,726
Purchase of securities	-	-	-	-	1,410,255	1,660,867	659,408	3,730,530
Purchase of transport vehicles	-	-	-	-	72	-	-	72
Consumption credit	-	-	-	-	-	-	1,292,985	1,292,985
Others	-	-	535	11,132	18,161	192,553	1,258	223,639
	1,145,067	39,880	3,269,382	590,461	2,072,052	1,929,513	1,956,941	11,003,296

~ Excludes equity instrument amounting to RM358,246,000.

@ Excludes equity instrument amounting to RM143,089,000.

Excludes collective impairment allowance amounting to RM2,250,000.

* Excludes collective impairment allowance amounting to RM6,654,000. Other financial assets include other assets and derivative assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

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

Group 2014	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at fair value through profit or loss~ RM'000	Financial investments available- for-sale@ RM'000	Financial investments held-to- maturity RM'000	Loans and advances# RM'000	Clients' and brokers' balances and other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	-	-	29,552	-	29,720	89,123	5,412	153,807
Mining and quarrying	-	-	24,727	-	3,938	-	253	28,918
Manufacturing	-	40,000	52,820	3,094	34,854	-	5,042	135,810
Electricity, gas and water	-	1	80,749	45,514	-	-	-	126,264
Construction	-	-	337,409	20,658	109,793	16,749	-	484,609
Real estate	-	-	-	-	94,034	-	257	94,291
Purchase of landed property	-	-	-	-	1,451	-	18	1,469
Wholesale & retail trade and restaurants & hotel	-	-	5,093	-	-	-	211	5,304
Transport, storage and communication	-	-	170,160	-	-	3,575	2,425	176,160
Finance, insurance and business services	1,480,708	13,524	2,975,787	680,225	786,139	209,832	372,093	6,518,308
Purchase of securities	-	-	455	-	1,232,726	1,531,289	882,115	3,646,585
Purchase of transport vehicles	-	-	-	-	128	-	-	128
Others	15,355	4,064	535	11,856	3,995	172,458	11,253	219,516
	1,496,063	57,589	3,677,287	761,347	2,296,778	2,023,026	1,279,079	11,591,169

~ Excludes equity instrument amounting to RM253,607,000.

@ Excludes equity instrument amounting to RM140,520,000.

Excludes collective impairment allowance amounting to RM10,888,000.

* Excludes collective impairment allowance amounting to RM6,142,000. Other financial assets include other assets and derivative assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

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

Bank 2015	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at fair value through profit or loss- RM'000	Financial investments available- for-sale@ RM'000	Financial investments held-to- maturity RM'000	Loans and advances# RM'000	Clients' and brokers' balances and other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	-	-	24,523	-	34,349	1,921	-	60,793
Mining and quarrying	-	-	-	-	3,423	-	719	4,142
Manufacturing	-	35,131	41,726	1,788	11,164	-	2,088	91,897
Electricity, gas and water	-	-	45,326	45,416	-	551	-	91,293
Construction	-	-	277,192	5,350	60,680	-	-	343,222
Real estate	-	-	-	-	31	-	260	291
Purchase of landed property	-	-	-	-	891	-	18	909
Transport, storage and communication	-	-	168,881	22,312	-	-	196	191,389
Finance, insurance and business services	718,507	-	1,836,935	136,727	454,123	75,241	429,360	3,650,893
Government and government agencies	-	-	864,990	367,736	-	-	-	1,232,726
Purchase of securities	-	-	-	-	740,332	574,410	601,601	1,916,343
Purchase of transport vehicles	-	-	-	-	72	-	-	72
Consumption credit	-	-	-	-	-	-	274,895	274,895
Others	-	-	535	11,132	18,161	102,624	1,258	133,710
	718,507	35,131	3,260,108	590,461	1,323,226	754,747	1,310,395	7,992,575

- Excludes equity instrument amounting to RM96,444,000.

@ Excludes equity instrument amounting to RM51,341,000.

Excludes collective impairment allowance amounting to RM2,474,000.

* Excludes collective impairment allowance amounting to RM2,409,000. Other financial assets include other assets and derivative assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

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

Bank 2014	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets at fair value through profit or loss- RM'000	Financial investments available- for-sale@ RM'000	Financial investments held-to- maturity RM'000	Loans and advances# RM'000	Clients' and brokers' balances and other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	-	-	29,552	-	29,720	89,123	5,412	153,807
Mining and quarrying	-	-	23,148	-	3,938	-	253	27,339
Manufacturing	-	40,000	52,820	3,094	16,821	-	2,502	115,237
Electricity, gas and water	-	1	80,749	45,514	-	-	-	126,264
Construction	-	-	337,409	20,658	109,793	16,749	-	484,609
Real estate	-	-	-	-	94,034	-	257	94,291
Purchase of landed property	-	-	-	-	1,451	-	18	1,469
Wholesale & retail trade and restaurants & hotel	-	-	5,093	-	-	-	211	5,304
Transport, storage and communication	-	-	170,160	-	-	3,575	2,425	176,160
Finance, insurance and business services	1,235,614	-	2,888,157	680,225	831,293	211,718	235,073	6,082,080
Purchase of securities	-	-	-	-	682,001	621,547	190,767	1,494,315
Purchase of transport vehicles	-	-	-	-	128	-	-	128
Others	-	-	535	11,856	3,995	38,137	11,253	65,776
	1,235,614	40,001	3,587,623	761,347	1,773,174	980,849	448,171	8,826,779

~ Excludes equity instrument amounting to RM51,868,000.

@ Excludes equity instrument amounting to RM49,057,000.

Excludes collective impairment allowance amounting to RM10,888,000.

* Excludes collective impairment allowance amounting to RM4,700,000. Other financial assets include other assets and derivative assets.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting financial assets and financial liabilities

The Group and the Bank 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 statements of financial position; and
- ii. All derivative financial instruments and reverse repurchase agreement and borrowing arrangements (offsetting arrangement and financial collateral) but do not qualify for netting.

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

Group 2015	Effects of offsetting on the statements of financial position		Related amounts not offset		Net amount RM'000
	Gross amounts RM'000	Net amounts reported on statements of financial position RM'000	Financial instruments RM'000	Financial collateral RM'000	
Financial assets					
Amount due from reverse repo transactions	12,508	12,508	(12,202)	(1,504)	(1,198)
Derivative assets	57,906	57,906	(12,903)	-	45,003
	70,414	70,414	(25,105)	(1,504)	43,805
Financial liabilities					
Obligations on securities sold under repurchased agreements	170,568	170,568	(188,814)	-	(18,246)
Obligations on securities borrowed	12,202	12,202	(12,202)	-	-
Derivative liabilities	127,546	127,546	(12,903)	(70,655)	43,988
	310,316	310,316	(213,919)	(70,655)	25,742

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Group 2014	Effects of offsetting on the statements of financial position		Related amounts not offset		
	Gross amounts RM'000	Net amounts reported on statements of financial position RM'000	Financial instruments RM'000	Financial collateral RM'000	Net amount RM'000
Financial assets					
Amount due from reverse repo transactions	115,092	115,092	(113,781)	–	1,311
Derivative assets	31,468	31,468	(6,090)	–	25,378
	146,560	146,560	(119,871)	–	26,689
Financial liabilities					
Obligations on securities sold under repurchased agreements	18,910	18,910	(20,484)	–	(1,574)
Obligations on securities borrowed	113,781	113,781	(113,781)	(2,447)	(2,447)
Derivative liabilities	61,568	61,568	(6,090)	(37,011)	18,467
	194,259	194,259	(140,355)	(39,458)	14,446

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Bank 2015	Effects of offsetting on the statements of financial position		Related amounts not offset		Net amount RM'000
	Gross amounts RM'000	Net amounts reported on statements of financial position RM'000	Financial instruments RM'000	Financial collateral RM'000	
Financial assets					
Amount due from reverse repo transactions	12,508	12,508	(12,202)	(1,504)	(1,198)
Derivative assets	57,906	57,906	(12,903)	-	45,003
	70,414	70,414	(25,105)	(1,504)	43,805
Financial liabilities					
Obligations on securities sold under repurchased agreements	170,568	170,568	(188,814)	-	(18,246)
Obligations on securities borrowed	12,202	12,202	(12,202)	-	-
Derivative liabilities	125,994	125,994	(12,903)	(70,655)	42,436
	308,764	308,764	(213,919)	(70,655)	24,190

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

	Effects of offsetting on the statements of financial position		Related amounts not offset		
	Gross amounts RM'000	Net amounts reported on statements of financial position RM'000	Financial instruments RM'000	Financial collateral RM'000	Net amount RM'000
Bank 2014					
Financial assets					
Amount due from reverse repo transactions	115,092	115,092	(113,781)	–	1,311
Derivative assets	26,554	26,554	(6,090)	–	20,464
	141,646	141,646	(119,871)	–	21,775
Financial liabilities					
Obligations on securities borrowed	113,781	113,781	(113,781)	(2,447)	(2,447)
Derivative liabilities	60,280	60,280	(6,090)	(37,011)	17,179
	174,061	174,061	(119,871)	(39,458)	14,732

(g) Fair value measurement

The Group and the Bank analyse their 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value measurement (continued)

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015				
Financial assets				
Financial assets at FVTPL	239,516	4,748	153,863	398,127
– quoted securities	239,516	–	–	239,516
– unquoted securities	–	4,748	153,863	158,611
Financial investments AFS	44,950	3,247,450	120,071	3,412,471
– money market instruments	–	1,359,394	–	1,359,394
– quoted securities	44,950	–	–	44,950
– unquoted securities	–	1,888,056	120,071	2,008,127
Derivative assets	–	57,906	–	57,906
	284,466	3,310,104	273,934	3,868,504
Financial liabilities				
Derivative liabilities	30,038	97,508	–	127,546
2014				
Financial assets				
Financial assets at FVTPL	253,607	17,589	40,000	311,196
– quoted securities	253,607	–	–	253,607
– unquoted securities	–	17,589	40,000	57,589
Financial investments AFS	44,274	3,649,637	123,896	3,817,807
– money market instruments	–	1,898,041	–	1,898,041
– quoted securities	44,274	–	–	44,274
– unquoted securities	–	1,751,596	123,896	1,875,492
Derivative assets	–	31,468	–	31,468
	297,881	3,698,694	163,896	4,160,471
Financial liabilities				
Derivative liabilities	13,113	48,455	–	61,568

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value measurement (continued)

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

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015				
Financial assets				
Financial assets at FVTPL	96,446	–	35,131	131,577
– quoted securities	96,446	–	–	96,446
– unquoted securities	–	–	35,131	35,131
Financial investments AFS	25,070	3,238,177	48,202	3,311,449
– money market instruments	–	1,359,394	–	1,359,394
– quoted securities	25,070	–	–	25,070
– unquoted securities	–	1,878,783	48,202	1,926,985
Derivative assets	–	57,906	–	57,906
	121,516	3,296,083	83,333	3,500,932
Financial liabilities				
Derivative liabilities	28,486	97,508	–	125,994
2014				
Financial assets				
Financial assets at FVTPL	51,868	1	40,000	91,869
– quoted securities	51,868	–	–	51,868
– unquoted securities	–	1	40,000	40,001
Financial investments AFS	24,649	3,560,428	51,602	3,636,679
– money market instruments	–	1,898,041	–	1,898,041
– quoted securities	24,649	–	–	24,649
– unquoted securities	–	1,662,387	51,602	1,713,989
Derivative assets	–	26,554	–	26,554
	76,517	3,586,983	91,602	3,755,102
Financial liabilities				
Derivative liabilities	11,836	48,444	–	60,280

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair value measurement (continued)

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.

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 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 and the Bank:

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Balance as at the beginning of the financial year	163,896	196,465	91,602	113,867
Total gains recognised in other comprehensive income	1,864	29,225	1,864	5,433
Total (losses)/gains recognised in income statements				
– Other operating income	(19,038)	(28,403)	(4,039)	2,138
– Impairment losses made	(6,348)	(15,600)	(6,094)	(15,600)
– Reversal of impairment losses	–	4,616	–	4,616
Purchases	133,731	–	–	–
Settlements	(190)	(8,988)	–	(8,975)
Disposals	–	(3,459)	–	–
Transfer to loans and advances	–	(9,877)	–	(9,877)
Exchange differences	19	(83)	–	–
Balance as at the end of the financial year	273,934	163,896	83,333	91,602

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of each financial assets and liabilities presented on the statements of financial position of the Group and the Bank approximates the carrying amounts as at the reporting date, except for the following:

	Group		Bank	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
2015				
Financial assets				
Financial investments HTM	590,461	585,500	590,461	585,500
Loans and advances	2,069,802	2,069,802	1,320,752	1,320,752
	2,660,263	2,655,302	1,911,213	1,906,252
Financial liabilities				
Deposits from customers	1,082,009	1,081,711	1,095,657	1,095,359
Deposits and placements of banks and other financial institutions	3,671,153	3,670,510	3,721,848	3,721,205
Subordinated obligations	548,822	544,433	548,822	544,433
	5,301,984	5,296,654	5,366,327	5,360,997
2014				
Financial assets				
Financial investments HTM	761,347	747,405	761,347	747,405
Loans and advances	2,285,890	2,289,377	1,762,286	1,765,773
	3,047,237	3,036,782	2,523,633	2,513,178
Financial liabilities				
Deposits from customers	2,678,520	2,677,219	2,692,879	2,691,578
Deposits and placements of banks and other financial institutions	3,967,796	3,966,817	4,027,322	4,026,343
Subordinated obligations	549,440	547,763	549,440	547,763
	7,195,756	7,191,799	7,269,641	7,265,684

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table analyses within the fair value hierarchy the Group's and the Bank'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				
Financial investments HTM	-	561,376	24,124	585,500
Loans and advances	-	2,069,802	-	2,069,802
	-	2,631,178	24,124	2,655,302
Financial liabilities				
Deposits from customers	-	1,081,711	-	1,081,711
Deposits and placements of banks and other financial institutions	-	3,670,510	-	3,670,510
Subordinated obligations	-	544,433	-	544,433
	-	5,296,654	-	5,296,654
2014				
Financial assets				
Financial investments HTM	-	744,287	3,118	747,405
Loans and advances	-	2,289,377	-	2,289,377
	-	3,033,664	3,118	3,036,782
Financial liabilities				
Deposits from customers	-	2,677,219	-	2,677,219
Deposits and placements of banks and other financial institutions	-	3,966,817	-	3,966,817
Subordinated obligations	-	547,763	-	547,763
	-	7,191,799	-	7,191,799

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table analyses within the fair value hierarchy the Group's and the Bank's assets and liabilities not measured at fair value at 31 December 2015 but for which fair value is disclosed: (continued)

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2015				
Financial assets				
Financial investments HTM	–	561,376	24,124	585,500
Loans and advances	–	1,320,752	–	1,320,752
	–	1,882,128	24,124	1,906,252
Financial liabilities				
Deposits from customers	–	1,095,359	–	1,095,359
Deposits and placements of banks and other financial institutions	–	3,721,205	–	3,721,205
Subordinated obligations	–	544,433	–	544,433
	–	5,360,997	–	5,360,997
2014				
Financial assets				
Financial investments HTM	–	744,287	3,118	747,405
Loans and advances	–	1,765,773	–	1,765,773
	–	2,510,060	3,118	2,513,178
Financial liabilities				
Deposits from customers	–	2,691,578	–	2,691,578
Deposits and placements of banks and other financial institutions	–	4,026,343	–	4,026,343
Subordinated obligations	–	547,763	–	547,763
	–	7,265,684	–	7,265,684

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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) Financial assets at FVTPL, financial investments HTM and AFS

The estimated fair value of financial assets at 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 indicate 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 similar instrument at the date of statement of financial position.

(iii) Loans and advances

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.

(iv) 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.

(v) 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.

(vi) 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The fair values are based on the following methodologies and assumptions: (continued)

(vii) Borrowings

For floating rate borrowings, the carrying value is generally a reasonable estimate of fair value.

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

(viii) 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.

(ix) 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.

(x) Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive to sell or pay to transfer the contracts at the date of statements of financial position.

44 CONTINGENT LIABILITIES

	Group	
	2015 RM'000	2014 RM'000
Bank guarantee in favour of Bursa Malaysia Clearing Sdn. Bhd. provided by the Bank	-	3,500
Bank guarantee in favour of PT. Kliring Penjaminan Efek Indonesia provided by PT RHB Securities Indonesia	-	28,230
Bank guarantee for lease of premises provided by RHB Securities Singapore Pte Ltd	1,809	1,576
	1,809	33,306

The Bank has given a corporate guarantee to Securities and Exchange Commission of Thailand ('SEC') on behalf of RHB Securities (Thailand) Public Company Limited, a subsidiary of the Bank for the issuance of warrants on the SEC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

44 CONTINGENT LIABILITIES (CONTINUED)

	Bank	
	2015 RM'000	2014 RM'000
Bank guarantee in favour of Bursa Malaysia Clearing Sdn. Bhd. provided by the Bank	–	3,500
Corporate guarantee issued in favour of Standard Chartered Bank (Hong Kong) Limited in relation to facilities granted to RHB Securities Hong Kong Limited and RHB Futures Hong Kong	168,955	139,751
Corporate guarantee issued in favour of Malayan Banking Berhad in relation to facilities granted to RHB Hong Kong Limited	27,698	22,540
Corporate guarantee issued in favour of China Construction Bank (Asia) Corporation Limited in relation to facilities granted to RHB Securities Hong Kong Limited	11,079	9,016
Corporate guarantee issued in favour of RHB Bank (L) Ltd in relation to facilities granted to RHB Private Equity Fund Ltd	429,350	–
	637,082	174,807

The Bank has given a corporate guarantee to Securities and Exchange Commission of Thailand ('SEC') on behalf of RHB Securities (Thailand) Public Company Limited, a subsidiary of the Bank for the issuance of warrants on the SEC.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

45 CAPITAL ADEQUACY RATIO

BNM guidelines on capital adequacy requires the Group and the 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.

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Common Equity Tier I ('CET I')/Tier I Capital				
Paid-up ordinary share capital	818,646	818,646	818,646	818,646
Share premium	1,515,150	1,515,150	1,515,150	1,515,150
Retained profits	185,917	172,467	303,449	290,106
Other reserves	549,673	441,517	433,295	406,544
AFS reserves	12,258	3,308	(5,149)	(11,933)
	3,081,644	2,951,088	3,065,391	3,018,513
Less:				
Goodwill	(1,269,934)	(1,269,934)	(1,118,418)	(1,118,418)
Investment in subsidiaries, associates and joint ventures (portion deducted from CET I Capital)*	(8,359)	(6,006)	(588,970)	(283,162)
Other intangible assets (include associated deferred tax liabilities)	(51,443)	(54,013)	(25,530)	(29,718)
55% of cumulative gains of AFS financial instruments	(6,741)	-	-	-
Other deductions	(84)	(234)	(84)	(234)
Deferred tax assets	(30,601)	(30,276)	(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	1,714,482	1,590,625	988,762	981,124
Qualifying non-controlling interests recognised as Tier I Capital	843	750	-	-
Total Tier I Capital	1,715,325	1,591,375	988,762	981,124
Tier II Capital				
Subordinated obligations**	345,000	539,765	345,000	539,765
Subordinated obligations meeting all relevant criteria	200,000	-	200,000	-
Qualifying non-controlling interests recognised as Tier II Capital	118	117	-	-
Collective impairment allowance and regulatory reserves^	29,121	12,358	15,890	10,916
	574,239	552,240	560,890	550,681
Less: Investment in subsidiaries, associates and joint ventures*	(12,540)	(24,023)	(560,890)	(550,681)
Total Tier II Capital	561,699	528,217	-	-
Total Capital	2,277,024	2,119,592	988,762	981,124

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

45 CAPITAL ADEQUACY RATIO (CONTINUED)

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Capital ratios				
Before proposed dividends:				
CET I Capital Ratio	30.483%	31.271%	22.917%	26.337%
Tier I Capital Ratio	30.498%	31.286%	22.917%	26.337%
Total Capital Ratio	40.485%	41.671%	22.917%	26.337%
After proposed dividends:				
CET I Capital Ratio	30.483%	31.271%	22.917%	26.337%
Tier I Capital Ratio	30.498%	31.286%	22.917%	26.337%
Total Capital Ratio	40.485%	41.671%	22.917%	26.337%

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

^ Excludes collective impairment allowance attributable to loans 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 reserves for non-impaired loans of the Group and the Bank of RM22,615,000 (2014: RMNil) and RM13,405,000 (2014: RMNil) respectively.

** 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 Guidelines 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).

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

	Group		Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Credit risk	2,962,955	3,008,650	2,640,434	2,448,720
Market risk	578,405	516,665	469,440	284,376
Operational risk	2,083,014	1,561,132	1,204,734	992,064
Total risk-weighted assets	5,624,374	5,086,447	4,314,608	3,725,160

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

46 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 RHB Capital Group's Management Committee as its chief operating decision-maker.

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.

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

(a) Investment Banking

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, 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.

Included in Investment Banking are Stockbroking and Investment Banking products and services to RHB regional customers in Singapore, Hong Kong, Indonesia and Thailand.

(b) Treasury

Treasury and money market operations is involved in proprietary trading of various financial products that include short-term money market instruments, long term securities and foreign exchange and derivatives products, as well as funding centre.

(c) Asset Management

Asset Management business focuses on providing investment management services, unit trust fund management services, Islamic funds management services, wills and trustee services.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

46 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis

Group 2015	Investment banking RM'000	Treasury RM'000	Asset management RM'000	Others and elimination RM'000	Total RM'000
External revenue	735,829	85,268	258,506	-	1,079,603
Inter-segment revenue	27,866	-	-	(27,866)	-
Segment revenue	763,695	85,268	258,506	(27,866)	1,079,603
Other operating expenses:	(729,781)	(33,069)	(226,716)	(633)	(990,199)
Including:					
Depreciation of property, plant and equipment	(23,288)	(885)	(971)	-	(25,144)
Amortisation of intangible assets	(17,606)	(2,003)	(310)	-	(19,919)
Career transition scheme	-	-	-	(28,498)	(28,498)
(Allowance)/Write back for impairment on loans advances and other losses	(14,814)	-	972	-	(13,842)
Impairment losses written back/(made) on other assets	6,128	32,975	-	-	39,103
	25,228	85,174	32,762	(28,499)	114,665
Share of results of associates					733
Share of results of joint ventures					300
Profit before taxation					115,698
Taxation					(43,188)
Net profit for the financial year					72,510

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

46 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

Group 2015	Investment banking RM'000	Treasury RM'000	Asset management RM'000	Others and elimination RM'000	Total RM'000
Segment assets	5,375,615	5,815,299	284,162	(1,651,947)	9,823,129
Goodwill	512,391	614,176	143,367	-	1,269,934
Investment in associate and joint ventures					20,899
Tax reoverable					38,979
Deferred tax assets					30,601
Total assets					11,183,542
Segment liabilities	2,193,056	4,819,561	187,896	(148,223)	7,052,290
Taxation					8,895
Deferred tax liabilities					3,728
Borrowings					457,784
Subordinated obligations					548,822
Total liabilities					8,071,519
Other segment items					
Capital expenditure	34,508	172	1,123	-	35,803

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

46 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

Group 2014	Investment banking RM'000	Treasury RM'000	Asset management RM'000	Others and elimination RM'000	Total RM'000
External revenue	1,017,068	74,667	184,374	–	1,276,109
Inter-segment revenue	41,856	–	–	(41,856)	–
Segment revenue	1,058,924	74,667	184,374	(41,856)	1,276,109
Other operating expenses:	(810,536)	(35,982)	(163,892)	41,856	(968,554)
Including:					
Depreciation of property, plant and equipment	(19,741)	(183)	(1,594)	–	(21,518)
Amortisation of intangible assets	(20,164)	(1,973)	(322)	–	(22,459)
Write back for impairment on loans, advances and losses	45,406	–	88	–	45,494
Impairment losses written back/(made) on other assets	4,596	(12,890)	–	–	(8,294)
	298,390	25,795	20,570	–	344,755
Share of results of associates					807
Share of results of joint ventures					380
Profit before taxation					345,942
Taxation					(60,870)
Net profit for the financial year					285,072

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

46 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (continued)

Group 2014	Investment banking RM'000	Treasury RM'000	Asset management RM'000	Others and elimination RM'000	Total RM'000
Segment assets	5,058,695	7,369,894	265,131	(1,643,317)	11,050,403
Goodwill	512,391	614,176	143,367	–	1,269,934
Investment in associate and joint ventures					30,028
Tax recoverable					8,100
Deferred tax assets					30,276
Total assets					12,388,741
Segment liabilities	1,721,472	6,876,827	186,268	(179,211)	8,605,356
Taxation					31,105
Deferred tax liabilities					5,755
Borrowings					239,213
Subordinated obligations					549,440
Total liabilities					9,430,869
Other segment items					
Capital expenditure	40,082	–	2,524	–	42,606

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

46 SEGMENT REPORTING (CONTINUED)

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

	Revenue RM'000	Segment assets RM'000	Capital expenditure RM'000
2015			
Attributed to the country of domicile:			
– Malaysia	743,415	8,808,160	22,076
Attributed to foreign countries:			
– Singapore	107,007	968,963	2,913
– Hong Kong	84,417	507,375	1,040
– Indonesia	73,352	294,301	4,002
– Thailand	71,412	560,643	5,772
– Cambodia	–	44,100	–
	1,079,603	11,183,542	35,803
2014			
Attributed to the country of domicile:			
– Malaysia	881,960	10,344,890	19,777
Attributed to foreign countries:			
– Singapore	215,908	877,486	5,027
– Hong Kong	60,203	394,449	940
– Indonesia	55,692	299,373	7,862
– Thailand	62,346	472,543	9,000
	1,276,109	12,388,741	42,606

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRECEDING FINANCIAL YEAR

(a) RHB Capital Group's proposed internal reorganisation

The holding company, RHB Capital Berhad ('RHB Capital') had announced that it proposed to undertake various proposals, which include Rights Issue, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status to RHB Bank Berhad ('RHB Bank') and Proposed M&A Amendments (collectively referred to as the 'Proposals').

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 the 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 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. Hence, upon completion of the Proposed Internal Reorganisation, RHB Bank will be the immediate holding company of the Bank.

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 Malaysia Securities Berhad ('Bursa Securities') on 30 July 2015 and 4 September 2015 for the listing of and quotation for the Rights 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 RHB Capital on 27 August 2015 at an Extraordinary General Meeting ('EGM') 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.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRECEDING FINANCIAL YEAR (CONTINUED)

- (b) Internal reorganisation exercise involving the proposed acquisition of the entire equity interest in RHB OSK Indochina Securities Limited ('RHBISL') from RHB Indochina Bank Limited

On 1 October 2014, the Bank has entered into a share sale agreement with RHB Indochina Bank Limited ('RHBIBL') for the acquisition of the entire equity interest in RHBISL from RHBIBL for a consideration of USD12,500,000.

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 of Malaysia ('SC'), SECC (in principle) and the National Bank of Cambodia have been obtained on 25 June 2014, 1 July 2014, 2 March 2015 and 7 May 2015 respectively.

On 9 December 2015, RHBISL's shares were registered under the Bank, and on 25 December 2015, the share sale agreement is concluded upon the issuance of SECC's final approval.

The financial position of RHBISL as at the date of acquisition is as follows:

	2015 RM'000
At carrying value:	
Cash and short term funds	30,446
Deposits and placements with banks and other financial institutions	8,125
Other assets	4,350
Property, plant and equipment	1,179
Other liabilities	(449)
Net assets acquired	43,651
Effect of predecessor accounting	9,730
Total purchase consideration	53,381
Less: Amount due to related company*	(53,381)
Add: Cash and cash equivalents acquired	30,446
Net cash inflow on acquisition	30,446

Upon completion of the acquisition, RHBISL is wholly-owned of the Bank. The acquisition did not have any significant impact on the results of the Group for the financial year ended 31 December 2015.

* The purchase consideration is satisfied wholly in cash on 4 January 2016.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRECEDING FINANCIAL YEAR (CONTINUED)

- (c) Proposed Subscription in Digital Financial Lab Limited ('DFLL'), by RHB Finexasia.Com Sdn Bhd ('RHB Finex') and Silverlake International Capital Market Solution Limited ('Silverlake Capital')

RHB Finex, a company in which RHB Capital holds a 100% effective equity interest in through its 59.95% direct shareholding and 40.05% indirect shareholding through the 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) Subscription of SGD3,000,000 ordinary shares in RHB International Investments Pte Ltd (formerly known as RHB OSK International Investments Pte Ltd) ('RII')

On 30 June 2015, the Bank subscribed for SGD3,000,000 (equivalent to RM8,416,000) new ordinary shares in RII. The issued and paid-up share capital of RII increased from SGD9,000,000 to SGD12,000,000. The rationale for the increase is to facilitate the subscription of additional shares in RHB Asset Management Pte Ltd (formerly known as RHB OSK Asset Management Pte Ltd) ('RAM') as disclosed in Note 47(e).

- (e) Subscription of SGD3,000,000 ordinary shares in RHB Asset Management Pte Ltd (formerly known as RHB OSK Asset Management Pte Ltd) ('RAM') by RII

On 30 June 2015, 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 with details as follows:

- i) SGD1,000,000 of Base Capital Requirement as set out by Monetary Authority of Singapore ('MAS') for applying the Capital Market Service Licence under the Securities and Futures Act; and
- ii) SGD2,000,000 for working capital to support the growth and establishment of Singapore as a Regional Hub for Group Asset Management.

RAM is a wholly-owned subsidiary of RII which in turn is a wholly-owned subsidiary of the Bank. Upon completion of the subscription, the equity interest held by RII in RAM remains the same.

- (f) Subscription of 33.33% equity interest in Prostar Capital (Asia-Pacific) Ltd

On 12 March 2015, RHB Private Equity Management Ltd ('RHBPEM'), a wholly-owned indirect subsidiary of the Bank, has entered into a Shareholders Agreement with Prostar Capital Management Ltd., an exempted company with limited liability incorporated under the laws of the Cayman Islands, in relation to the subscription for 33.33% equity interest of Prostar Capital (Asia-Pacific) Ltd. (the 'Associate Company') and the participation and management of the business and affairs of the Associate Company.

The subscription for 33.33% equity interest in the Associate Company was completed on 12 March 2015. The Associate Company is an exempted company with limited liability incorporated under the laws of Cayman Islands and was formed for the purpose of undertaking the establishment, management and/or operations of private equity funds.

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRECEDING FINANCIAL YEAR (CONTINUED)

- (g) Subscription of HKD3,000,000 ordinary shares in RHB Asset Management Limited by RHB Hong Kong Limited

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.

RHB Asset Management Limited is a wholly-owned subsidiary of RHB Hong Kong Limited. Upon completion of the subscription, the equity interest held by RHB Hong Kong Limited in RHB Asset Management Limited remains the same.

- (h) Career Transition Scheme ('CTS') for Employees

As part of the Group's rationalisation exercise, the Group and the Bank has on 30 September 2015 completed the CTS in Malaysia with a payout amounting to RM28.5 million and RM24.1 million respectively, as disclosed in Note 30.

- (i) Disposal of entire equity interest in RD RHB OSK Indonesia Dynamic Resources Plus Fund

On 7 February 2014, the Bank has disposed its entire investment in RD RHB OSK Indonesia Dynamic Resources Plus Fund, a subsidiary of the Bank, for a sale proceeds of RM6.5 million.

- (j) Disposal of equity interest in iFast-OSK Sdn Bhd ('iFast-OSK')

On 7 March 2014, the Bank entered into a sale and purchase agreement with iFast Corporation Pte. Ltd. for the sale of all the shares owned by the Bank in iFast-OSK, comprising 9.07 million ordinary shares, representing 34.88% of the issued share capital of iFast-OSK, at the consideration of RM9.07 million.

The transaction was completed on 18 July 2014, and satisfied wholly in cash.

The effects of the disposal on the financial position of the Group in 2014 were as follows:

	2014 RM'000
Proceeds from disposal	9,070
Equity attributable to net assets	(868)
Gain on disposal of an associate	8,202

NOTES TO THE FINANCIAL STATEMENTS (continued)

for the financial year ended 31 December 2015

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRECEDING FINANCIAL YEAR (CONTINUED)

- (k) Acquisition of the remaining 49% equity interest in RHB Securities Singapore Pte Ltd (formerly known as DMG & Partners Securities Pte Ltd) ('RHB Sec SG') from non-controlling interest

On 15 December 2014, the Bank acquired the remaining 36,750,000 ordinary shares of SGD1.00 each or 49% in RHB Sec SG from Deutsche Asia Pacific Holdings Pte Ltd ('DAPH') for a total consideration of SGD123.5 million (equivalent to RM329.2 million). Subsequently, RHB Sec SG became a wholly-owned subsidiary of the Bank upon the completion of the acquisition. The difference between the fair value of consideration paid and the relevant share of the carrying value of net assets of RM190.5 million was disclosed in Consolidated Statements of Changes in Equity.

The financial position of RHB Sec SG as at the date of acquisition was as follows:

	2014 RM'000
Carrying value of net assets	388,871
Carrying value of additional interest acquired	190,547

The following summarised the effects of the change in the Group's ownership interests in RHB Sec SG 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 the retained profits:

	2014 RM'000
Consideration paid for the 49% acquisition of non-controlling interest	329,210
Decrease in equity attributable to non-controlling interest	(190,547)
Decrease in equity attributable to owner of the Group	138,663

48 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 29 February 2016.

STATEMENT BY DIRECTORS

pursuant to Section 169 (15) of the Companies Act, 1965

We, Tan Sri Ong Leong Huat @ Wong Joo Hwa and Chan Cheong Yuen, being two of the Directors of RHB Investment Bank Berhad state that, in the opinion of the Directors, the financial statements set out on pages 57 to 231 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2015 and of the results and cash flows of the Group and of the Bank 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.

TAN SRI ONG LEONG HUAT @ WONG JOO HWA

Chairman

Kuala Lumpur
29 February 2016

CHAN CHEONG YUEN

Managing Director

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 Investment Bank Berhad, do solemnly and sincerely declare that the financial statements set out on pages 57 to 231 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 Wilayah Persekutuan on 29 February 2016.

COMMISSIONER FOR OATHS

Kuala Lumpur
29 February 2016

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF RHB INVESTMENT BANK BERHAD

(Incorporated in Malaysia) (Company No. 19663-P)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Investment Bank Berhad on pages 57 to 231, which comprise the statements of financial position as at 31 December 2015 of the Group and the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 48.

Directors' Responsibility for the Financial Statements

The Directors of the Bank 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 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 risk 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 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 the Bank as of 31 December 2015 and 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF RHB INVESTMENT BANK BERHAD (continued)

(Incorporated in Malaysia) (Company No. 19663-P)

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries 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 13 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualifications or any adverse comment made under Section 174(3) of the Act.

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

Kuala Lumpur
29 February 2016

NG YEE LING
(No. 3032/01/17 (J))
Chartered Accountant

BASEL II PILLAR 3 DISCLOSURES

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STATEMENT BY MANAGING DIRECTOR

In accordance with the requirements of Bank Negara Malaysia's Guideline on Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), and on behalf of the Board of Directors and Senior Management of RHB Investment Bank Berhad, I am pleased to provide an attestation that the Basel II Pillar 3 disclosures of the Bank for the year ended 31 December 2015 are accurate and complete.

CHAN CHEONG YUEN
Managing Director

BASEL II PILLAR 3 DISCLOSURES

as at 31 December 2015

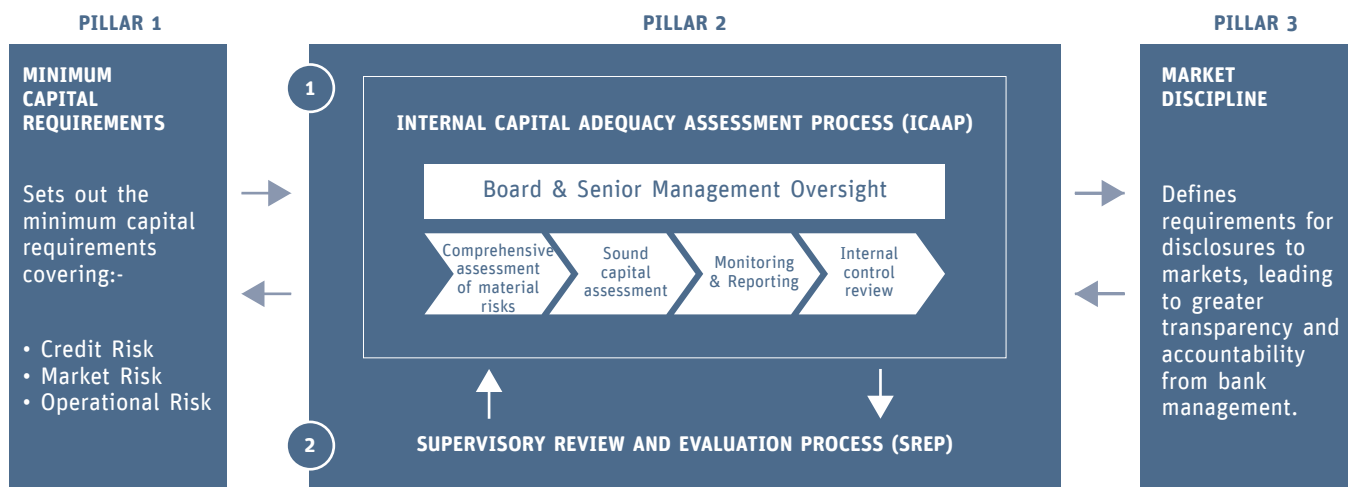
1.0 INTRODUCTION

This document describes RHB Investment Bank Berhad's risk profile, risk management practices and capital adequacy position in accordance with the disclosure requirements as outlined in the Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) issued by Bank Negara Malaysia (BNM).

BNM's guidelines on Capital Adequacy Framework (Basel II – Risk-Weighted Assets) provide and specify the approaches for quantifying the risk-weighted assets for credit risk, market risk and operational risk.

Basel II introduces a more risk-based approach to regulatory capital with a distinct charge for operational risk in addition to the existing credit and market risk capital charges. Basel II is designed to be a catalyst for more advanced risk management techniques, enterprise-wide culture of risk management and improved corporate governance and public disclosure.

The Basel II approach based on the three pillars can be diagrammatically depicted as below:



BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

1.0 INTRODUCTION (CONTINUED)

Pillar 1 provides guidelines for calculation of risk-weighted assets for credit risk, market risk and operational risk, and the minimum amount of regulatory capital that banks must hold against the risks they assume.

The table below lists the various methodologies applicable to the capital requirements calculation for the various types of risk under Pillar 1:

Types of Approaches

Credit Risk	Market Risk	Operational Risk
1. Standardised Approach (SA)	1. Standardised Approach (SA)	1. Basic Indicator Approach (BIA)
2. Foundation Internal Ratings – Based Approach	2. Internal Models Approach (IMA)	2. The Standardised Approach (TSA)
3. Advanced Internal Ratings – Based Approach		3. Advanced Measurement Approach (AMA)

For purposes of complying with regulatory requirements under Basel II Pillar 1, the approaches adopted by the Bank are summarised as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Investment Bank Berhad	SA	SA	BIA

Pillar 2 comprises two components as follows:

1. Placing obligations on banks to develop an Internal Capital Adequacy Assessment Process, and setting capital targets that commensurate with the banking institution's risk profile and control environment; and
2. Placing obligations on the supervisory authority to evaluate how well banking institutions are assessing their capital needs relative to their risks and to intervene, where appropriate.

Pillar 3 covers external communication of risk and capital information by banks. The purpose of the Pillar 3 disclosures is to complement the minimum capital requirements under Pillar 1 and the supervisory review process under Pillar 2 by encouraging market efficiency through a set of disclosure requirements that will allow market participants to assess information on banking institutions' capital structures, risk exposures, risk management processes, and hence, their overall capital adequacy.

The annual Pillar 3 disclosure report is published in accordance with the Pillar 3 Guideline issued by BNM. This disclosure report has been verified and approved internally in line with the RHB Banking Group: Basel II Pillar 3 Disclosure Policy.

This document covers the qualitative and quantitative information for financial year ended 31 December 2015 with comparative quantitative information of the preceding financial year 2014.

The Bank's Pillar 3 disclosure report is made available under the Investor Relations section of the Bank's website at www.rhbgroup.com as a separate report in the Bank's annual report 2015, after the notes to the Financial Statements.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

2.0 SCOPE OF APPLICATION

In this Pillar 3 document, RHB Investment Bank Berhad's information is presented on a consolidated basis, i.e. RHB Investment Bank Berhad, its subsidiaries and its overseas joint venture company, and is referred to as "RHB Investment Bank Group" or "the Bank".

In accordance with the accounting standards for financial reporting, all subsidiaries of the RHB Investment Bank Group are fully consolidated from the date it obtains control until the date such control ceases. Refer to Note 13 in the financial statements for list of consolidated entities.

The Bank's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, except where the types of investment to be deducted from eligible capital are required under Part C of BNM's Guideline on Capital Adequacy Framework (Capital Components).

The Bank also offers advisory and fund raising services and issuances of various forms of debt securities comprising bonds, commercial papers and medium term notes, and asset-backed securities for Islamic finance facilities. The Bank also distributes a full array of domestic and global unit trust funds including Shariah compliant funds, derivatives and structured products.

The transfer of funds for regulatory capital within the RHB Investment Bank Group is subject to shareholders' and regulatory approval.

During the financial year 2015, there were no capital deficiencies in RHB Investment Bank Berhad or in any of its subsidiaries and its associate company.

3.0 CAPITAL MANAGEMENT

The overall capital management objective is to manage capital prudently to maintain a strong capital position to drive sustainable business growth and seek strategic opportunities to enhance shareholders' value, and be in line with its risk appetite. Capital adequacy is the extent to which capital resources on the Bank's balance sheet are sufficient to cover the business capital requirements now and in the foreseeable future. It also indicates the ability of the Bank to provide financing across the business cycles and in meeting any contingency without compromising the interest of the depositors and investors. The Bank aims to maintain a strong capital position to drive sustainable business growth through an optimal capital structure while meeting regulatory requirements.

With a comprehensive capital management, the Bank aims to have a sound capital management practice that is aligned to BNM's ICAAP requirements.

The management of capital involves capital strategy, capital planning, capital structuring and dividend pay-out.

- **Capital Strategy**

Capital strategy includes the determination of target capital under both normal and stressed market conditions and considers the business risk and strategic objectives, external credit ratings, and capital adequacy requirements. A comprehensive capital adequacy assessment is conducted at least annually to ensure that the target capital level is appropriate.

- **Capital Planning**

Based on strategic direction and regulatory requirements, the Bank formulates a capital plan to support its overall risk profile and forecast the capital demand for material risks for which capital held is deemed appropriate. The capital plan describes the actions required to raise capital in a timely manner in both normal and stressed conditions as assumed in the stress scenarios. For capital planning purposes, capital adequacy is assessed in the multi-year financial projection under both normal and stressed scenarios, the objective of which is to ensure that the Bank maintains adequate capital on a forward-looking basis. The Bank also establishes a capital contingency funding plan that forms part of the capital plan. The capital plan, together with the analysis and proposed actions, are reviewed by the Group Chief Financial Officer and deliberated at the Group Capital and Risk Committee (GCRC) for endorsement, and submitted to Board Risk Committee (BRC) and the Board for approval.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

3.0 CAPITAL MANAGEMENT (CONTINUED)

• Capital Structuring

Capital structuring affects the Bank through its impact on cash flow and cost of capital. The Bank adopts capital structuring that maximises value and minimises overall cost of capital. In order to achieve optimum capital structure, the Bank determines the levels, mix and structure of internal and regulatory capital in line with its current and planned levels of business activities, risk appetite and desired level of capital adequacy.

• Dividend Pay-Out

The Bank aims to achieve a balance between dividend pay-out and the need to retain earnings in order to be consistent with its capital strength and to support business expansion. The Board reviews the dividend pay-out recommendation on an annual basis.

3.1 Internal Capital Adequacy Assessment Process (ICAAP)

In line with BNM's Guideline on ICAAP under the Risk-Weighted Capital Adequacy Framework (Basel II) – Internal Capital Adequacy Assessment Process (Pillar 2), the Bank has implemented ICAAP with the objective to forge a strong alignment between risk and capital. Capital adequacy is assessed in relation to the Bank's risk profile, and strategies are in place to maintain appropriate capital levels.

The ICAAP Framework developed and adopted across the Bank summarises the key ICAAP requirements into two functional categories, namely; ICAAP Measurement and ICAAP Management as depicted below:



BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.2 Basel III Implementation

The implementation of Basel III for capital components by BNM in Malaysia has commenced with effect from 1 January 2013. Under the Basel III rules, banking institutions are required to strengthen the quality of their capital by maintaining higher minimum capital requirements and holding capital buffers namely the capital conservation buffer and the countercyclical capital buffer. However, the requirements are subject to a series of transitional arrangements with a gradual phase-in commencing 2013.

The Bank has implemented BNM's liquidity standards on Liquidity Coverage Ratio (LCR) effective from 1 June 2015 after reporting the LCR under observation since June 2012. BNM has adopted the phase-in arrangement for Malaysian banking institutions to comply with the minimum requirement of 60% in 2015 with incremental of 10% each year thereafter until 100% from 1 January 2019 onwards. Banking institutions continue to report on Net Stable Funding Ratio (NSFR) under observation. The result produced during the observation period facilitates the Bank's strategy in managing the appropriate balance sheet structure for achieving optimal NSFR.

3.3 Capital Adequacy Ratios

BNM's Guideline on Capital Adequacy Framework (Capital Components) sets out the general requirements concerning regulatory capital adequacy and the components of eligible regulatory capital. Banking institutions are required to maintain, at all times, the following minimum capital adequacy ratios:

Calendar Year	Common Equity Tier I (CET I) Capital Ratio	Tier I Capital Ratio	Total Capital Ratio
2013	3.5%	4.5%	8.0%
2014	4.0%	5.5%	8.0%
2015 onwards	4.5%	6.0%	8.0%

The capital ratios of RHB Investment Bank Berhad on consolidated basis (RHB Investment Bank Group), and on global basis (RHB Investment Bank) as at 31 December 2015 and 31 December 2014 are as follows:

Table 1: Capital Adequacy Ratios

	RHB Investment Bank Group		RHB Investment Bank	
	2015	2014	2015	2014
Before proposed dividends				
Common Equity Tier I Capital Ratio	30.483%	31.271%	22.917%	26.337%
Tier I Capital Ratio	30.498%	31.286%	22.917%	26.337%
Total Capital Ratio	40.485%	41.671%	22.917%	26.337%
After proposed dividends				
Common Equity Tier I Capital Ratio	30.483%	31.271%	22.917%	26.337%
Tier I Capital Ratio	30.498%	31.286%	22.917%	26.337%
Total Capital Ratio	40.485%	41.671%	22.917%	26.337%

The above capital ratios are above the minimum level required by BNM.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.4 Minimum Capital Requirements and Risk-Weighted Assets (RWA)

The following table shows the breakdown of RWA by risk types as at 31 December 2015 and 31 December 2014:

Table 2: Risk-Weighted Assets (RWA) by Risk Types

Risk Types	RHB Investment Bank Group		RHB Investment Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Credit RWA	2,962,955	3,008,650	2,640,434	2,448,720
Market RWA	578,405	516,665	469,440	284,376
Operational RWA	2,083,014	1,561,132	1,204,734	992,064
Total RWA	5,624,374	5,086,447	4,314,608	3,725,160

The following table shows the breakdown of RWA by risk types and the corresponding capital requirements as at 31 December 2015 and 31 December 2014:

Table 3a: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2015

Risk Types	RWA		Minimum Capital Requirements	
	RHB Investment Bank Group RM'000	RHB Investment Bank RM'000	RHB Investment Bank Group RM'000	RHB Investment Bank RM'000
Credit Risk				
Under Standardised Approach	2,962,955	2,640,434	237,036	211,235
Market Risk				
Under Standardised Approach	578,405	469,440	46,272	37,555
Operational Risk				
Under Basic Indicator Approach	2,083,014	1,204,734	166,641	96,379
Total	5,624,374	4,314,608	449,949	345,169

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.4 Minimum Capital Requirements and Risk-Weighted Assets (RWA) (continued)

Table 3b: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2014

Risk Types	RWA		Minimum Capital Requirements	
	RHB Investment Bank Group RM'000	RHB Investment Bank RM'000	RHB Investment Bank Group RM'000	RHB Investment Bank RM'000
Credit Risk				
Under Standardised Approach	3,008,650	2,448,720	240,692	195,898
Market Risk				
Under Standardised Approach	516,665	284,376	41,333	22,750
Operational Risk				
Under Basic Indicator Approach	1,561,132	992,064	124,891	79,365
Total	5,086,447	3,725,160	406,916	298,013

Capital requirement for the three risk types is derived by multiplying the risk-weighted assets by 8%.

For RHB Investment Bank Group, the drop in Credit RWA is mainly due to the reduction in corporate portfolio.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

4.0 CAPITAL STRUCTURE

The constituents of total eligible capital are set out in BNM's Guideline on Capital Adequacy Framework (Capital Components) Parts B and C. These include shareholders' funds, after regulatory-related adjustments, and eligible capital instruments issued by the Bank. Tier I capital consists primarily of ordinary share capital, share premium, retained profits, and other reserves. Tier II capital consists of subordinated obligations and collective impairment allowance. Refer to Note 45 to the Financial Statements for the terms of these capital instruments.

The following table represents the capital position of RHB Investment Bank Group and RHB Investment Bank as at 31 December 2015 and 31 December 2014:

Table 4: Capital Structure

	RHB Investment Bank Group		RHB Investment Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Common Equity Tier I Capital / Tier I Capital				
Paid up ordinary share capital	818,646	818,646	818,646	818,646
Share premium	1,515,150	1,515,150	1,515,150	1,515,150
Retained profits	185,917	172,467	303,449	290,106
Other reserves	549,673	441,517	433,295	406,544
Available for sale (AFS) reserves	12,258	3,308	(5,149)	(11,933)
Less:				
Goodwill	(1,269,934)	(1,269,934)	(1,118,418)	(1,118,418)
Investments in subsidiaries, associates and joint ventures (portion deducted from CET I Capital)*	(8,359)	(6,006)	(588,970)	(283,162)
Intangible assets	(51,443)	(54,013)	(25,530)	(29,718)
55% of cumulative gains arising from change in value of AFS instruments	(6,741)	-	-	-
Other deductions	(84)	(234)	(84)	(234)
Deferred tax assets	(30,601)	(30,276)	(21,063)	(23,891)
Reduction in excess of Tier II Capital due to insufficient Tier II capital#	-	-	(322,564)	(581,966)
Total Common Equity Tier I Capital	1,714,482	1,590,625	988,762	981,124
Qualifying non-controlling interest recognised as Tier I Capital	843	750	-	-
Total Tier I Capital	1,715,325	1,591,375	988,762	981,124

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

4.0 CAPITAL STRUCTURE (CONTINUED)

Table 4: Capital Structure (continued)

	RHB Investment Bank Group		RHB Investment Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Tier II Capital				
Subordinated obligations subject to gradual phase out treatment**	345,000	539,765	345,000	539,765
Subordinated obligations meeting all relevant criteria	200,000	–	200,000	–
Qualifying non controlling interest recognised as Tier II Capital	118	117	–	–
Collective impairment allowances and regulatory reserves [^]	29,121	12,358	15,890	10,916
Less:				
Investments in subsidiaries, associates and joint ventures	(12,540)	(24,023)	(560,890)	(550,681)
Total Tier II Capital	561,699	528,217	–	–
Total Capital	2,277,024	2,119,592	988,762	981,124

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

The remaining portion of regulatory adjustments not deducted in 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 Guideline on Capital Adequacy Framework (Capital Components).

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

[^] Excludes collective assessment impairment allowance attributable to loans, advances, and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on Classification and Impairment Provisions for Loans/Advances. Includes the qualifying regulatory reverses for loans of the Group and the Bank of RM22,615,000 (31 December 2014 : Nil) and RM13,405,000 (31 December 2014 : Nil) respectively.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

5.0 RISK MANAGEMENT

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

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

The Group Risk Management Framework governs the management of risks in the RHB Banking Group (the Group), as follows:

- It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and controls in the organisation.
- It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk-adjusted returns.

The following sections describe some of these risk management content areas.

OVERARCHING RISK MANAGEMENT PRINCIPLES

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

- Risk governance from the Boards of Directors of various operating entities within the Group;
- Clear understanding of risk management ownership;
- Institutionalisation of a risk-focused organisation;
- Alignment of risk management to business strategies; and
- Optimisation of risk-adjusted returns.

Principle 1: Risk Governance from the Boards of Directors of various operating entities within the Group

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

RISK GOVERNANCE AND ORGANISATION

The Board of Directors (Board) through the BRC, GCRC and the Group Risk & Credit Management function establishes the Group's risk appetite and risk principles. The 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, frameworks, policies and models.

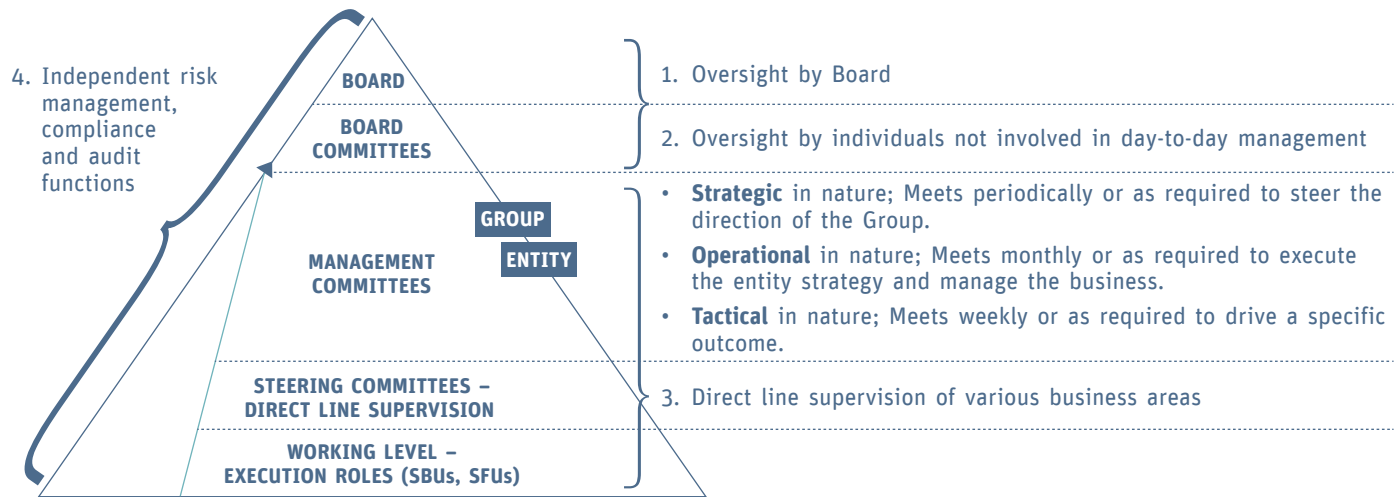
BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

5.0 RISK MANAGEMENT (CONTINUED)

RISK GOVERNANCE AND ORGANISATION (continued)

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



Principle 2: Clear Understanding of Risk Management Ownership

Proactive risk ownership is important for effective management of risk. This promotes a risk awareness culture throughout the Group. The 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.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

5.0 RISK MANAGEMENT (CONTINUED)

RISK GOVERNANCE AND ORGANISATION (continued)

Principle 3: Institutionalisation of a Risk-Focused Organisation

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

Central Risk Management Function

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

- Facilitating the setting of the strategic direction and overall policy on management and control of risk of the Group;
- Ensuring industry best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk models;
- Developing a pro-active, balanced and risk-attuned culture within the Group;
- Advising Senior Management, the GCRC, BRC and the Board on risk issues and their possible impact on the Group in the achievement of its objectives and strategies; and
- Administering the delegation of discretionary powers to Management personnel within the Group.

Group Risk & Credit Management consisting of Group Risk Management, Group Credit Management and Group Risk Operations provides independent oversight on business activities and implements the Group Risk Management Framework in order to protect and safeguard the Group's assets, and to prevent and mitigate financial and reputational losses to the Group. Key areas for which Group Risk Management is responsible include the Group's risk policy and framework, day-to-day risk measurement and monitoring, providing timely risk analysis to management, and ensuring compliance to regulatory risk reporting requirements.

Group Credit Management oversees the Group-wide credit evaluation and assessment, approval and credit monitoring functions by providing credit risk assessment assurance on credit proposals, highlighting key risks and potential problematic accounts, and improving credit process efficiency.

Group Risk Operations is responsible for strategising and implementing a comprehensive enterprise-wide risk governance framework, and managing the development of robust risk management infrastructure and tools, aligned with the Group's strategy for growth and keeping pace with the market requirements and competitive business environment. Group Risk Operations drives the operationalisation of the Group's risk transformation initiatives in establishing risk management as a valuable business partner.

Risk and Control Environment

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

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

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

5.0 RISK MANAGEMENT (CONTINUED)

RISK GOVERNANCE AND ORGANISATION (continued)

Principle 4: Alignment of Risk Management to Business Strategies

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

Risk appetite is set by the Board and reported through various metrics that enable the Bank and 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 Bank and the Group are prepared to accept in delivering its strategy.

Principle 5: Optimisation of Risk-Adjusted Returns

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

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

6.0 CREDIT RISK

Credit Risk Definition

Credit risk is the risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the Group's lending/financing/underwriting, investment and trading activities from both on- and off-balance sheet transactions.

6.1 Credit Risk Management Oversight and Organisation

The Group Investment Underwriting Committee (GIUC) deliberates and approves investment banking related proposals such as equity underwriting, Equity Capital Markets activities and share margin financing cases. The Group Credit Committee (GCC) deliberates and approves credit lending related proposals including structured products and bond purchase. GIUC and GCC submit proposals to the Board Credit Committee (BCC) for affirmation or veto if the proposals exceed a pre-defined threshold.

BCC's main functions are affirming, imposing more stringent conditions on or vetoing credits of the Group which are duly approved by GIUC and GCC, and overseeing the management of impaired credits and high risk accounts, and affirming, imposing additional conditions on or vetoing impaired credits from Credit Recovery for amounts above the defined thresholds of GIUC and GCC. BCC also endorses policy loans/financing and loans/financing required by BNM to be referred to the respective Boards for approval.

In line with best practices, credit lending-related applications are independently evaluated by Group Credit Management and Investment Bank Credit Control for margin finance prior to submission to the relevant committees for approval.

Within Group Risk Management, the Group Credit Risk Management has the functional responsibility for credit risk management, portfolio risk monitoring and risk reporting. The Bank also conducts regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.1 Credit Risk Management Oversight and Organisation (continued)

Regular risk reporting is made to the GCRC, BRC and the Board. These reports include various credit risk aspects such as portfolio quality and concentration risk exposures by business portfolio. Such reporting allows Senior Management to identify adverse credit trends, take prompt corrective actions, and ensure appropriate risk-adjusted decision making.

6.2 Credit Risk Management Approach

The Bank's credit risk management framework is founded upon guidelines issued by BNM (such as Guideline on Best Practices for the Management of Credit Risk, Guidelines on Investment Banks and Single Counterparty Exposures Limit) and industry best practices. The Bank abides by its Credit Risk Policy which supports the development of a strong credit culture with the objective of maintaining a diversified portfolio, and a reliable and satisfactory risk-weighted return. Industry's best practices are instilled in the continual updating of the Credit Risk Policy.

The Bank ensures that internal processes and credit underwriting standards are adhered to before financing proposals are approved. All financing proposals are first evaluated by the originating business units before being evaluated by an independent credit evaluation and management function.

All financing and underwriting exposure limits are approved within a defined credit approval authority framework. Large financing exposures are further subject to post approval credit review by Group Internal Audit.

The Bank's Credit Management Operations Manual sets out the operational procedures and guidelines governing the credit management processes for the Bank's Structured Lending, Debt/Equity Capital Markets and Treasury Business operations. The manual has been designed to ensure that:

- The process of credit initiation, administration, supervision and management of corporate financing, credit counterparty lines, subscription and/or underwriting of Equity and Bonds are carried out consistently and uniformly by the relevant business origination and other credit support functions.
- Procedures and guidelines governing the credit function are in compliance with the credit policies of the Group.

Lending/Financing to Corporate and Institutional Customers

Loans/financing to corporate and institutional customers are undertaken in the course of its share margin/trading or investment banking activities in derivatives and debt securities. The Bank does not undertake bilateral lending activities to corporate customers.

Credit Risk from Investment or Trading Activities

In the course of its trading or investment banking activities, the Bank is also exposed to credit risk from trading, derivative and equity/debt securities activities. Relevant credit guidelines are established to govern the credit risk via guidance on derivatives, hedging and investment related activities of the different exposures.

Lending/Financing to Share Margin Financing

Loans/financing to share margin clients are based on credit/financing facilities made available to these clients for trading or redemption of securities that are listed in Bursa Malaysia Berhad in accordance with the Bursa Securities Rules.

For Share Margin Financing, credit risk is mitigated through the establishment of appropriate approving authority structure/matrix for the extension of trading/credit limits. Within clearly defined guidelines approved by the Board and in line with applicable laws and regulations, credit risk management also encompasses the systematic credit assessment, close monitoring of limits, exposures and concentration risk to counterparties or issuer, through timely management reporting procedures.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.3 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

The management of the following off-balance sheet exposures of the Bank is in accordance to the credit risk management approach as set out under Section 6.2 of this document:

- Underwriting commitments in respect of the Bank's debt capital or equity capital market activities;
- Commitments to extend credit/financing including the unutilised or undrawn portions of credit facilities; and
- Principal or notional amount of derivative financial instruments.

CCR is the risk that the entity with whom the Bank has entered into a financial contract (the counterparty to the contract) will fail to fulfil their side of the contractual agreement. Counterparty risk is typically defined as arising from two broad classes of financial products:

- Over-the-counter derivatives such as interest rate swaps, FX forwards and credit default swaps; and
- Securities financing transactions such as repos and reverse repos; and securities borrowing and lending/financing.

Derivative financial instruments are primarily entered into for hedging purposes. The Bank may also take trading derivative positions, within pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates.

Any financial loss is calculated based on the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at the time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default.

All outstanding financial derivative positions are marked-to-market on a daily basis. The Bank's Treasury Operations Department monitors counterparties' positions and promptly escalates any shortfall in the threshold levels to the relevant parties for next course of action.

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches

The following tables show the credit exposures or Exposure at Default (EAD) as at 31 December 2015 compared with 31 December 2014, segregated by:

- the various types of asset classes, showing details of the exposures, before and after credit risk mitigation (CRM), the corresponding RWA and capital requirements;
- disclosure on off-balance sheet and counterparty credit risk;
- geographical distribution;
- industry sector;
- residual maturity; and
- disclosures under the Standardised Approach by risk weights.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (continued)

Table 5a: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2015

RHB Investment Bank Group Exposure Class	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under the Standardised Approach				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	1,386,439	1,386,439	1,830	146
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,372,870	2,361,046	640,952	51,276
Insurance Cos, Securities Firms & Fund Managers	452,107	452,107	452,107	36,169
Corporates	3,310,944	1,543,301	577,983	46,238
Regulatory Retail	-	-	-	-
Residential Mortgages	783	783	274	22
Higher Risk Assets	30	30	44	4
Other Assets	1,662,452	1,662,452	721,981	57,758
Securitisation Exposures	-	-	-	-
Equity Exposures	99,775	99,775	99,775	7,982
Defaulted Exposures	198,721	179,777	241,948	19,356
Total On-Balance Sheet Exposures	9,484,121	7,685,710	2,736,894	218,951
Off-Balance Sheet Exposures				
OTC Derivatives	87,897	87,839	64,023	5,122
Off-balance sheet exposures other than OTC derivatives or credit derivatives	546,315	188,687	160,916	12,873
Defaulted Exposures	1,122	1,122	1,122	90
Total Off-Balance Sheet Exposures	635,334	277,648	226,061	18,085
Total On and Off-Balance Sheet Exposures	10,119,455	7,963,358	2,962,955	237,036

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (continued)

Table 5b: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2014

RHB Investment Bank Group	Gross Exposures/ EAD before CRM RM'000	Net Exposures/ EAD after CRM RM'000	Risk- Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposure Class				
Exposures under the Standardised Approach				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	1,798,542	1,798,542	1,500	120
Public Sector Entities	–	–	–	–
Banks, Development Financial Institutions & MDBs	2,676,882	2,565,762	585,438	46,835
Insurance Cos, Securities Firms & Fund Managers	82,386	82,386	82,386	6,591
Corporates	3,919,705	2,226,394	972,200	77,776
Regulatory Retail	–	–	–	–
Residential Mortgages	1,339	1,339	513	41
Higher Risk Assets	31	31	47	4
Other Assets	1,917,391	1,917,391	760,856	60,868
Securitisation Exposures	–	–	–	–
Equity Exposures	97,881	97,881	97,881	7,830
Defaulted Exposures	220,026	199,473	291,289	23,303
Total On-Balance Sheet Exposures	10,714,183	8,889,199	2,792,110	223,368
Off-Balance Sheet Exposures				
OTC Derivatives	396,312	396,312	119,390	9,552
Off-balance sheet exposures other than OTC derivatives or credit derivatives	257,667	97,146	97,150	7,772
Defaulted Exposures	–	–	–	–
Total Off-Balance Sheet Exposures	653,979	493,458	216,540	17,324
Total On and Off-Balance Sheet Exposures	11,368,162	9,382,657	3,008,650	240,692

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (continued)

Table 6a: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2015

RHB Investment Bank Group	Principal/ Notional Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
Nature of Item				
Direct credit substitutes	-		-	-
NIFs and obligations under underwriting agreement	-		-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo style transactions	195,053		195,053	6,944
Foreign exchange related contracts	1,249,605	55,683	80,460	62,365
1 year or less	1,050,731	41,257	56,091	42,557
Over 1 year to 5 years	198,874	14,426	24,369	19,808
Over 5 years	-	-	-	-
Interest rate related contracts	1,090,000	2,217	7,417	1,656
1 year or less	860,000	1,240	3,240	761
Over 1 year to 5 years	230,000	977	4,177	895
Over 5 years	-	-	-	-
Equity related contracts	315	1	20	2
1 year or less	315	1	20	2
Over 1 year to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with original maturity of over 1 year	22		11	15
Other commitments, such as formal standby facilities and credit lines, with original maturity of up to 1 year	1,761,866		352,373	155,079
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-		-	-
Total	4,296,861	57,901	635,334	226,061

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (continued)

Table 6b: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2014

RHB Investment Bank Group	Principal/ Notional Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk- Weighted Assets RM'000
Nature of Item				
Direct credit substitutes	–		–	–
NIFs and obligations under underwriting agreement	–		–	–
Foreign exchange related contracts	2,956,994	146,088	371,237	105,876
1 year or less	677,400	1,503	3,942	789
Over 1 year to 5 years	2,279,594	144,585	367,295	105,087
Over 5 years	–	–	–	–
Interest rate related contracts	2,295,000	6,000	19,231	7,670
1 year or less	1,330,000	3,798	3,982	1,852
Over 1 year to 5 years	965,000	2,202	15,249	5,818
Over 5 years	–	–	–	–
Equity related contracts	15,508	4,914	5,844	5,844
1 year or less	15,508	4,914	5,844	5,844
Over 1 year to 5 years	–	–	–	–
Over 5 years	–	–	–	–
Other commitments, such as formal standby facilities and credit lines, with original maturity of over 1 year	6,172		3,086	2,639
Other commitments, such as formal standby facilities and credit lines, with original maturity of up to 1 year	1,272,907		254,581	94,511
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	–		–	–
Total	6,546,581	157,002	653,979	216,540

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (continued)

Table 7a: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2015

RHB Investment Bank Group	Malaysia RM'000	Singapore RM'000	Hong Kong RM'000	Indonesia RM'000	Thailand RM'000	Cambodia RM'000	Total RM'000
Exposure Class							
Exposures under Standardised Approach							
Sovereigns & Central Banks	1,386,439	-	-	-	-	-	1,386,439
Public Sector Entities	-	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,330,429	27,593	72,471	42,047	88,169	38,571	2,599,280
Insurance Cos, Securities Firms & Fund Managers	51,833	379,628	12,969	695	6,982	-	452,107
Corporates	2,828,069	263,340	579,364	40,892	206,917	-	3,918,582
Regulatory Retail	-	-	-	-	-	-	-
Residential Mortgages	783	-	-	-	-	-	783
Higher Risk Assets	37	-	-	-	-	-	37
Other Assets	869,069	339,041	43,729	207,315	197,769	5,529	1,662,452
Total	7,466,659	1,009,602	708,533	290,949	499,837	44,100	10,019,680

Table 7b: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2014

RHB Investment Bank Group	Malaysia RM'000	Singapore RM'000	Hong Kong RM'000	Indonesia RM'000	Thailand RM'000	Cambodia RM'000	Total RM'000
Exposure Class							
Exposures under Standardised Approach							
Sovereigns & Central Banks	1,798,542	-	-	-	-	-	1,798,542
Public Sector Entities	-	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,687,500	22,120	45,590	43,830	58,919	-	2,857,959
Insurance Cos, Securities Firms & Fund Managers	70,662	-	8,603	548	6,235	-	86,048
Corporates	3,713,071	312,932	288,713	102,747	191,046	-	4,608,509
Regulatory Retail	-	-	-	-	-	-	-
Residential Mortgages	1,339	-	-	-	-	-	1,339
Higher Risk Assets	39	-	-	-	-	-	39
Other Assets	917,144	571,568	163,188	153,234	112,257	-	1,917,391
Total	9,188,297	906,620	506,094	300,359	368,457	-	11,269,827

Note:

These tables exclude equity and securitisation exposures

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (continued)

Table 8a: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2015

RHB Investment Bank Group Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Electricity, Gas & Water Supply RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Transport, Storage & Communication RM'000	Finance, Insurance, Real Estate & Business RM'000	Education, Health & Others RM'000	Household RM'000	Others RM'000	Total RM'000
Exposures under Standardised Approach												
Sovereigns & Central Banks	-	-	-	-	-	-	-	153,400	1,233,039	-	-	1,386,439
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	2,599,280	-	-	-	2,599,280
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	452,107	-	-	-	452,107
Corporates	66,757	3,567	112,540	45,432	340,998	89,910	60,950	1,702,871	18,412	1,477,145	-	3,918,582
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	-	-
Residential Mortgages	-	-	-	-	-	-	-	-	-	783	-	783
Higher Risk Assets	-	-	-	-	-	-	-	-	-	37	-	37
Other Assets	-	-	-	-	-	-	-	404,406	-	-	1,258,046	1,662,452
Total	66,757	3,567	112,540	45,432	340,998	89,910	60,950	5,312,064	1,251,451	1,477,965	1,258,046	10,019,680

Table 8b: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2014

RHB Investment Bank Group Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Electricity, Gas & Water Supply RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Transport, Storage & Communication RM'000	Finance, Insurance, Real Estate & Business RM'000	Education, Health & Others RM'000	Household RM'000	Others RM'000	Total RM'000
Exposures under Standardised Approach												
Sovereigns & Central Banks	-	-	-	-	-	-	-	272,419	1,526,123	-	-	1,798,542
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	2,857,959	-	-	-	2,857,959
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	86,048	-	-	-	86,048
Corporates	61,928	27,137	133,745	80,906	467,860	119,969	55,812	2,390,876	4,672	1,264,032	1,572	4,608,509
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	-	-
Residential Mortgages	-	-	-	-	-	-	-	-	-	1,339	-	1,339
Higher Risk Assets	-	-	-	-	-	-	-	-	-	39	-	39
Other Assets	-	-	-	-	-	-	-	261,900	-	-	1,655,491	1,917,391
Total	61,928	27,137	133,745	80,906	467,860	119,969	55,812	5,869,202	1,530,795	1,265,410	1,657,063	11,269,827

Note:

These tables exclude equity and securitisation exposures

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (continued)

Table 9a: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2015

RHB Investment Bank Group	One year or less RM'000	More than one to five years RM'000	Over five years RM'000	Total RM'000
Exposure Class				
Exposures under Standardised Approach				
Sovereigns & Central Banks	100,671	766,178	519,590	1,386,439
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	909,418	636,561	1,053,301	2,599,280
Insurance Cos, Securities Firms & Fund Managers	-	-	452,107	452,107
Corporates	2,539,046	766,169	613,367	3,918,582
Regulatory Retail	-	-	-	-
Residential Mortgages	-	327	456	783
Higher Risk Assets	-	-	37	37
Other Assets	-	-	1,662,452	1,662,452
Total	3,549,135	2,169,235	4,301,310	10,019,680

Table 9b: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2014

RHB Investment Bank Group	One year or less RM'000	More than one to five years RM'000	Over five years RM'000	Total RM'000
Exposure Class				
Exposures under Standardised Approach				
Sovereigns & Central Banks	372,142	604,439	821,961	1,798,542
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,391,366	391,705	74,888	2,857,959
Insurance Cos, Securities Firms & Fund Managers	86,048	-	-	86,048
Corporates	2,517,741	1,402,366	688,402	4,608,509
Regulatory Retail	-	-	-	-
Residential Mortgages	-	292	1,047	1,339
Higher Risk Assets	-	-	39	39
Other Assets	-	-	1,917,391	1,917,391
Total	5,367,297	2,398,802	3,503,728	11,269,827

Note:

These tables exclude equity and securitisation exposures

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (continued)

Standardised Approach for Other Portfolios

Under the Standardised Approach, the risk weights are prescribed by BNM based on the asset class to which the exposure is assigned. The following tables show the Bank's credit exposures for its portfolios with the corresponding risk weights and RWA under the Standardised Approach, after credit risk mitigation (CRM):

Table 10a: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2015

RHB Investment Bank Group Exposure Class	Exposure After Credit Risk Mitigation Risk Weight (%)						Total Exposures RM'000	
	0% RM'000	20% RM'000	35% RM'000	50% RM'000	75% RM'000	100% RM'000		150% RM'000
Exposures under Standardised Approach								
Sovereigns & Central Banks	1,377,287	9,152	-	-	-	-	1,386,439	
Public Sector Entities	-	-	-	-	-	-	-	
Banks, Development Financial Institutions & MDBs	-	1,910,483	-	486,595	-	30,044	2,427,122	
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	452,107	452,107	
Corporates	251,717	861,216	-	59,896	-	626,837	1,934,643	
Regulatory Retail	-	-	-	-	-	-	-	
Residential Mortgages	-	-	783	-	-	-	783	
Higher Risk Assets	-	-	-	-	-	-	37	
Other Assets	616,946	404,406	-	-	-	641,100	1,662,452	
Securitisation	-	-	-	-	-	-	-	
Equity Exposures	-	-	-	-	-	99,775	99,775	
Total Exposures after Credit Risk Mitigation	2,245,950	3,185,257	783	546,491	-	1,849,863	135,014	7,963,358
Total Risk-Weighted Assets	-	637,051	274	273,246	-	1,849,863	202,521	2,962,955

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (continued)

Table 10b: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2014

RHB Investment Bank Group Exposure Class	Exposure After Credit Risk Mitigation Risk Weight (%)							Total Exposures RM'000
	0% RM'000	20% RM'000	35% RM'000	50% RM'000	75% RM'000	100% RM'000	150% RM'000	
Exposures under Standardised Approach								
Sovereigns & Central Banks	1,791,040	7,502	-	-	-	-	-	1,798,542
Public Sector Entities	-	-	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	-	2,534,637	-	182,164	-	30,039	-	2,746,840
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	86,048	-	86,048
Corporates	264,740	1,367,706	-	67,488	-	850,103	184,086	2,734,123
Regulatory Retail	-	-	-	-	-	-	-	-
Residential Mortgages	-	-	1,042	297	-	-	-	1,339
Higher Risk Assets	-	-	-	-	-	-	39	39
Other Assets	947,052	261,854	-	-	-	708,485	-	1,917,391
Securitisation	-	-	-	-	-	-	-	-
Equity Exposures	-	-	-	454	-	97,881	-	98,335
Total Exposures after Credit Risk Mitigation	3,002,832	4,171,699	1,042	250,403	-	1,772,556	184,125	9,382,657
Total Risk-Weighted Assets	-	834,340	365	125,202	-	1,772,556	276,187	3,008,650

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings

For sovereigns, corporate and banking institutions, external ratings from approved external credit assessment institutions (ECAIs), where available, are used to calculate the risk-weighted assets and regulatory capital.

The process used to map ECAIs issuer ratings or comparable ECAIs issue ratings, are in accordance to the standards prescribed by BNM. Approved ECAIs are as follows:

- Standard & Poor's (S&P);
- Moody's Investor Services (Moody's);
- Fitch Ratings (Fitch);
- Malaysian Rating Corporation Berhad (MARC);
- Rating Agency Malaysia (RAM); and
- Rating and Investment Information, Inc (R&I).

External ratings for the counterparties are determined as soon as relationship is established and these ratings are tracked and kept updated. Only publicly available credit ratings are used for regulatory risk weighting purpose.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (continued)

The following tables show the Bank's credit exposures for 31 December 2015 compared with 31 December 2014, according to the ratings by ECAIs:

Table 11a: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2015

	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
RHB Investment Bank Group	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	B to D	Unrated	
Ratings of Corporates by Approved ECAIs	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B1 to D	Unrated	
	R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	
<hr/>							
On and Off-Balance Sheet Exposures		-	-	-	-	452,107	
Insurance Cos, Securities Firms & Fund Managers							
Corporates		881,261	49,260	100,689	6,307	897,126	
<hr/>							
	Moody's	P-1	P-2	P-3	Others	Unrated	
	S&P	A-1	A-2	A-3	Others	Unrated	
	Fitch	F1+, F1	F2	F3	B to D	Unrated	
Short Term Ratings of Banking Institutions	RAM	P-1	P-2	P-3	NP	Unrated	
by Approved ECAIs	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated	
	R&I	a-1+, a-1	a-2	a-3	b, c	Unrated	
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	
<hr/>							
On and Off-Balance Sheet Exposures		248,299	-	-	-	-	
Banks, Development Financial Institutions & MDBs							
<hr/>							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Ratings of Sovereigns and Central Banks	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
by Approved ECAIs		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Exposure Class							
<hr/>							
On and Off-Balance Sheet Exposures		-	1,386,439	-	-	-	-
Sovereigns & Central Banks							
<hr/>							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Ratings of Banking Institutions by Approved ECAIs	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<hr/>							
On and Off-Balance Sheet Exposures		478,133	647,404	27,541	30,043	-	995,702
Banks, Development Financial Institutions & MDBs							

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (continued)

Table 11b: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2014

	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated	
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
RHB Investment Bank Group	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	B+ to D	Unrated	
Ratings of Corporates by Approved ECAIs	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B1 to D	Unrated	
	R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	
On and Off-Balance Sheet Exposures							
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	86,048	
Corporates		1,387,725	67,488	70,869	9,412	1,198,629	
	Moody's	P-1	P-2	P-3	Others	Unrated	
	S&P	A-1	A-2	A-3	Others	Unrated	
	Fitch	F1+, F1	F2	F3	B to D	Unrated	
	RAM	P-1	P-2	P-3	NP	Unrated	
Short Term Ratings of Banking Institutions	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated	
by Approved ECAIs	R&I	a-1+, a-1	a-2	a-3	b, c	Unrated	
		RM'000	RM'000	RM'000	RM'000	RM'000	
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs		148,732	-	-	-	-	
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
Ratings of Sovereigns and Central Banks	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
by Approved ECAIs	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns & Central Banks		-	1,798,542	-	-	-	-
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
Ratings of Banking Institutions by Approved ECAIs	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs		1,125,712	939,776	28,087	30,039	-	474,494

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.6 Credit Risk Monitoring and Control

Credit Risk Mitigation

The Bank generally does not enter into a credit/financing commitment solely on the basis of collateral provided. All credit facilities/commitments are granted based on prior analysis of the credit standing of the borrower/counterparty with a legitimate credit purpose and a good debt servicing ability, and on the Bank's ability to adequately ring-fence the source(s) of repayment. Attention is also paid to ensure that the credit transaction is within BNM's directives on lending by an investment bank.

Collateral is taken whenever possible to mitigate the credit risk assumed, subject to the Bank's policies that govern the eligibility of collateral used for credit risk mitigation. Reliance on collateral when taken is carefully assessed in the light of issues such as legal certainty and enforceability, market valuation and counterparty risk of the guarantor. Recognised collaterals where relevant, include both financial and physical assets. Financial collaterals include cash deposits, shares and unit trusts, while physical collateral includes land and buildings and vehicles. Apart from financial collateral and physical collateral, the Bank as part of the RHB Banking Group adopts the Group's standards on the acceptance of guarantors as credit risk mitigants, where relevant.

Collateral is valued in accordance with the Bank's policy on collateral valuation, which prescribes the frequency of valuation for different collateral/securities types, based on liquidity and volatility of the collateral value and the underlying product or risk exposure. The value of collaterals/securities pledged is monitored periodically, analysed and updated concurrently during the annual/periodic renewal of facilities, as well as updated into the Bank's collateral system.

The Bank may also accept non-tangible securities as support, such as guarantees from individuals, corporates and institutions, bank guarantees, debenture and assignment of contract proceeds, subject to internal guidelines on eligibility. Currently, the Bank does not employ the use of derivative credit instruments or on-balance sheet netting to mitigate its credit exposures. Where possible, the Bank enters into International Swaps and Derivatives Association (ISDA) Master Agreement with its derivative and swap counterparties as the master agreement provides the legal certainty that the credit exposures between counterparties will be netted.

Equity securities or collaterals acquired arising from debt conversions are accounted for as disposal of the financing and acquisition of equity securities or investment properties. Any further impairment of the assets or business acquired is treated as an impairment of the relevant asset or business rather than as an impairment of the original instrument.

The Bank has established mechanism to monitor credit and market concentration within its credit mitigation.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.6 Credit Risk Monitoring and Control (continued)

The following tables show the credit risk mitigation of portfolios under the Standardised Approach as at 31 December 2015 compared with 31 December 2014:

Table 12a: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2015

RHB Investment Bank Group	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000
Exposure Class			
On-Balance Sheet Exposures			
Sovereigns & Central Banks	1,386,439	-	-
Public Sector Entities	-	-	-
Banks, Development Financial Institutions & MDBs	2,372,870	-	11,824
Insurance Cos, Securities Firms & Fund Managers	452,107	-	-
Corporates	3,310,944	251,717	1,767,643
Regulatory Retail	-	-	-
Residential Mortgages	783	-	-
Higher Risk Assets	30	-	-
Other Assets	1,662,452	-	-
Securitisation Exposures	-	-	-
Equity Exposures	99,775	-	-
Defaulted Exposures	198,721	-	18,944
Total On-Balance Sheet Exposures	9,484,121	251,717	1,798,411
Off-Balance Sheet Exposures			
OTC Derivatives	87,897	-	58
Off-balance sheet exposures other than OTC derivatives or credit derivatives	546,315	-	357,628
Defaulted Exposures	1,122	-	-
Total Off-Balance Sheet Exposures	635,334	-	357,686
Total On and Off-Balance Sheet Exposures	10,119,455	251,717	2,156,097

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.6 Credit Risk Monitoring and Control (continued)

Table 12b: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2014

RHB Investment Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000
On-Balance Sheet Exposures			
Sovereigns & Central Banks	1,798,542	-	-
Public Sector Entities	-	-	-
Banks, Development Financial Institutions & MDBs	2,676,882	-	111,119
Insurance Cos, Securities Firms & Fund Managers	82,386	-	-
Corporates	3,919,705	264,740	1,693,312
Regulatory Retail	-	-	-
Residential Mortgages	1,339	-	-
Higher Risk Assets	31	-	-
Other Assets	1,917,391	-	-
Securitisation Exposures	-	-	-
Equity Exposures	97,881	-	-
Defaulted Exposures	220,026	-	20,553
Total On-Balance Sheet Exposures	10,714,183	264,740	1,824,984
Off-Balance Sheet Exposures			
OTC Derivatives	396,312	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	257,667	-	160,521
Defaulted Exposures	-	-	-
Total Off-Balance Sheet Exposures	653,979	-	160,521
Total On and Off-Balance Sheet Exposures	11,368,162	264,740	1,985,505

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.6 Credit Risk Monitoring and Control (continued)

Credit Concentration Risk

The risk concentration refers to an exposure with the potential to produce losses that are substantial enough to threaten the financial condition of a banking institution. Risk concentrations can materialise from excessive exposures to a single counterparty or group of connected counterparties, a particular instrument or a particular market segment.

The Bank manages the diversification of its portfolio to avoid undue credit concentration risk. Credit concentration risk exists in lending/financing/exposures to single customer groups, borrowers/customers/counterparties engaged in similar activities, or diverse groups of borrowers/customers/counterparties that could be affected by similar economic or other factors. To manage this concentration risk, exposure limits are established for single borrowing/financing groups and industry segments. Analysis of any single large exposure and group of exposures is regularly conducted and the lending/financing units undertake regular account updates, monitoring and management of these exposures.

The Bank seeks to continually update financing, investment and treasury guidelines based on periodic reviews and updates of industry and sector risk factors and economic outlook. This facilitates better management of credit concentration risk.

Credit Monitoring and Annual Reviews

The Bank regularly monitors financing exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are generated for Senior Management, GCRC, BRC and Board, containing information on key environmental, political and economic trends across portfolios and countries, portfolio delinquency with major credit delinquency, and loan/financing impairment performance.

In addition to the on-going qualitative assessment by the account relationship managers, reviews are conducted at least once a year. Specific exposures may be reviewed more frequently under appropriate circumstances. Such circumstances may arise if, for instance, the Bank believes that heightened risk exists in a particular industry, or the borrower has defaulted on obligations to suppliers or other financial institutions or is facing cash flow or other difficulties.

Where relevant, Group Internal Audit conducts independent post-approval reviews on a sampling basis to ensure that the quality of credit appraisals and approval standards is in accordance with the credit standards and policies on lending/financing and investment established by the Bank's management or by laws and regulations.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing

The Bank adopts BNM's guidelines on Classification and Impairment Provisions for Loans/Financing. The principles in this guidelines are in line with those applicable under the International Financial Reporting Standards compliant framework, the Malaysia Financial Reporting Standards 139. As part of RHB Banking Group, the Bank adopts the Group's policy and guidelines on impairment allowances, where relevant.

The borrower/customer assessed under Impairment Allowances (IA) shall be classified as impaired under any one of the following situations:

1. When the principal or interest or both, of any facility(s) of the borrower/customer is past due for more than 90 days or 3 months.
2. In the case of revolving facilities (eg overdraft facilities), the borrower/customer of the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for a period of more than 90 days or 3 months.
3. Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, the loan exhibits weaknesses (refer to impairment trigger) that would render it to be classified as impaired.
4. Where repayments of the loans/financing are scheduled on intervals of 3 months or longer, the borrower/customer is classified as impaired as soon as a default occurs, unless the borrower/customer or the loan/financing does not exhibit any weakness (refer to impairment trigger) that would render it to be classified as impaired.
5. Upon occurrence of any one or more Mandatory Status Triggers (MSTs) or any two or more Ancillary Status Triggers (ASTs). These MSTs and ASTs are pre-defined trigger events approved by the Bank to facilitate impairment classification.

Note:

For R&R facilities, the borrower/customer shall be classified as impaired in accordance with paras 1 to 4 above based on the revised or restructured terms.

Individual Assessment – Impairment Triggers

For borrowers/customers (with threshold of RM5 million and above per borrower/customer) under individual assessment, the Bank performs impairment assessment when any one of the MSTs or any two of the ASTs events occurred. Consequently, these borrowers/customers will be classified as impaired even though no impairment allowance may be required after impairment assessment.

Individual Impairment Allowances

Borrowers/customers under individual assessment and triggered either by any one of the MSTs or any two of the ASTs will be classified as impaired. Consequently, impairment assessment is to be carried out on these impaired borrowers/customers, based on reasonable and well documented estimates of the future cashflows/realisations of collateral that is expected to recover from the impaired borrowers/customers ie net present value of future cashflows are discounted based on original effective interest rates and compared against carrying amount. Any impairment on the shortfalls will be provided in full immediately.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing (continued)

Collective Impairment Allowances

Collective impairment applies to all other accounts (impaired and non-impaired) that do not fall within the threshold of individual assessment. The impairment assessment for accounts under collective assessment are as follows:

1. Segmentation is applied to group of loans/financing, both impaired and non-impaired, based on similar credit risk characteristics, for the purpose of assessing impairment and computing historical default rates and loss rates.
2. Probability of default (PD) model is established with standard loss identification period (by months) and Point of No Return (by months in arrears). PD model adopted could either be migration analysis model or flow rate model. The approaches to migration analysis model could be either by way of outstanding balances or number of accounts.
3. Loss Given Default (LGD) model establishes loss rate at the point in time when the loss event occurred i.e., based on actual incurred loss model.

Re-classification and Recovery of Impaired Borrowers/Customers

An impaired borrower/customer may be re-classified as a non-impaired status under the following situations:

1. When the loan/financing repayment of the impaired borrower/customer has improved with the principal or interest/profit, or both, of its facilities with the Bank is being past due by 90 days or 3 months or less.
2. In the case of revolving facilities (e.g. overdraft facilities), the facility shall be re-classified as non-impaired where the overdue outstanding amount in excess of the approved limit has improved to 90 days or 3 months.
3. Where repayments of the loans are scheduled on intervals of 3 months or longer, the loan/financing is re-classified as non-impaired as soon as the overdue scheduled repayments are settled.

Write-Off of Impaired Loans/Financing

All loans/financing that satisfy any one of the following criteria, may be recommended for write-off:

1. Deemed irrecoverable, worthless and with slim prospect of recovery.
2. Waiver/discount already given under approved composite settlement schemes.
3. Abandoned project with no sign of revival. The definition of abandoned project must be in compliance with the definition stated under valuation for abandoned projects.
4. For retail and scored loans/financing, the write off may be expedited for those with ageing of 12 months and above, provided legal action has reached at least writ of summon filed.
5. In the case of credit card and unsecured personal financing, aging is 6 months and above and the write-off is automatic.

Partial write-offs of impaired loans/financing is permitted for the shortfall portion in outstanding balance over the security value which is uncollectible and worthless; and the Bank is in the final stage of realising the security/collateral; or in the case of approved composite settlement arrangement, the waiver portion. Further shortfall if any, arising from the disposal of all securities and upon receipt of the sale proceeds, shall be written off immediately.

This policy of impairment loans/financing write-off is intended to provide a timely and consistent methodology for loans/financing to be written-off and to reflect the true value of assets in the Bank's books.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing (continued)

The following tables show the Bank's impaired and past due loans and allowances by industry sector as at 31 December 2015 compared with 31 December 2014:

Table 13a: Impaired and Past Due Loans and Allowances for Impairment by Industry Sector as at 31 December 2015

RHB Investment Bank Group	Impaired Loans and Advances RM'000	Past Due Loans RM'000	Individual Impairment Allowances RM'000	Collective Impairment Allowances RM'000
Industry Sector				
Agriculture	-	-	-	179
Mining & Quarrying	-	-	-	-
Manufacturing	-	-	-	-
Electricity, Gas & Water Supply	-	-	-	-
Construction	27,137	-	2,223	1,097
Wholesale, Retail Trade, Restaurants & Hotels	-	-	-	-
Transport, Storage & Communication	-	-	-	-
Finance, Insurance, Real Estate & Business	88,415	-	7,488	566
Education, Health & Others	-	-	-	-
Household	2,590	-	2,590	408
Others	-	-	-	-
Total	118,142	-	12,301	2,250

Table 13b: Impaired and Past Due Loans and Allowances for Impairment by Industry Sector as at 31 December 2014

RHB Investment Bank Group	Impaired Loans and Advances RM'000	Past Due Loans RM'000	Individual Impairment Allowances RM'000	Collective Impairment Allowances RM'000
Industry Sector				
Agriculture	-	-	-	155
Mining & Quarrying	-	-	-	-
Manufacturing	-	-	-	-
Electricity, Gas & Water Supply	-	-	-	-
Construction	-	-	-	7,608
Wholesale, Retail Trade, Restaurants & Hotels	-	-	-	-
Transport, Storage & Communication	-	-	-	-
Finance, Insurance, Real Estate & Business	160,145	-	4,922	2,445
Education, Health & Others	-	-	-	-
Household	2,640	-	2,635	680
Others	-	-	-	-
Total	162,785	-	7,557	10,888

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing (continued)

The following table shows the charges/ (write-back) and write-offs for impairment by industry sector as at 31 December 2015 compared with 31 December 2014:

Table 14: Net Charges/(Write-back) and Write-Offs for Impairment by Industry Sector

RHB Investment Bank Group Industry Sector	Twelve Months Period Ended 2015		Twelve Months Period Ended 2014	
	Net Charges/ (Write-back) for Individual Impairment Allowances RM'000	Write-Offs RM'000	Net Charges/ (Write-back) for Individual Impairment Allowances RM'000	Write-Offs RM'000
Agriculture	-	-	-	-
Mining & Quarrying	-	-	-	-
Manufacturing	-	-	-	-
Electricity, Gas & Water Supply	-	-	-	-
Construction	2,223	-	(30,120)	-
Wholesale, Retail Trade, Restaurants & Hotels	-	-	-	-
Transport, Storage & Communication	-	-	-	-
Finance, Insurance, Real Estate & Business	2,565	-	(22,545)	(1,337)
Education, Health & Others	-	-	-	-
Household	1,563	(2,017)	2,634	(334)
Others	-	-	-	-
Total	6,351	(2,017)	(50,031)	(1,671)

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing (continued)

The following tables show the Bank's impaired and past due loans and allowances by geographical distribution as at 31 December 2015 compared with 31 December 2014:

Table 15a: Impaired and Past Due Loans and Allowances for Impairment by Geographical Distribution as at 31 December 2015

RHB Investment Bank Group Geographical Distribution	Impaired Loans and Advances RM'000	Past Due Loans RM'000	Individual Impairment Allowances RM'000	Collective Impairment Allowances RM'000
Malaysia	115,552	-	9,711	2,250
Singapore	681	-	681	-
Hong Kong	1,909	-	1,909	-
Indonesia	-	-	-	-
Thailand	-	-	-	-
Total	118,142	-	12,301	2,250

Table 15b: Impaired and Past Due Loans and Allowances for Impairment by Geographical Distribution as at 31 December 2014

RHB Investment Bank Group Geographical Distribution	Impaired Loans and Advances RM'000	Past Due Loans RM'000	Individual Impairment Allowances RM'000	Collective Impairment Allowances RM'000
Malaysia	160,151	-	4,922	10,888
Singapore	2,634	-	2,635	-
Hong Kong	-	-	-	-
Indonesia	-	-	-	-
Thailand	-	-	-	-
Total	162,785	-	7,557	10,888

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing (continued)

The following tables show the reconciliation of changes to loan impairment allowances as at 31 December 2015 compared with 31 December 2014:

Table 16: Reconciliation of Changes to Loan Impairment Allowances

RHB Investment Bank Group	2015 RM'000	2014 RM'000
Individual Impairment Allowance		
Balance as at the beginning of financial year	7,557	29,592
Transfer from financial Investments available for sale	-	29,666
Net allowance/(written back) made during the year	6,351	(50,031)
Amount written off	(2,017)	(1,671)
Exchange differences	410	1
Balance as at the end of financial year	12,301	7,557
RHB Investment Bank Group		
Collective Impairment Allowance		
Balance as at the beginning of financial year	10,888	7,629
Transfer from financial Investments available for sale	-	-
Net allowance/(written back) made during the year	(8,638)	3,259
Amount written off	-	-
Balance as at the end of financial year	2,250	10,888

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

7.0 SECURITISATION EXPOSURES

In the course of its business, the Bank has undertaken securitisations of its own originated assets, as well as its clients on asset securitisation exercises as part of its debt capital markets services for external clients. The Bank securitises its own assets primarily for capital management purposes.

The Bank undertakes the following roles in the securitisation activities (either singularly or in combination):

- Originator and servicer of securitised assets;
- Asset-backed securities marketing, syndication and trading;
- Structuring of the securitisation transaction;
- Provider of liquidity facilities to self-originated and third-party transactions; and
- Investor of third-party securitisations (where the Bank is not originator or sponsor).

Summary of Accounting Policies for Securitisation Activities

The accounting policies governing initial recognition, valuation and recognition of gains and losses governing financial assets are detailed in the Note A4 (Summary of Significant Accounting Policies/Financial Assets) and A17 (Summary of Significant Accounting policies/Impairment of Financial Assets) of the Statutory Financial Statements and Financial Services Acts.

ECAIs Used For Securitisation Process

In general, the Bank engages external credit assessment institutions such as RAM and MARC to assign credit ratings for securitisations of its own originated assets.

The table below shows the Securitisation exposures in the Banking Book as at 31 December 2015 compared with 31 December 2014:

Table 17: Disclosure on Securitisation Exposure in the Banking Book

RHB Investment Bank Group	Total Exposures Securitised		Impaired	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Underlying Assets				
Traditional Securitisation (Banking Book Exposure)				
Originated by the Bank				
Collateralised Loan Obligation (Corporate Loans)	-	-	57,961	57,961
Total	-	-	57,961	57,961

Capital Treatment for Securitisation Exposures

The Bank applies the Standardised Approach to calculate the credit risk capital requirements in accordance with BNM's Guideline.

The Bank do not have any net exposure after CRM for securitisation in its Banking Book during the financial years 2015 and 2014. The Bank also do not have any securitisation exposure in its Trading Book.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

8.0 MARKET RISK

Market risk is the risk of loss arising from adverse movements in market indicators, such as interest rates, credit spreads, equity prices, currency exchange rates and commodity prices.

Market risk is segregated into trading market risk and non-trading market risk. Trading market risk arises from changes in interest rates, foreign exchange rates, equity prices and credit spreads on the value of assets held for trading, while non-trading market risk arises from changes in interest rates, foreign exchange rates and equity prices, of which the main non-trading market risk is interest rate risk arising from re-pricing mismatches of its assets and liabilities from its banking activities.

The Bank transacts into financial instruments such as investment papers, equities and financial derivative instruments. Derivative instruments are contracts whose characteristics and value are derived from underlying financial instruments, interest rates, exchange rates, or indices. They include futures, forwards, swaps, and options transactions in the foreign exchange and interest rate markets. Derivative contracts entered into by the Bank are primarily over the counter derivatives.

The Bank has an established Group Trading Book Policy Statement as guidance for market risk management. This is reviewed regularly at least once a year, and/or upon change in strategy or significant event that has a material impact on policy compliance.

The Group Asset and Liability Committee (Group ALCO) performs a critical role in the management of market risk and supports the BRC in the overall market risk management. Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of market risk; this includes the development of the Bank's market risk strategy, market risk management structure and the policies as well as measurement techniques to be put in place.

The Group Market Risk Management within Group Risk Management is the working level that forms a centralised function to support Senior Management to operationalise the processes and methods, to ensure adequate risk control and oversight are in place.

Market Risk Assessment

The Bank applies risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk (VaR), sensitivity analysis and stress testing.

The Bank adopts a systematic approach in managing these risks by types of instruments and nature of exposure. Market risk is primarily monitored and controlled via a structure of limits and triggers i.e. cut loss, VaR, trading and notional limit set in accordance with the size of positions and risk tolerance appetites.

In addition, the Bank conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

Market Risk Monitoring and Reporting

For effective control of market risk, defined management action triggers and risk limits are established and actively monitored. Only authorised trading activities may be undertaken by the specific business units within the allocated limits. All trading positions are monitored independently on a daily basis and in accordance to the established escalation procedures and the key actions to be undertaken.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

8.0 MARKET RISK (CONTINUED)

Hedging Activities

Hedging activities designated for hedge accounting are governed by the Bank's Hedging Policy that prescribes the overall hedge activities that can be executed by the Bank and the subsequent control procedures such as effectiveness measurement and reporting to Group ALCO.

A hedge is defined as a position that materially or entirely offsets the component risk elements of another position or portfolio.

Hedging instruments used to mitigate these risks include derivatives such as options, futures, forwards and swaps that are approved by the Board. Execution of the hedging is carried out by the relevant division through the Bank's treasury functions with the approval of Group ALCO.

Capital Treatment for Market Risk

The Bank applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for RHB Investment Bank Group and RHB Investment Bank as at 31 December 2015 and 31 December 2014 are shown in the tables below:

Table 18a: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2015

RHB Investment Bank Group	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Market Risk				
Interest Rate Risk	2,001,557	2,045,522	18,701	1,496
Equity Position Risk	112,424	91,123	125,208	10,017
Foreign Currency Risk	339,490	163,682	339,490	27,159
Options Risk	53,319	86,239	95,006	7,600
Total			578,405	46,272
RHB Investment Bank				
Market Risk				
Interest Rate Risk	2,001,557	2,045,522	18,701	1,496
Equity Position Risk	93,477	86,793	45,987	3,679
Foreign Currency Risk	314,404	158,152	314,404	25,152
Options Risk	53,319	81,909	90,348	7,228
Total			469,440	37,555

Note:

1. For year 2015, RHB Investment Bank Group and RHB Investment Bank did not have any exposures under Commodity or Inventory Risk.
2. For the Equity Position risk, the position is computed based on net long and net short position.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

8.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk (continued)

Table 18b: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2014

RHB Investment Bank Group	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Market Risk				
Interest Rate Risk	3,448,608	3,456,266	66,407	5,313
Equity Position Risk	61,853	38,746	147,915	11,833
Foreign Currency Risk	189,487	49,836	189,487	15,159
Options Risk	49,724	44,053	112,856	9,028
Total			516,665	41,333
RHB Investment Bank				
Market Risk				
Interest Rate Risk	3,435,084	3,456,266	51,530	4,123
Equity Position Risk	48,463	33,960	63,965	5,117
Foreign Currency Risk	49,002	58,839	58,839	4,707
Options Risk	49,724	39,267	110,042	8,803
Total			284,376	22,750

Note:

1. For year 2014, RHB Investment Bank Group and RHB Investment Bank did not have any exposures under Commodity or Inventory Risk.
2. For the Equity Position risk, the position is computed based on net long and net short position.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

9.0 EQUITY EXPOSURES IN THE BANKING BOOK

Equity risk is the risk of decline in the net realisable value of investment assets arising from adverse movements in market prices or factors specific to the investment itself. The Bank holds positions as a result of debt equity conversions and for socio-economic and non socio-economic purposes, which are deemed as non-trading instruments.

Holding of publicly traded equity investments comprise quoted shares which are traded actively in the stock exchange. All publicly traded equity exposures are stated at fair value. Privately held equities are unquoted investments and stated at cost-adjusted for impairment loss, if any.

For debt equity conversions, the Bank has established a Policy on Debt & Equity Instruments that governs the management of such exposures to ensure that these exposures are effectively managed and accounted for in the Bank's books.

For regulatory capital purpose, the Bank adopts the Standardised Approach to calculate the risk-weighted exposures.

The risk-weighted assets of equity investments of the Bank as at 31 December 2015 and 31 December 2014 are shown in the tables below:

Table 19: Equity Exposures in the Banking Book

RHB Investment Bank Group Equity Type	Gross Credit Exposures		Risk-Weighted Assets	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Publicly traded				
Holdings of equity investments	1,635	1,634	1,635	1,634
Privately held				
For socio economic purposes	24,021	22,582	24,021	22,355
For non socio economic purpose	74,119	74,119	74,119	74,119
Total	99,775	98,335	99,775	98,108

Note:

For year 2015 and 2014, the Bank did not make any material gains or losses from the sale or liquidation of the equity exposures.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

10.0 LIQUIDITY RISK

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

There are two types of liquidity risk, namely funding liquidity and market liquidity risk. Funding liquidity risk is the risk that the Group is unable to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group. Market liquidity risk is the risk that the Group cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

The primary role of a bank in terms of financial intermediation is the transformation of short-term deposits into long-term financing. By fulfilling the role of maturity transformation, banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risk.

Through the Group's Liquidity Risk Policy, the Bank manages the funding and market liquidity risk to ensure that banking operations continue uninterrupted under normal and stressed conditions. The key objective that underpins the Group's Liquidity Risk Policy includes maintaining financial market confidence at all times, protecting key stakeholders' interests and meeting regulatory liquidity requirements.

The Group ALCO supports the BRC by performing the critical role in the management of liquidity risk, and is responsible for establishing strategies that assist in controlling and reducing any potential exposure to liquidity risk. The Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of liquidity risk and the Bank's balance sheet profile. Global and domestic economic data, information and events are deliberated at the Group ALCO meetings which enables the Bank to determine its actions and reactions in the capital markets. The Group ALCO is also the governance body which sets interest rates for liabilities products as well as reference rates for financing products and services. Group ALCO is supported by Group Asset and Liability Management (Group ALM) at the working level. Group ALM monitors liquidity risk limits/Management Action Triggers (MATs) and reports to Group ALCO the liquidity risk profile on monthly basis.

The liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions. Some of the key liquidity risk management tools are top depositors' mixture, funding source mixture, maturity profile of funding sources, and contingency funding lines.

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

The Group's Liquidity Incident Management Procedure establishes guidelines for managing liquidity crisis, identifying early warning signs of a possible liquidity event and the need for heightened liquidity risk monitoring and reduced liquidity risk exposure. In addition, it also identifies the individuals responsible for formulating and executing the Bank's response to a liquidity event. The Group's Liquidity Incident Management Procedure also covers the entire Group's operations including foreign branch operations.

BASEL II

PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

11.0 INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk in the banking book refers to the risk to the Group's earnings and economic value of equity due to the adverse movements in interest rate. The risk may arise from the mismatches in the timing of repricing of assets and liabilities from both on and off-balance sheet positions in the banking book, changes in slope and shape of the yield curve, basis risk and optionality risk.

Interest rate risk in the banking book comprises:

- Re-pricing risk (mismatch risk) – Arises from timing differences in the maturity (for fixed-rate) and re-pricing (for floating-rate) of bank assets, liabilities, and off-balance sheet positions. While such re-pricing mismatches are fundamental to the business of banking, they can expose a bank's income and underlying economic value to unanticipated fluctuations as interest rates vary;
- Basis risk – Arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics. When interest rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities and off-balance sheet instruments of similar maturities or re-pricing frequencies;
- Yield curve risk – Arises when unanticipated shifts of the yield curve have adverse effects on the Group's income or underlying economic value; and
- Embedded optionality – Arises primarily from options that are embedded in many banking book positions (eg some fixed rate mortgage products give borrowers the option to prepay the loan early without penalty, call deposit, where customers have the option of withdrawing the deposit funds at any time).

Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) are used to assess interest rate risk in the banking book. They are computed based on the re-pricing gap profile of the banking book using BNM's standard template. Assets and liabilities are bucketed based on their remaining tenure to maturity or next re-price dates. The measurement of EaR and EVE is conducted on a monthly basis.

The Group ALCO supports BRC in establishing policies, strategies and limits for the management of balance sheet risk exposure. The Group ALM within Group Risk Management supports the Group ALCO in the monthly monitoring and reporting of the interest rate risk profile of the banking book. The primary objective in managing balance sheet risk is to manage the net interest income and economic value of equity, as well as to ensure that interest rate risk exposures in the banking book are maintained within defined risk tolerances.

In addition, the Group ALM Policy is established to provide for the governance of interest rate risk in the banking book. Interest rate sensitivity triggers are applied on earnings for the respective profit centres within the Bank. The Bank regularly considers the economics and necessity of increasing or reducing its interest rate risk hedges.

In line with the Group ALM Policy to achieve a balance between profitability from banking activities and minimising risk to earnings and capital from changes in interest rates, interest rate risk to earnings is controlled using MATs and identified escalation procedures.

Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating proactive management of interest rate risk in the banking book in an environment of rapid financial market changes.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

11.0 INTEREST RATE RISK IN THE BANKING BOOK (CONTINUED)

The impact of changes in interest rates to net earnings and economic value as at 31 December 2015 and 31 December 2014 are shown in the following tables:

Table 20a: Interest Rate Risk in the Banking Book as at 31 December 2015

RHB Investment Bank Group	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings RM'000		Increase/(Decline) in Economic Value RM'000	
	Impact based on +100 basis points	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
Currency				
MYR – Malaysian Ringgit	(21,639)	21,639	(88,366)	88,366
USD – US Dollar	(2,658)	2,658	(4,855)	4,855
Others ¹	(1,830)	1,830	(17,006)	17,006
Total	(26,127)	26,127	(110,227)	110,227

Note:

1. Inclusive of GBP, EUR, SGD, etc.

Table 20b: Interest Rate Risk in the Banking Book as at 31 December 2014

RHB Investment Bank Group	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings RM'000		Increase/(Decline) in Economic Value RM'000	
	Impact based on +100 basis points	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
Currency				
MYR – Malaysian Ringgit	(33,832)	33,832	(129,802)	129,802
USD – US Dollar	(780)	780	(1,747)	1,747
Others ¹	(1,133)	1,133	(8,597)	8,597
Total	(35,745)	35,745	(140,146)	140,146

Note:

1. Inclusive of GBP, EUR, SGD, etc.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

11.0 INTEREST RATE RISK IN THE BANKING BOOK (CONTINUED)

The impact to net earnings above represents financial assets and liabilities that have been prepared on the following basis:

- Interest rate sensitive assets and liabilities with residual maturity or re-pricing tenure of up to one year that is not captured in the trading portfolio are slotted into time bands based on the maturity or re-pricing tenure whichever is earlier.
- A set of risk weights with its respective time band is used to project the applicable basis point interest rate change impact.
- For assets and liabilities with non-fix maturity, certain assumptions are made to reflect the actual sensitivity behaviour of interest bearing items.

Economic value is characterised by the impact of interest rate changes on the value of all net cash flows, i.e., the effect on the economic value of the Group's assets, liabilities and off-balance sheet positions. This provides a more comprehensive view of the potential long-term effects of changes in interest rates than is offered by the earnings perspective.

The scenarios used are based on the assumption that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables.

12.0 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT, legal and Shariah non-compliance risk but excludes strategic and reputational risk. Operational risk is inherent in the Bank's operations and can never be eliminated entirely. The impact can be in the form of actual financial loss as well as non-financial loss such as loss of reputation, non-compliance and unsatisfactory service level to customers.

One of the Bank's primary safeguards against operational risk is the existence of a sound internal control system, based on the principle of dual control checks and balances, segregation of duties, independent checks and verification processes, and a segmented system access control and authorisation process. These controls are documented through a set of policies and procedures at the respective business and operation.

The Group's Operational Risk Management Framework comprises a wide range of activities and elements, broadly classified into:

- Analysis and Enhancement – The Group has implemented a Basel II compliant operational risk management system to support its workflow and analytical capabilities.
- Education and Awareness – The Group undertakes change management activities to improve risk management knowledge, culture and practices of the Bank personnel. This is aligned with the principle and requirement that the front-line business and support units of the Group, are by nature of their direct involvement in interfacing with customers and in operating the business, responsible for managing operational risk and acting as the first line of defence.
- Monitoring and Intervention – This is where the principal head office risk control units, including the risk management function, compliance function and the internal audit function, actively manage operational non-compliances and incidences as a second and third line of defence respectively. The second line of defence also undertakes recovery actions, including business continuity measures in cases of incidents causing disruption to business activities.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

12.0 OPERATIONAL RISK (CONTINUED)

Operational Risk Management Function and Organisation

The Group Operational Risk Management within Group Risk Management has functional responsibility for the development of operational risk framework, policy and methodologies, and providing guidance and information to the business units on operational risk areas. Its responsibility also includes generating a broader understanding and awareness of operational risk issues at all levels in the Group. It also ensures that operational risks from new products, processes and systems are adequately managed and mitigated. The respective business units are primarily responsible for managing operational risk on a day-to-day basis.

Regular operational risk reporting is made to the Senior Management, the GCRC, BRC and the Board. These reports include various operational risk aspects such as reporting of significant operational loss and Shariah non-compliance events. Such reporting enables Senior Management to identify adverse operational lapses, take prompt corrective actions, and ensure appropriate risk mitigation decision making and action plans.

Operational Risk Management Processes and Tools

The Bank applies a defined operational risk management process in managing operational risk to enable an institutional and transparent operational risk management practice. The five (5) processes are as follows:

1. Establish the context;
2. Risk identification;
3. Risk analysis;
4. Risk mitigating; and
5. Risk monitoring.

The Bank uses relevant operational risk tools and methodologies to support and ensure an effective operational risk management process. The following ORM tools are being used:

- Risk and Control Self-Assessment (RCSA)

RCSA is a methodology to build risk profile for each business and support unit. RCSA sets out a structured process for the identification and assessment of inherent operational risk, the effectiveness of the control environment, and the adequacy of the risk mitigation in place. The RCSA process is facilitated by the business and support units themselves jointly with personnel from Group Operational Risk Management.

- Key Risk Indicators (KRI)

KRI is a measurable indicator utilised to track and monitor key operational risk exposures. KRI serves as an early warning signal; once a risk indicator exceeds the predefined threshold, a warning message is sent to a predefined list of users. Business and support units are required to monitor their risk exposures via KRIs and are required to develop specific and concrete plans to address those where indicators are unfavourable. KRIs are embedded into critical processes to provide early warning signals of increasing risk and/or control failures by flagging up frequencies of events as a mechanism for continuous risk assessment and monitoring.

- Incident Management and Loss Data Collection (IMLDC)

IMLDC provides structured process for the management of operational risk incidents that have occurred, from the point of discovery until resolution. Business and functional units are required to report all incidences within defined reporting timeline operational losses for further analysis of root cause to avoid further recurrence. This is also be useful for reviewing the effectiveness of the RCSA and KRIs.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

12.0 OPERATIONAL RISK (CONTINUED)

Risk Mitigation and Controls

Risk mitigation strategies are used to minimise risk to an acceptable level and aim to decrease the likelihood of an undesirable event and the impact on the business, should it occur. The control tools and techniques, amongst others, are as follows:

- Business Continuity Management

To mitigate the impact of unforeseen operational risk events, the Bank has on-going and actively managed Business Continuity Planning (BCP) programmes for its major critical business operations and activities at the Head Office, data centre, and branches' locations. The BCP programmes are subject to regular testing to ensure efficacy, reliability and functionality, and come under the responsibility of the Business Continuity Management Department.

The Board of Directors has an oversight function through the BRC and GMC. The Group Business Continuity Steering Committee (GBCSC) is the committee that oversees the Bank's business continuity framework, policies, budget and plans. The GBCSC reports to the GCRC.

- Outsourcing

With the increasing need to outsource for cost and operational efficiency, the Group's Policy on Outsourcing of Operations and Services ensures that the risk arising from outsourcing activities is adequately identified, assessed and managed prior to entering into any new arrangements and on an on-going basis.

- Insurance Management

The Bank considers risk transfer by means of insurance to mitigate operational risk. The Bank has a programme of insurance designed to reduce its exposure to liability and to protect its assets. The Bank purchases insurance from leading insurers in the market covering fraud, theft, property and casualty, business disruption, liability and other risks for which it may be held responsible. These are provided by third-party insurers providers and will financially mitigate the economic consequences of risks.

Technology Risk

Technology Risk refers to the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise.

The Bank recognises the risk arising from the advancement and reliance upon information technology to support business operations through the deployment of advance technology and online systems to provide customers with convenient and reliable products and services. The Group's Technology Risk Management Framework ensures that a governance structure is in place for the identification, assessment and management of technology risks within existing IT operations as well as prior to deployment of applications and systems for internal as well as external customers.

New Product and Services Approval Process

The Group has established a Policy on Product Development and Approval and Guidelines on Introduction of New/Variation of Products & Services Lifecycle which governs the risk management of new products, services, or significant changes thereto. The responsible units have a duty to assess the operational risk for new product launches and/or significant changes in product features or related processes and working systems, as well as to ensure that operational risk is at an acceptable level at all times.

Legal Risk

Legal risk is part of operational risk. It can arise from unenforceable, unfavourable, defective or unintended contracts; lawsuits or claims; developments in laws and regulations, or non-compliance with applicable laws and regulations. Business units work together with the Bank's legal counsel and external legal counsel to ensure that legal risk is effectively managed.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

12.0 OPERATIONAL RISK (CONTINUED)

Capital Treatment for Operational Risk

Currently, the Bank adopts the Basic Indicator Approach for the calculation of regulatory operational risk capital requirements. The operational risk-weighted assets and the corresponding capital requirements for RHB Investment Bank Group and RHB Investment Bank as at 31 December 2015 and 31 December 2014 are shown below:

Table 21: Operational Risk-Weighted Assets and Minimum Capital Requirements

Operational Risk	RHB Investment Bank Group		RHB Investment Bank	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Risk-Weighted Assets	2,083,014	1,561,132	1,204,734	992,064
Minimum Capital Requirements	166,641	124,891	96,379	79,365

13.0 COUNTRY CROSS-BORDER RISK

Country cross-border risk is the risk that the Bank will be unable to obtain payment from customers or third-parties on their contractual obligations as a result of certain actions taken by foreign governments.

Cross-border assets comprise loans/financing and advances, interest bearing deposits/placements with other banks, trade and other bills, acceptances, derivatives, certificates of deposit and other negotiable instruments, investment securities and other formal commitments where the counterparty is resident in a country other than where the assets are recorded. Cross-border assets also include exposures to local residents denominated in currencies other than the local currency.

The Bank is guided by the Group Guidance on Cross-Border Business, particularly on ethics in business practices, key success factors in managing such business, and the internal control measures which are essential to provide adequate protection to its customers as well as the Bank's interest, thus reducing the risks associated with business activities.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

14.0 REPUTATIONAL RISK

Reputational risk is the risk that negative publicity regarding the conduct of the Bank or any of the entities within the Group, and its business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures. It also undermines public confidence in the Group, affecting the share price.

Reputation, being largely based on people's perception and expectations, is intangible in nature and thus cannot be easily analysed or quantified. Hence, an integral component of reputational risk management is to understand and meet the expectations of stakeholder.

The stakeholders who are critical to the Group are mainly our customers, employees, and shareholders; others may include regulators, strategic partners, suppliers, outsourced service providers, and counterparties. The ability to maintain the expectations of these stakeholders would contribute significantly in the dynamic context of future strategy towards managing competition and achieving corporate goals.

Reputational risk in the Bank is managed and controlled through codes of conduct, governance practices and risk management practices, policies, procedures and training. Towards this end, the Group has developed and implemented a Reputational Risk Management Policy.

The key elements for management of reputational risk include:

- Prompt and effective communication with all stakeholders;
- Strong and consistent enforcement of controls relating to governance, business and legal compliance;
- Continuous monitoring of threats to reputation;
- Ensuring ethical practices throughout the Group; and
- Establishing crisis management plans and ensuring these are continuously updated.

For the Bank's overseas operations, it is the responsibility of the Country Heads to promote awareness and application of the Bank's policy and procedures regarding reputational risk, in all dealings with customers, potential investors and host regulators.

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

15.0 FORWARD LOOKING STATEMENTS

This document could or may contain forward looking statements that are based on current expectations as well as assumptions or anticipation of future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts, and often use words such as anticipate, target, expect, estimate, intend, plan, believe, will, may, should, would, could or other words of similar expressions.

Undue reliance should not be placed on any of such statements. By their nature, forward looking statements are subject to risks and uncertainty because they relate to future events and circumstances, including, but not limited to domestic and global economic and business conditions, the effects of continued volatility in the credit markets, market-related risks such as changes in interest rates and exchange rates, changes in regulation, and future business combinations or dispositions. As a result, the Bank's actual future results may differ materially from the plans, goals, and the expectations contained in the forward looking statements.

The Bank undertakes no obligation to revise or update any forward looking statements contained in this document, regardless of whether these statements are affected as a result of new information, future events or otherwise.

GLOSSARY OF TERMS

TABLE 22	GLOSSARY OF TERMS
AMA	Advanced Measurement Approach
BCC	Board Credit Committee
BCM	Business Continuity Management
BCP	Business Continuity Planning
BIA	Basic Indicator Approach
BNM	Bank Negara Malaysia
Board/BOD	Board of Directors
CCR	Counterparty Credit Risk
CET	Common Equity Tier
CLO	Collateralised Loan Obligation
CRM	Credit Risk Mitigation
EAD	Exposure at Default
EAM	Enhanced Account Monitoring
EaR	Earnings-at-Risk
ECAIs	External Credit Assessment Institutions
EUR	Euro Dollar
EVE	Economic Value of Equity
Fitch	Fitch Ratings
GBCSC	Group Business Continuity Steering Committee
GBP	Pound Sterling
GCC	Group Credit Committee
GCRC	Group Capital and Risk Committee
GIUC	Group Investment & Underwriting Committee
GMC	Group Management Committee
Group ALCO	Group Asset and Liability Committee
Group ALM	Group Asset and Liability Management
ICAAP	Internal Capital Adequacy Assessment Process
IMA	Internal Models Approach
IMLDC	Incident Management and Loss Data Collection
ISDA	International Swaps and Derivatives Association
KRI	Key Risk Indicators
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default

BASEL II PILLAR 3 DISCLOSURES (continued)

as at 31 December 2015

TABLE 22	GLOSSARY OF TERMS
MARC	Malaysian Rating Corporation Berhad
MATs	Management Action Triggers
MDBs	Multilateral Development Banks
Moody's	Moody's Investors Service
MYR	Malaysian Ringgit
NIFs	Notes Issuance Facilities
NSFR	Net Stable Funding Ratio
OTC	Over-the-Counter
PD	Probability of Default
R&I	Rating and Investment Information, Inc
RAM	Rating Agency Malaysia
RCSA	Risk and Control Self-Assessment
RM'000	Malaysian Ringgit in nearest thousand
RWA	Risk-Weighted Assets
S&P	Standard & Poor's
SA	Standardised Approach
SBU	Strategic Business Units
SFUs	Strategic Functional Units
SGD	Singapore Dollar
TSA	The Standardised Approach
VaR	Value-at-Risk

GROUP BRANCH NETWORK

INVESTMENT BANKING

MALAYSIA

CENTRAL REGION 1

Principal Office

Level 3A, Tower One
RHB Centre, Jalan Tun Razak
50400 Kuala Lumpur
Tel : 603 9280 2374
Fax : 603 9284 8053

Branches

Bentong

Tingkat Bawah dan Tingkat Satu
98 Jalan Pasdec
28700 Bentong, Pahang
Tel : 609 223 4943
609 223 4948

Kepong

No. 62, 62-1 and 64
Vista Magna, Jalan Prima
Metro Prima
52100 Kuala Lumpur
Tel : 603 6257 5869

Kuala Lumpur Main

Tingkat 12, 20 (sebahagian)
8 & 21, Plaza OSK, Jalan Ampang
50450 Kuala Lumpur
Tel : 603 2333 8333
(General Line)
Fax : 603 2175 3209

Pandan Indah

No. 5 & 7, Jalan Pandan Indah 4/33
Pandan Indah
55100 Kuala Lumpur
Tel : 603 4280 4798

Seri Petaling

Ground, First, Second & Third Floor
No. 55, Zone J4, Jalan Radin Anum
Bandar Baru Seri Petaling
57000 Kuala Lumpur
Tel : 603 9058 7222

CENTRAL REGION 2

Supervisory Office

SS2, Petaling Jaya
24, 24M, 24A, 26M, 28M, 28A,
30, 30M & 30A,
Jalan SS2/63
47300 Petaling Jaya
Selangor
Tel : 603 7873 6366
Fax : 603 7873 6566

Branches

Kajang

No. 37, Jalan Semenyih
43000 Kajang, Selangor
Tel : 603 8736 3378

Klang

Tingkat Bawah & Tingkat Mezanin
No. 87 & 89, Jalan Susur
Pusat Perniagaan NBC
Batu 1 1/2, Jalan Meru
41050 Klang, Selangor
Tel : 603 3343 9180

Rawang

First Floor, 10 & 11
Jalan Maxwell
48000 Rawang, Selangor
Tel : 603 6092 8916

USJ Taipan

Unit 1B & 2B, USJ 10/1J
47610 UEP Subang Jaya, Selangor
Tel : 603 8022 1888

EAST COAST REGION

Supervisory Office

Kuantan
B32 & B34, Lorong Tun Ismail 8
Seri Dagangan II
25000 Kuantan, Pahang
Tel : 609 517 3811
Fax : 609 517 3911

Branches

Kemaman

Tingkat 1, No. 11289 & 11290
Bandar Cukai Utama, Phase 3
Jalan Kubang Kurus
24000 Kemaman, Terengganu
Tel : 609 850 2730

Kota Bharu

No. 3953-H, Tingkat Bawah & Tingkat
Satu
PT 225, Jalan Kebun Sultan
15350 Kota Bharu, Kelantan
Tel : 609 743 0077
609 748 2277

Kuala Terengganu

1st Floor, 59
Jalan Sultan Ismail
20200 Kuala Terengganu
Terengganu
Tel : 609 626 1816

GROUP BRANCH NETWORK (continued)

INVESTMENT BANKING

MALAYSIA

NORTHERN REGION 1

Supervisory Office

Penang

No. 64 & 64-D
Tingkat Bawah – Tingkat 3
& Tingkat 5 – Tingkat 8
Lebuh Bishop
10200 Pulau Pinang
Tel : 604 263 4222
Fax : 604 262 2299

Branches

Bayan Baru

No.15-G-5, 15-G-6, 15-1-5
15-1-6, 15-2-5, 15-2-6 & 15-2-24
Bayan Point Medan Kampung Relau
11950 Pulau Pinang
Tel : 604 640 4888

Parit Buntar

No. 1 & 3, First Floor
Jalan Wawasan Satu
Taman Wawasan Jaya
34200, Parit Buntar
Perak
Tel : 605 717 0888

NORTHERN REGION 2

Supervisory Office

Butterworth

Aras Bawah, 1 & 2
2677, Jalan Chain Ferry
Taman Inderawasih
13600 Prai
Pulau Pinang
Tel : 604 390 0022
Fax : 604 390 0023

Branches

Alor Setar

214-A, 214-B, 215-A dan 215-B
Medan Putra, Jalan Putra
05150 Alor Setar, Kedah
Tel : 604 720 9888

Bukit Mertajam

Tingkat Bawah, Tingkat Satu &
Tingkat Dua
No. 11A, Jalan Keranji
Off Jalan Padang Lallang
14000 Bukit Mertajam
Pulau Pinang
Tel : 604 540 2888

Kangar

Tingkat Bawah & Tingkat Satu
No.39, Taman Suriani
Persiaran Jubli Emas
01000 Kangar, Perlis
Tel : 604 979 3888

Kulim

Tingkat Bawah & Tingkat Satu
No.39, Taman Suriani
Persiaran Jubli Emas
01000 Kangar, Perlis
Tel : 604 496 4888

Sungai Petani

No. 112, Jalan Pengkalan
Taman Pekan Baru
08000 Sungai Petani, Kedah
Tel : 604 420 4888

NORTHERN REGION 3

Supervisory Office

Ipoh

21-25, Jalan Seenivasagam
Greentown, 30450 Ipoh
Perak
Tel : 605 241 5100
Fax : 605 255 3903

Branches

Cameron Highlands

Tingkat Bawah dan Tingkat Satu
No. 76-A, Persiaran Camelia 4
Tanah Rata
39000 Cameron Highlands
Pahang
Tel : 605 491 4913

Kampar

Tingkat Bawah dan Tingkat Satu
No. 72, Jalan Idris
31900 Kampar, Perak
Tel : 605 467 1801
605 467 1802

Sitiawan

Tingkat Bawah dan Tingkat Satu
No. 23 & 25, Jalan Lumut
32000 Sitiawan, Perak
Tel : 605 692 1228

Taiping

Tingkat Bawah
No. 40, 42 & 44
Jalan Berek, 34000 Taiping
Perak
Tel : 605 808 8229

Teluk Intan

No. 17, Jalan Intan 2
Bandar Baru
36000 Teluk Intan
Perak
Tel : 605 623 6498

GROUP BRANCH NETWORK (continued)

INVESTMENT BANKING

MALAYSIA

SOUTHERN REGION 1

Supervisory Office

Johor Bahru

Tingkat 6, Wisma Tiong-Hua
8, Jalan Keris, Taman Sri Tebrau
80050 Johor Bahru, Johor
Tel : 607 278 8821
Fax : 607 278 8011

Branches

Kulai

Tingkat Bawah, Tingkat Satu &
Tingkat Dua
No. 10, Jalan Anggerik 1
Taman Kulai Utama
81000 Kulai, Johor
Tel : 607 662 6288

Sutera Utama

Tingkat Bawah dan Tingkat Satu
No. 119 dan 121, Jalan Sutera
Tanjung 8/2
Taman Sutera Utama
81300 Skudai, Johor
Tel : 607 557 7066

Taman Molek

Tingkat Bawah
Tingkat 1 dan Tingkat 2
Nos. 21 dan 23, Jalan Molek 1/30
Taman Molek
81100 Johor Bahru, Johor
Tel : 607 352 2293

SOUTHERN REGION 2

Supervisory Office

Batu Pahat

53, 53-A & 53-B, Jalan Sultanah
83000 Batu Pahat, Johor
Tel : 607 438 0288
Fax : 607 438 0277

Branches

Kluang

Tingkat Bawah dan Tingkat Satu
No. 40, Jalan Haji Manan
86000 Kluang, Johor
Tel : 607 776 9655

Muar

No. 33-1, Tingkat 1 & Tingkat 2
(Unit Penjuru), Jalan Ali
84000 Muar, Johor
Tel : 606 953 8262

SOUTHERN REGION 3

Supervisory Office

Melaka 1

No. 19, 21 & 23
Jalan Merdeka
Taman Melaka Jaya
75000 Melaka
Tel : 606 283 3622
Fax : 606 281 9271

Branches

Labis

No.2, Tingkat 1
Jalan Makmur
Taman Sri Aman
85300 Labis, Johor
Tel : 607 9256 881
607 9256 884
607 9256 887
607 9256 890

Segamat

Tingkat Bawah
Tingkat 1 & Tingkat 2
No. 3, Jalan Susur Utama 2/1
Taman Utama
85000 Segamat, Johor
Tel : 607 932 1543

Tangkak

Tingkat Bawah
Tingkat 1 & Tingkat 2
No. 343, Jalan Muar
84900 Tangkak, Johor
Tel : 606 978 7180

GROUP BRANCH NETWORK (continued)

INVESTMENT BANKING

MALAYSIA

SOUTHERN REGION 4

Supervisory Office

Melaka 2

579, 580 dan 581
Taman Melaka Raya
75000 Melaka
Tel : 606 282 5211
Fax : 606 284 4871

Branches

Port Dickson

Tingkat Bawah & Tingkat Mezanin
No. 346 & 347
Batu ½ Jalan Pantai
71000 Port Dickson
Negeri Sembilan
Tel : 606 646 1234

Seremban

Tingkat Bawah
Tingkat 1 & Tingkat 2
No 32 & 33
Jalan Dato' Bandar Tunggal
70000 Seremban
Negeri Sembilan
Tel : 606 764 1641

SABAH REGION

Supervisory Office

Kota Kinabalu

2nd Floor, 81 & 83 Jalan Gaya
88000 Kota Kinabalu, Sabah
Tel : 6088 269 788
Fax : 6088 260 910

Branch

Sandakan

Tingkat Bawah
Block 2, Lot 4 & Lot 5
Bandar Indah, Batu 4
North Road
91000 Sandakan, Sabah
Tel : 6089 229 286
6089 229 326
6089 222 275
6089 212 684

SARAWAK REGION

Supervisory Office

Kuching

Yung Kong Abell
Units No, 1-10, 2nd Floor
Lot 365, Section 50
Jalan Abell
93100 Kuching, Sarawak
Tel : 6082 422 252
Fax : 6082 240 955

Branches

Bintulu

Tingkat Bawah dan Tingkat 1
No. 221, Parkcity Commerce Square
Phase III, Jalan Tun Ahmad Zaidi
97000 Bintulu, Sarawak
Tel : 6086 311 770

Miri

Tingkat Dua
Lot 1268 dan Lot 1269
Centre Point Commercial Centre
Jalan Melayu
98000 Miri, Sarawak
Tel : 6085 422 788

Sibu

No. 102, Pusat Pedada
Jalan Pedada
96000 Sibu, Sarawak
Tel : 6084 329 100

GROUP BRANCH NETWORK (continued)

INVESTMENT BANKING INTERNATIONAL

SINGAPORE

Chief Executive Officer:
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THAILAND

**Officer-in-Charge/
Deputy Chief Executive Officer:**
Yong Siong Sung

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Silom, Bangrak, Bangkok 10500
Thailand
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Fax : 662 862 9900

Branches Amarin

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496-502, Ploen Chit Road
Lumphini, Pathumwan
Bangkok 10330, Thailand
Tel : 660 2652 4899
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THAILAND (continued)

Chachoengsao
No. 20 Suvinthawong Road
Na-Mueng, Mueng Chachoengsao
Chachoengsao, Province 24000
Thailand
Tel : 660 3851 3389
Fax : 660 3851 3435

Chiangmai
No. 341/1 Moo 5 Sansai Noi
Sansai Noi, Chiangmai Province
50210, Thailand
Tel : 660 5200 4999
Fax : 660 5200 4998

Hat Yai
127 – 129 Sri Puwanart Road
Tambon Hat Yai, Amphur Hat Yai
Songkhla, Province 90110, Thailand
Tel : 660 7489 1999
Fax : 660 7489 1900

Juthi Anusorn
No. 12-13 Suwanwong Road
Hatyai, Hatyai, Songkla 90110
Thailand
Tel : 660 7489 1899
Fax : 660 7489 1898

Pakin
1st Floor, Pakin Building
9 Ratchadapisek Road, Din Daeng
Bangkok 10400, Thailand
Tel : 660 2654 1999
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THAILAND (continued)

Pinklao
19th Floor,
Central Plaza Pinklao Tower A
7/129 – 221 Borommaratchachonnani
Road, Arun Ammarin, Bangkoknoi
Bangkok 10700, Thailand
Tel : 660 2828 1555
Fax : 660 2828 1500

Silom
16th Floor, Silom Complex
191, Silom Road, Silom, Bangrak
Bangkok 10500, Thailand
Tel : 660 2200 2000
Fax : 660 2632 0191

Vibhavadi
1st Floor, Kasemsup Building
89/1 Vibhavadi-Rangsit Road
Chompol, Chatuchak
Bangkok 10900, Thailand
Tel : 660 2631 9000
Fax : 660 2631 9099

GROUP BRANCH NETWORK (continued)

INVESTMENT BANKING INTERNATIONAL

INDONESIA

Chief Executive Officer:
Chan Kong Ming

PT RHB Securities Indonesia
Wisma Mulia, 20th Floor
Jalan Jenderal Gatot Subroto No. 42
Jakarta 12710, Indonesia
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Fax : 6221 2783 0777

Branches

Bandung

Jl. Belitung No. 3C
Bandung 40113, Indonesia
Tel : 6022 8588 0490
Fax : 6022 8588 0491

Jayapura

Kantor Bursa Efek Indonesia
Komplek Jayapura Pasifik Permai
Blok H No 19, Indonesia
Tel : 6096 7532 430

Kelapa Gading

Jl. Boulevard Barat, Blok LA-1
No.1B, Kelapa Gading
Jakarta Utara, Indonesia
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Fax : 6021 4585 6949

Makassar

Jln. Ahmad Yani 23/25 A9
Makassar, Sulawesi Selatan 90174
Indonesia
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Fax : 6041 1362 8150

Malang

Jl. Panggung No.9
Malang, Indonesia
Tel : 6034 135 2888
Fax : 6034 135 2887

INDONESIA (continued)

Mangga Dua

Ruko Textile Mangga Dua Blok C1
No.32, Jl.Mangga Dua Raya
Kelurahan Ancol, Kecamatan
Penjaringan, Jakarta Utara
Indonesia
Tel : 6021 612 4455
Fax : 6021 612 4454

Medan

Jl. Perintis Kemerdekaan
(Jl. Guru Patimpus) No.3 I & J
Medan, Indonesia
Tel : 6061 452 9633
Fax : 6061 452 9293

Mega Pluit

Ruko Pluit Village, No.51
Jl. Pluit Indah Raya, 14440
Indonesia
Tel : 6021 666 70060
Fax : 6021 666 70251

Palembang

Jl. Lingkar an 1
Dempo Luar No. 386
Palembang 30125, Indonesia
Tel : 6071 131 7882
Fax : 6071 131 7814

Pekan Baru

Jl. Tuanku Tambusai/
Jl.Nangka No.128A
Kel. Kampung Melayu
Pekan Baru Riau
Indonesia
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INDONESIA (continued)

Solo

Jl. Bhayangkara 65 No.22
RT/RW. 002/006
Kelurahan Penumping
Kecamatan Laweyan, Surakarta
Indonesia
Tel : 6027 174 2999
Fax : 6027 172 6729

Puri

Rukan Puri Kencana Blok M4
No. IB, Jl. Raya Puri Kencana
Kembangan, Jakarta Barat
Indonesia
Tel : 6021 5835 5055
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Surabaya Darmo

Bukit Darmo Golf Office Park 2
B2 no 10
Jalan Raya Bukit Darmo Boulevard
Surabaya 60226
Indonesia
Tel : 6031 5116 3038
Fax : 6031 732 0143

Surabaya Kertajaya

Jl. Dr.Ir. H. Sukarno (Merr 2C)
Ruko Icon 21, Kav R-53
Surabaya 60117
Indonesia
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Fax : 6031 9901 2599

GROUP BRANCH NETWORK (continued)

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CHINA

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CAMBODIA

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