IMPORTANT NOTICE

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NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN THE UNITED STATES OR ANY OTHER JURISDICTION WHERE IT IS UNLAWFUL TO DO SO. THE SECURITIES REFERRED TO IN THE OFFERING CIRCULAR HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE U.S. SECURITIES ACT OF 1933, AS AMENDED (THE "**SECURITIES ACT**"), OR THE SECURITIES LAWS OF ANY STATE OF THE U.S. OR OTHER JURISDICTION AND THE SECURITIES MAY NOT BE OFFERED OR SOLD WITHIN THE U.S. (AS DEFINED IN REGULATION S UNDER THE SECURITIES ACT), EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS. SECURITIES IN BEARER FORM ARE SUBJECT TO U.S. TAX LAW REQUIREMENTS AND MAY NOT BE OFFERED, SOLD, OR DELIVERED WITHIN THE UNITED STATES EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND APPLICABLE STATE OR LOCAL SECURITIES LAWS.

THE OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER, AND IN PARTICULAR, MAY NOT BE FORWARDED TO ANY PERSON OR ADDRESS IN THE UNITED STATES. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

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You are reminded that the Offering Circular has been delivered to you on the basis that you are a person into whose possession the Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not, nor are you authorised to, deliver the Offering Circular to any other person.

The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licenced broker or dealer and any of the dealers or any affiliate of any of the dealers is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by such dealer or such affiliate on behalf of RHB Bank Berhad in such jurisdiction.

The Offering Circular has been sent to you in an electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of electronic transmission and consequently none of RHB Bank Berhad or RHB Investment Bank Berhad or any person who controls any of them or any director, officer, employee or agent of any of them or affiliate of any such person accepts any liability or responsibility whatsoever in respect of any difference between the Offering Circular distributed to you in electronic format and the hard copy version available to you on request from RHB Bank Berhad or RHB Investment Bank Berhad.

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RHB Bank Berhad

(Registration No. 196501000373 (6171-M))

(incorporated with limited liability in Malaysia)

U.S.$5,000,000,000
Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme described in this Offering Circular (the "**Programme**"), RHB Bank Berhad (the "**Issuer**" or the "**Bank**" or "**RHB Bank**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Medium Term Notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined herein). The Notes may be issued in bearer or registered form. The aggregate nominal amount of the Notes outstanding will not at any time exceed U.S.$5,000,000,000 (or the equivalent in other currencies) unless such amount is otherwise increased pursuant to the terms of the Programme. The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" or any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an on-going basis. References in this Offering Circular to the "**relevant Dealer**" shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Application has been made to the Labuan International Financial Exchange Inc. (the "**LFX**") for the listing of any Notes that may be issued under the Programme, which are agreed at the time of issue to be so listed on the LFX. There can be no assurance that such listing will occur on or prior to the date of issue of such Notes or at all. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, the investor should consult his or her adviser.

Application has been made to the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in, and for the quotation of, any Notes that may be issued under the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Notes of any Series will be approved.

The SGX-ST and the LFX assume no responsibility for the accuracy of any of the statements made or opinions expressed or reports contained herein or the contents of this document, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Offering Circular. The admission of any Notes to the LFX and the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Programme or the Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined in "Overview of the Programme") of Notes will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST before the listing of Notes of such Tranche.

The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the SGX-ST, LFX or any other stock exchange. The Issuer may also issue unlisted Notes.

The Notes of each Series (as defined in "Overview of the Programme") issued in bearer form (the "**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**" and, together with the temporary Global Note, the "**Global Note**"). Interests in a temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent Global Note on or after the date 40 days after the later of the commencement of the offering and the relevant issue date (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. Notes in registered form (the "**Registered Notes**") will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Global Notes and Certificates may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank SA/NV ("**Euroclear**") and/or Clearstream Banking S.A. ("**Clearstream, Luxembourg**") (the "**Common Depositary**"). Global Notes and Certificates may also be deposited with a sub-custodian for the Hong Kong Monetary Authority ("**HKMA**"), as operator of the Central Moneymarkets Unit Service, operated by the HKMA (the "**CMU**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and Bearer Notes are subject to U.S. tax law requirements. The Notes may not be offered or, sold in the United States, or, in the case of Bearer Notes, offered, sold, or delivered within the United States, subject to certain exceptions. Accordingly, the Notes are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Offering Circular, see "Subscription and Sale".

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The submission to the Securities Commission Malaysia ("**SC**") in respect of the Programme was made by RHB Investment Bank Berhad as the Principal Adviser. The approval and authorisation of the SC for the Programme was obtained on 22 September 2014. The approval and authorisation of the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Notes under the Programme.

The Programme has been rated A3 and BBB+ by Moody's Investors Service Inc. and Standard & Poor's Rating Services, respectively. Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme or other Tranches of Notes. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors should also have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase the Notes unless they understand and are able to bear the risks associated with the Notes. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations in respect of the Notes are discussed under the "Risk Factors" section herein.

Principal Adviser, Arranger and Dealer

RHB Investment Bank Berhad

The date of this Offering Circular is 25 May 2021

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each Tranche of Notes will be issued on the terms set out herein under "Terms and Conditions of the Notes" (the "**Conditions**") as amended and/or supplemented by the Pricing Supplement specific to such Tranche. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Arranger and the Dealers to inform themselves about and to observe any such restrictions. None of the Issuer, the Arranger or the Dealers represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arranger or the Dealers which would permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

If a jurisdiction requires that the offering be made by a licenced broker or dealer and a Dealer or any affiliate of the Dealer is a licenced broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the European Economic Area, the United Kingdom, the Republic of Singapore, Malaysia, the People's Republic of China, Hong Kong, Japan and to persons connected therewith. The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Bearer Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the United States. The Notes are being offered and sold outside the United States in reliance on Regulation S under the Securities Act. For a description of certain restrictions on offers, sales and transfers of Notes and on the distribution of this Offering Circular, see "Subscription and Sale".

MIFID II PRODUCT GOVERNANCE / TARGET MARKET — The applicable Pricing Supplement in respect of any Notes may include a legend entitled "MiFID II Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the target market assessment; however, a distributor subject to Directive 2014/65/EU (as amended, "**MiFID II**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the MiFID Product Governance rules under EU Delegated Directive 2017/593 (the "**MiFID Product Governance Rules**"), any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor any of the Dealers (in each case, in such capacity) nor any of their respective affiliates (who may be acting in such a capacity) will be a manufacturer for the purpose of the MIFID Product Governance Rules.

UK MIFIR PRODUCT GOVERNANCE / TARGET MARKET — The applicable Pricing Supplement in respect of any Notes may include a legend entitled "UK MiFIR Product Governance" which will outline the target market assessment in respect of the Notes and which channels for distribution of the Notes are appropriate. Any distributor should take into consideration the target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the target market assessment) and determining appropriate distribution channels. A determination will be made in relation to each issue about whether, for the purpose of the UK MiFIR Product Governance Rules, any Dealer subscribing for any Notes is a manufacturer in respect of such Notes, but otherwise neither the Arranger nor the Dealers (in each case, in such capacity) nor any of their respective affiliates (who may be acting in such a capacity) will be a manufacturer for the purpose of the UK MiFIR Product Governance Rules.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of MiFID II; (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 ("**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (UK) (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

NOTIFICATION UNDER SECTION 309B(1)(C) OF THE SECURITIES AND FUTURES ACT (CHAPTER 289) OF SINGAPORE (as modified or amended from time to time, the "**SFA**") — In connection with Section 309B of the SFA and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), unless otherwise specified in the relevant Pricing Supplement before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Listing of the Notes on the LFX and/or the SGX-ST is not to be taken as an indication of the merits of the Issuer and its subsidiaries (collectively the "**Group**"), the Issuer or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Notes.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, any Dealer or the Arranger.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Arranger, the Dealers or any director, officer, employee, agent or affiliate of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed U.S.$5,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S.$ at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement as defined under "Subscription and Sale"). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to approval of the relevant authorities and/or relevant parties and compliance with the relevant provisions of the Dealer Agreement.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in the applicable Pricing Supplement may over-allot Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, stabilisation may not necessarily occur. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may cease at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation or over-allotment must be conducted by the relevant Stabilisation Manager(s) (or person(s) acting on behalf of any Stabilisation Manager(s)) in accordance with all applicable laws and rules.

Neither the Arranger nor any of the Dealers has independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, none of the Arranger, the Dealers, or any director, officer, employee, agent or affiliate of any such persons make any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, neither the Arranger nor the Dealers, or any director, officer, employee, agent or affiliate of any such persons, accept any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by the Arranger, the Dealers, or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with the Issuer, the Group or the issue and offering of the Notes. The Arranger and the Dealers accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not describe all of the risks and Risk Factors (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and Risk Factors associated with such Notes. The risks and Risk Factors identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and Risk Factors arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arranger or the Dealers, or any director, officer, employee, agent or affiliate of any such persons, that any recipient, of this Offering Circular or of any such information should purchase the Notes. Each potential purchaser of Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Arranger nor the Dealers or any agent or affiliate of any such persons undertake to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of the Arranger or the Dealers.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

Except as otherwise indicated in this Offering Circular, all non-company specific statistics and data relating to the industry or to the economic development of certain regions within Malaysia have been extracted or derived from publicly available information and industry publications. The information has not been independently verified by the Issuer, the Arranger, the Dealers or by their respective directors and advisers, and neither the Issuer, the Arranger, the Dealers nor their respective directors and advisers make any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

FORWARD-LOOKING STATEMENTS

Certain statements under "Risk Factors", "Description of the Group" and elsewhere in this Offering Circular constitute "*forward-looking statements*". The words including "*believe*", "*expect*", "*plan*", "*anticipate*", "*schedule*", "*estimate*" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. The Issuer expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's expectations. All subsequent written and forward-looking statements attributable to the Issuer or persons acting on behalf of the Issuer are expressly qualified in their entirety by such cautionary statements.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Offering Circular include, but are not limited to, general economic and political conditions in Malaysia, South East Asia, and other countries which have an impact on the Issuer's business activities or investments, political or financial instability in Malaysia or any other country caused by any factor including any terrorist attacks in Malaysia, the United States or elsewhere or any other acts of terrorism worldwide, any anti-terrorist or other attacks by the United States, a United States-led coalition or any other country, the monetary and interest rate policies of Malaysia, military armament or social unrest in any part of Malaysia, inflation, deflation, unanticipated turbulence in interest rates, changes in the value of the Ringgit, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environment in Malaysia, regional or general changes in asset valuations and the impact of the COVID-19 pandemic and measures instituted by the Government and governments in other countries.

CERTAIN TERMS AND REFERENCES

In this Offering Circular, unless otherwise specified, all references to the "**Government**" are to the Government of Malaysia; all references to "**Singapore**" are to the Republic of Singapore; all references to "**United States**" or "**U.S.**" are to the United States of America; references to "**China**", "**Mainland China**" and the "**PRC**" in this Offering Circular mean the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan and the Macau and Hong Kong Special Administrative Regions; references to "**PRC Government**" mean the government of the PRC; references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; references to "**Macau**" are to the Macao Special Administrative Region of the People's Republic of China; and all references to "**United Kingdom**" are to the United Kingdom of Great Britain and Northern Ireland. All references to a fiscal year are to the year starting on 1 January and ending on 31 December.

All references in this document to "**euro**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro as amended and to "**Ringgit**" and "**RM**" refer to Malaysian Ringgit. In addition, references to "**sterling**" and "**£**" refer to pounds sterling, references to "**U.S. dollars**", "**US$**", "**U.S.$**" and "**$**" refer to United States dollars; all references to "**S$**" refer to Singapore dollars; all references to "**HK$**" and to "**HKD**" are to Hong Kong dollars; all references to "**yen**" are to Japanese yen; and all references to "**Renminbi**", "**CNH**", "**RMB**" and "**CNY**" are to the currency of the PRC.

For the convenience of the reader, this Offering Circular contains translations of certain Ringgit amounts into U.S. dollars at the mid-day exchange rate of RM4.0130 = U.S.$1.00, as published by Bank Negara Malaysia ("**BNM**"), the Central Bank of Malaysia on 31 December 2020, giving effect to rounding where applicable. Such translations are unaudited and should not be construed as representations that the Ringgit or U.S. dollar amounts referred to could have been, or could be, converted into Ringgit or U.S. dollars, as the case may be, at that or any other rate or at all.

Rounding adjustments have been made in calculating some of the financial information included in this Offering Circular. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

SECURITIES COMMISSION MALAYSIA

In accordance with the Capital Markets and Services Act 2007 of Malaysia, as amended from time to time ("**CMSA**"), a copy of this Offering Circular will be deposited with the SC, which takes no responsibility for its contents. The issue, offer and invitation to subscribe in relation to the Notes in this Offering Circular or otherwise are subject to the fulfilment of various conditions precedent including, without limitation, the applicable approval and authorisation from the SC. The Programme was approved and authorised by the SC pursuant to sections 212(4) and 212(5) of the CMSA, pursuant to the SC's deemed approval process. Please note that the approval and authorisation of the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Notes. The SC shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the accuracy of any statements made or opinions or reports expressed in this Offering Circular.

INDUSTRY AND MARKET DATA

Industry and market data throughout this Offering Circular was obtained from a combination of internal company surveys, the good faith estimates of management, and data from various research firms, official sources, or trade associations. While the Issuer believes that its internal surveys, estimates of management, and data from research firms, official sources, or trade associations are reliable, none of the Issuer, the Arranger, the Dealers, the Agents or their respective affiliates has verified this data with independent sources. Accordingly, none of the Issuer, the Arranger, the Dealers or the Agents makes any representations as to the accuracy or completeness of that data. The Issuer confirms that the industry and market data contained in this Offering Circular has been accurately extracted and contains no omissions or misstatements; however, such data involves risks and uncertainties and is subject to change based on various factors, including those factors discussed in the "Risk Factors" section herein.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with (a) each relevant Pricing Supplement, (b) the audited financial statements of the Group and the Issuer for the financial year ended 31 December 2019, together with the audit report in respect thereof and the related notes thereto, (c) the audited financial statements of the Group and the Issuer for the financial year ended 31 December 2020, together with the audit report in respect thereof and the related notes thereto, (d) the most recently published audited annual financial statements of the Group and the Issuer, and any interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements of the Group and the Issuer from time to time (if any), together with the audit or review reports in respect thereof and the related notes thereto (where applicable), and (e) all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Copies of documents listed in (b), (c) and (d) above may be obtained at the website of Bursa Malaysia Securities Berhad ("**Bursa Securities**") at www.bursamalaysia.com.

Copies of all documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Paying Agents and the specified office in the United Kingdom of the Fiscal Agent (as defined under "Summary of the Programme") set out at the end of this Offering Circular, or provided by the Fiscal Agent via email in the event of an office closure.

Websites referenced in this Offering Circular are intended as guides as to where other public information relating to the Issuer may be obtained free of charge. Information appearing in such websites does not form part of this Offering Circular or any relevant Pricing Supplement and none of the Issuer, the Arranger or the Dealers accepts any responsibility whatsoever that any such information is accurate and/or up-to-date. Any such information should not form the basis of any investment decision by an investor to purchase or deal in the Notes.

TABLE OF CONTENTS

Overview of the Programme

The following overview does not purport to be complete and is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this overview.

Issuer	RHB Bank Berhad.
Description	Medium Term Note Programme.
Programme Limit	Up to U.S.$5,000,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. The Issuer may increase this amount in accordance with the terms of the Dealer Agreement (as defined herein) and subject to obtaining approval or consent of the relevant authorities and/or relevant parties.
Arranger	RHB Investment Bank Berhad.
Dealer	RHB Investment Bank Berhad.
	Pursuant to the Dealer Agreement, the Issuer may from time to time appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme or terminate the appointment of any dealer under the Programme. References in this Offering Circular to "**Permanent Dealer**" are to the person listed above as Dealer and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to the Permanent Dealer and all persons appointed as a dealer in respect of one or more Tranches.
Principal Adviser	For the purpose of making the submission to the Securities Commission Malaysia, RHB Investment Bank Berhad.
Fiscal Agent	Bank of America, National Association (London Branch).
CMU Lodging and Paying Agent	The Hongkong and Shanghai Banking Corporation Limited.
Registrar and Transfer Agent in respect of CMU Notes	The Hongkong and Shanghai Banking Corporation Limited.
Transfer Agent in respect of Registered Notes other than CMU Notes	Bank of America, National Association (London Branch).
Registrar in respect of Registered Notes other than CMU Notes	Bank of America Europe DAC.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency as may be agreed between the Issuer and the relevant Dealer.
Specified Denomination	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or

	required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency. Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA will have a minimum denomination of £100,000 (or its equivalent in other currencies). The minimum specified denomination of each Note to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Regulation shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).
Form of Notes	The Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in the "Selling Restrictions" below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "**Global Certificates**".
Clearing Systems	Euroclear, Clearstream, Luxembourg, the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or deposited with a sub-custodian for the CMU. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Maturities	Subject to compliance with all relevant laws, regulations and directives and such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body), any maturity as may be agreed between the Issuer and the relevant Dealer.

Method of Issue	The Notes may be distributed by way of direct placement or bought deal or bookrunning basis, and in each case on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**") having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest, if any), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche of the Notes (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement to this Offering Circular (a "**Pricing Supplement**").
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Fixed Rate Notes	Fixed Rate Notes will bear interest of the fixed rate per annum specified in the applicable Pricing Supplement. Fixed interest will be payable in arrear on such day(s) as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Pricing Supplement).
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR or EURIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin. Interest periods will be specified in the relevant Pricing Supplement.
Variable Rate Notes	Variable Rate Notes may be issued pursuant to the Programme on terms specified in the relevant Pricing Supplement.
Zero Coupon Notes	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Other Notes	Terms applicable to any other type of Note which the Issuer and any relevant Dealer(s) may agree to issue under the Programme will be set out in the relevant Pricing Supplement.
Interest Period and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.

Redemption	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Redemption by Instalments	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Optional Redemption	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Withholding Tax	All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Malaysia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders, the Receiptholders and the Couponholders of such amount as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as set out in "Terms and Conditions of the Notes — Taxation".
Status of the Notes	The Notes and the Receipts and Coupons relating to them will constitute direct, unsubordinated and (subject to Condition 4 (*Negative Pledge*)) unsecured obligations of the Issuer and will at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (*Negative Pledge*), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
Negative Pledge	See "Terms and Conditions of the Notes — Negative Pledge".
Events of Default (including Cross Default)	See "Terms and Conditions of the Notes — Events of Default".
Ratings	The Programme has been rated "A3" by Moody's Investors Service, Inc. ("**Moody's**") and "BBB+" by Standard & Poor's Rating Services ("**S&P**"). Each Tranche of Notes issued under the Programme may be rated or unrated. When a Tranche of Notes is rated, its rating will be specified in the relevant Pricing Supplement and its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Early Redemption	Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "Terms and Conditions of the Notes — Redemption, Purchase and Options".
Listing	Application has been made to the SGX-ST for permission to deal in, and for the quotation of, any Notes that may be issued under the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Notes of any Series will be approved. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies). Application has been made to the LFX for the listing of any Notes that may be issued under the Programme which are agreed at the time of issue to be so listed on the LFX. There can be no assurance that such listing will occur on or prior to the date of issue of such Notes or at all. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. The Pricing Supplement relating to each Series of Notes will state whether or not the Notes of such Series will be listed on any stock exchange(s) and, if so, on which stock exchange(s) the Notes are to be listed. Unlisted Notes may also be issued.
Governing Law	English law.
Selling Restrictions	The United States, the European Economic Area, the United Kingdom, Malaysia, Japan, Singapore, Hong Kong, the PRC and other restrictions as may be required in connection with a particular issue of Notes. See "Subscription and Sale". The Issuer is Category 1 for the purposes of Regulation S under the Securities Act. The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**D Rules**") unless (i) the relevant Pricing Supplement states that the Notes are issued in compliance with U.S. Treas. Reg. §l.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in

	circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.
Use of Proceeds	The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for its and its subsidiaries' general working capital and other corporate purposes and general financing or refinancing requirements. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

Risk Factors

The Issuer believes that the following considerations may affect its ability to fulfil its obligations under the Notes issued under the Programme. All of these considerations are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, considerations which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the considerations described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate and the Issuer therefore does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision. Prior to making any decision to invest in the Notes, prospective investors are also advised to seek professional advice and undertake their own investigations on the Issuer and any other parties or matters connected with the Notes as they may consider necessary.

Considerations relating to the Group

Before investing in the Notes, prospective investors should pay particular attention to the fact that the Group and its activities are subject to the legal, regulatory and business environment in Malaysia and the other markets in which the Group operates (including, but not limited to, Singapore, Brunei, Thailand, Indonesia, Cambodia, Laos, Vietnam and Myanmar). In the event of any of the following investment considerations materialising, the Group's business, financial condition and/or results of operations could be materially and adversely affected.

In the course of its business activities, the Group is exposed to a variety of risks, including but not limited to credit risks, operational risks, liquidity risks and interest rate risks. While the Group believes that it has implemented the appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to adequately control these risks could be greater than anticipated and could result in adverse effects on the Group's financial condition, results of operations, prospects and reputation.

Liquidity risk arising in connection with the Group's inability to maintain sufficient liquidity or manage unplanned decreases or changes in funding sources could adversely impact its ability to meet its financial commitments and obligations when they fall due and transact at a reasonable cost

Liquidity risks could arise from the Group's inability to anticipate and provide for unforeseen decreases or changes in funding sources, which could have adverse consequences on the Group's ability to meet its obligations when they fall due. The primary sources of funding include customer deposits, interbank deposits and placements from other financial institutions.

Other sources of funding for the Group include debt securities, obligations on securities sold under repurchase agreements, bills and acceptances payable, recourse obligation on loans sold to Cagamas Berhad and long term borrowings. See "Capital Adequacy and Funding" section of this Offering Circular for more information. The Group continuously explores different avenues to diversify its funding sources both locally and globally through a variety of instruments, including certificates of deposit, debt securities issuances and asset securitisation.

Although the Group's policy is to maintain prudent liquidity risk management, to maintain a diversified and stable source of cheaper funding and to minimise undue reliance on any particular funding source, there is no assurance that such a policy can be maintained. In relation to its reliance on short-term funding sources, although a substantial portion of these customers' deposits have, in the past, rolled over upon maturity, which provided a stable source of funding for the Group, no assurance can be given that this will happen in the future. If a substantial number of depositors, or a few depositors with significant deposit balances, fail to roll over deposited funds upon maturity, the Group's liquidity position could be adversely affected and the Group may be required to seek alternative sources of short-term or long-term funding, which may be more expensive than deposits, to finance its operations. In addition, the Group may undertake efforts to extend the tenure of its existing funding, which could result in increased funding costs. There can be no assurance that such alternative sources of funding will be available or that the tenure of such funding will be extended as and when required.

Capital and credit markets may be volatile and the availability of funds may be limited during times of volatility. Volatility in international capital markets may result in the Group incurring increased financing costs associated with its debt and with the issuance of debt securities. Moreover, it is possible that the Group's ability to access the capital and credit markets may be limited by these or other factors at a time when the Group would like, or need, to do so, and as a result could have an impact on the Group's ability to grow its business, refinance maturing debt, maintain credit ratings and/or react to changing economic and business conditions. The Group may require additional financing to support the future growth of its business and/or to refinance existing debt obligations. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group.

The Group's business is inherently subject to the risk of market fluctuations

The Group's business is inherently subject to risks in financial markets and the wider economy, including volatility arising from movements in exchange rates, interest rates and credit spreads; the prices of commodities, equities, bonds and derivatives; and global and regional economic cycles, credit crisis and contagion risks, which may adversely impact the Group's business, operations and financial performance. Although the Group manages such risks through the use of financial tools, there can be no assurance that such financial tools will be sufficient or effective, or that the assumptions used in hedging arrangements will continue to hold true during periods of volatility in the financial markets and the wider economy.

The Group also manages such market and economic risks through established trading and investment limits which are monitored independently. The Group also actively reviews and analyses its trading and investment strategies, positions and activities in the light of changes in the financial markets, monitors trading limits and assesses the adequacy of such limits assigned. Whilst the Group adopts a systematic approach and has internal controls in place to manage these risks and exposures, not all such risks and exposures may be fully mitigated in all environments or perfectly hedged in the event of economic downturns or volatile markets.

Credit risks arising in connection with the Group's businesses or a deterioration in the credit quality of the Group's counterparties could affect the recoverability and value of the Group's assets and require increased provisioning

Credit risks arising from adverse changes in the credit quality and recoverability of loans, advances and amounts due from counterparties are inherent in a wide range of the Group's businesses. Credit risks could arise from deterioration in the credit quality of the Group's specific counterparties, from a general deterioration in local or global economic and market conditions, from a prolonged or escalated COVID-19 pandemic, or from systemic risks within the financial systems. As recommended by the relevant authorities, the Group has taken a facilitative approach to assist borrowers affected by the COVID-19 pandemic by allowing qualifying borrowers to defer or reduce their monthly instalments. While the majority of these borrowers have strong credit ratings and satisfactory repayment track records, there can be no assurance that these borrowers will not eventually default. In the event of default by these borrowers, the recoverability and value of the Group's assets may be affected and the Group may require increased provisioning. See "— Considerations relating to Malaysia and overseas markets in which the Group operates — The effects of the COVID-19 pandemic or the outbreaks of infectious diseases in Asia and elsewhere could adversely affect the business, financial condition, results of operations or prospects of the Group". Although the Group believes that it has adopted sound credit risk management practices, there can be no assurance that such credit risk management practices will remain effective or adequate or that the amount of the Group's impaired or non-performing loans will not increase in the future. If the asset quality of the Group's loan portfolio deteriorates, the Group could be required to make additional provisions and write-offs, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects. See "Risk Management" section of this Offering Circular for a description of the Group's exposure to credit risks.

Deterioration in collateral values, in particular the value of real estate, or inability to realise collateral value may necessitate an increase in the Group's provisions

A significant portion of the Group's net loans are secured by collateral such as real estate, the values of which may, in some cases, decline due to economic deterioration or a general worsening of the current global market outlook. This may result in a portion of the Group's loans exceeding the value of the underlying collateral. Any such deterioration in the value of the collateral securing the Group's loans or its inability to obtain additional collateral or realise the value of existing collateral may require the Group to increase its loan provisions, which may adversely affect the business, financial condition and results of operations of the Group.

Interest rate risks arising in connection with the Group's loan portfolio, holdings of securities and its interbank deposits and placements could adversely impact the Group

The Group's exposure to interest rate risk arises from its loan portfolio, holdings of securities and its interbank deposits and placements. When the market interest rates decline, the Group's net interest margin generally decreases due to the immediate re-pricing of its base rate ("**Base Rate**") and base lending rate ("**Base Lending Rate**") based loans compared with slower re-pricing of the interest paid on customers' deposits, in particular fixed/time deposits which are only re-priced on maturity. In addition, a portion of the portfolio of the Group's loans is composed of fixed rate loans such as hire purchase loans and personal loans, which are financed with fixed interest rates over the tenure of such loans. The net interest margin on certain of the Group's banking products, credit cards for example, may also be compressed in a rising interest rate environment due to statutory caps on the interest rate that the Group may charge its customers, therefore potentially preventing the Group from passing on the full amount of the interest rate increase to its customers. Net interest margin also faces significant pressure due to competition within the Malaysian banking sector where market participants compete aggressively on price in certain product sectors.

Competitive pressures on fixed rates or product terms in existing loans and deposits sometimes restrict the Group's ability to change interest rates applying to customers in response to changes in official and wholesale market rates. The actual effect on net interest income due to changes in interest rates will depend on the degree and timing of changes in interest rates, the behaviour and contractual re-pricing dates of the Group's assets and liabilities and the Group's ability to respond to changes in its interest rates on loans and deposits. Although the Group believes that it has adopted sound interest rate risk management strategies, there is no assurance that such strategies will remain effective or adequate in the future.

Deteriorating economic conditions could lead to an increase in impaired loans which could adversely impact the Group

As at 31 December 2020, the Group's gross impaired loans ratio and loan loss coverage ratio (including regulatory reserves) were 1.71 per cent. and 119.7 per cent. respectively. Any worsening of economic conditions, for example, due to the COVID-19 outbreak, in Malaysia or the region may lead to an increase in impaired loans. See "— Credit risks arising in connection with the Group's businesses or a deterioration in the credit quality of the Group's counterparties could affect the recoverability and value of the Group's assets and require increased provisioning" and "— Considerations relating to Malaysia and overseas markets in which the Group operates — The effects of the COVID-19 pandemic or the outbreaks of infectious diseases in Asia and elsewhere could adversely affect the business, financial condition, results of operations or prospects of the Group". A substantial increase in impaired loans may materially and adversely affect the Group's business, financial condition, results of operations and prospects and necessitate write-offs, which may materially and adversely impact its capital adequacy ratio.

The Group may be required to raise additional capital if its capital adequacy ratio deteriorates in the future or in order to comply with any new regulatory capital framework, but it may not be able to do so on favourable terms or at all

On 9 December 2020, BNM issued a regulatory capital adequacy framework titled "Capital Adequacy Framework (Capital Components)" which superseded the guidelines titled "Capital Adequacy Framework (Capital Components)" issued on 5 February 2020, 2 February 2018, 4 August 2017 and 13 October 2015. The capital requirement set out by BNM in the updated policy framework requires banking institutions, including the Group, to maintain the following minimum capital adequacy ratios, see "Supervision and Regulation — Capital Adequacy Requirements":

(i) a minimum common equity Tier 1 ("**CET-1**") capital ratio of 4.5 per cent.;

(ii) a minimum Tier 1 ("**Tier-1**") capital ratio of 6.0 per cent.; and

(iii) a minimum total capital ratio of 8.0 per cent.

In addition, banks are required to maintain additional capital buffers in the form of CET-1 capital above the minimum CET-1, Tier-1 and total capital ratios set out above. The capital buffers shall comprise of a Capital Conservation Buffer ("**CCB**") of 2.5 per cent., a Countercyclical Capital Buffer ("**CCyB**") and a Higher Loss

Absorbency ("**HLA**") requirement for any financial institution that is designated as a domestic systemically important bank ("**D-SIB**"). The CCB is intended to enable the banking system to withstand future periods of stress.

CCyB is determined as the weighted average of the prevailing CCyB rates applied in the jurisdictions in which a financial institution has credit exposures. This buffer is intended to protect the banking sector as a whole from the build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive. Application of CCyB above the minimum capital ratios is in the range of 0.0 per cent. to 2.5 per cent. BNM will communicate any decision on the CCyB rate up to 12 months before the date from which the rate applies.

Further, BNM issued a D-SIB framework titled "Domestic Systemically Important Banks Framework" on 5 February 2020. The HLA requirements set out by BNM in the D-SIB framework require D-SIBs to operate with higher levels of capital buffers, commensurate with their size, interconnectedness with other parts of the financial system and substitutability. See "Supervision and Regulation — Higher Loss Absorbency Requirements". As at 15 April 2021, the Group is not identified as a D-SIB. However, the list of D-SIBs will be updated annually and published together with the release of BNM's Financial Stability Review in the second half of each year. If the Group is identified as a D-SIB in the future, the Group will have to maintain higher levels of capital buffers and will be required to meet the HLA requirements contained in the D-SIB framework.

As at 31 December 2020, the Group's and the Issuer's capital adequacy ratios before and after proposed final dividends were as follows:

	The Group	**The Issuer**[(1)]
	Per cent.	**Per cent.**
Before proposed dividends:		
CET-1 capital ratio	16.416	14.945
Tier-1 capital ratio	16.416	14.945
Total capital ratio	18.598	17.231
After proposed dividends[(2)]:		
CET-1 capital ratio	16.188	14.632
Tier-1 capital ratio	16.188	14.632
Total capital ratio	18.370	16.918

(1) The capital adequacy ratios of the Issuer consist of capital base and risk-weighted assets derived from the Issuer and from its wholly-owned offshore banking subsidiary company, RHB Labuan (as defined below).

(2) With the implementation of the proposed DRP, the amount of dividend to be deducted from the Group's and the Issuer's CET-1 Capital may be reduced by the portion of dividend reinvested by the shareholders. This will correspondingly increase the Group's and the Issuer's capital ratios.

The capital requirements would be supplemented by a leverage ratio, a liquidity coverage ratio and a net stable funding ratio.

The Group's capital base and capital adequacy ratios and, when applicable, required capital buffers, may deteriorate in the future if its results of operations or financial condition deteriorate for any reason, including as a result of any deterioration in the asset quality of its loans, or if the Group is not able to deploy its funding into suitably low-risk assets. If any of the Group's capital adequacy ratios and, when applicable, required capital buffers, deteriorate it may be required to obtain additional Tier-1 or Tier-2 capital in order to remain in compliance with the applicable capital adequacy guidelines. However, the Group may not be able to obtain additional capital on favourable terms, or at all. There is no assurance that the Group will not face increased pressure on its capital in the future to comply with Basel III standards which may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group depends on the recruitment and retention of qualified personnel and any failure to attract and retain such personnel could affect the Group's businesses

The Issuer, to a significant extent, relies on its directors and senior management for its business direction and business strategy. The loss of directors or members of the senior management team could adversely affect its ability to operate its business or to compete effectively, which in turn, could affect its financial performance and prospects. There can be no assurance that there will be continuity in the Issuer's present management team throughout the tenure of the Notes.

The Group's success depends on the ability and experience of its senior management and other key employees. Competition for personnel is intense and the Group may not be successful in attracting or retaining qualified personnel. The loss of any senior management members or key employees, the Group's inability to attract new qualified employees or adequately trained employees, or the delay in hiring key personnel could affect the Group's business, financial condition and results of operations.

Competition for skilled personnel also places upward pressure on wage rates generally and may lead to the restructuring of remuneration packages of key personnel in order for the Group to maximise its retention rates. Both loss of key personnel and pressure on wage rates are exacerbated by new entrants in the Malaysian banking market, particularly foreign banks, financial institutions and even disruptive technology companies.

Risk of significant fraud, system failures, calamities or security breaches

Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, the failure of internal systems, equipment and external systems (such as those of the Group's counterparties or vendors) and the occurrence of natural disasters. Although the Group has implemented risk controls and loss mitigation strategies and substantial resources are devoted to developing efficient procedures, there can be no assurance that such measures will be successful.

In addition, the Group seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by the Group's increased use of the internet. Computer break-ins could affect the security of information stored in, and transmitted through, these computer systems and network infrastructure. The Group employs security systems, including firewalls and password encryption, designed to minimise the risk of security breaches. There can be no assurance that these security measures will be adequate or effective.

A significant fraud, system failure, calamity or failure in security measures could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the Group's reputation could be adversely affected by significant frauds committed by employees, customers or other third parties. See "Risk Management" section of this Offering Circular for a description of the Group's exposure to operational risks.

Any failure of the Group to adapt to rapid technological changes on a timely basis or to integrate new technologies into its existing technology framework could affect the Group's business

The Group's future success and ability to compete with other banks and/or existing or emerging financial technology companies will depend, in part, on its ability to respond to technological advances and emerging banking industry standards and practices on a cost-effective and timely basis. Any failure to keep pace with technological advances or to maintain an appropriate level of investment in information technology may adversely affect the Group's competitiveness, business, financial condition, results of operations, prospects and reputation. While the Group has dedicated significant resources to implementing the latest technological advances to improve the accessibility of its services, for instance through internet and mobile banking, there can be no assurance that the Group will successfully implement new technologies effectively or adapt its transaction-processing systems to customer requirements or industry standards, which may, in turn, have a material adverse effect on its business and financial condition. The implementation of new technology may expose the Group to technical or operational risks or difficulties associated with transitioning or integrating its existing systems and infrastructure with the introduction of new technologies, systems or other equipment, which could adversely affect its business, financial condition, results of operations, prospects and reputation.

Considerations relating to Malaysia and overseas markets in which the Group operates

The effects of the COVID-19 pandemic or the outbreaks of infectious diseases in Asia and elsewhere could adversely affect the business, financial condition, results of operations or prospects of the Group

The outbreak of COVID-19 which first emerged in Wuhan City, Hubei province, China in late 2019 has since spread to other parts of the world. On 11 March 2020, the World Health Organization declared the COVID-19 outbreak a pandemic. The COVID-19 pandemic had and may continue to have significant effects on the global economy, including indefinite closure of significant economic sectors in many countries, widespread insolvencies, mass unemployment, closure of national borders, mandatory quarantines for international travellers, disruption of supply chains and global trade, severe strains on government finances and global economic recession. According to Malaysia's Department of Statistics, Malaysia's Gross Domestic Product ("**GDP**") saw a decline of 5.6 per cent. in 2020 as compared to a growth of 4.3 per cent. in 2019. National authorities have also taken unprecedented measures to contain this pandemic, such as inbound and outbound travel restrictions, bans on large social gatherings, shutdowns of non-essential services, enforced business closures and most restrictively, blanket quarantine orders on all segments of the population. While these "social distancing" measures are crucial for public health, they have triggered concurrent supply and demand shocks. This in turn has led to heightened turbulence in global financial markets.

Following the COVID-19 outbreak, the Malaysian prime minister announced the Movement Control Order ("**MCO**"), which includes the general prohibition on mass movements and gatherings, limited international travels, and closure of government, public and private premises except those involved in essential services, on 16 March 2020, as a measure to curb the outbreak. Since then, several stages of MCO has been implemented as containment measures to manage the outbreak. On 10 May 2021, the Malaysian government announced MCO 3.0, the third MCO, which will be effective from 12 May 2021 to 7 June 2021.

The Malaysian government's attempts to mitigate the impact of a potential recession included (i) a monetary policy stimulus via a cumulative 125 basis points ("**bps**") cut in the overnight policy rate, with a 25 bps cut, a 25 bps cut, a 50 bps cut and a 25 bps cut on 22 January 2020, 3 March 2020, 5 May 2020 and 7 July 2020, respectively, and (ii) 100 bps cuts in the Statutory Reserve Requirement. In addition, as at 30 April 2021, the Government has announced several stimulus packages aggregating RM340 billion, to provide relief to individuals and businesses hardest hit by the COVID-19 pandemic, including the PRIHATIN package, the PRIHATIN PKS+ package, the PENJANA package, the KITA PRIHATIN package, the PERMAI package and the PEMERKASA package, worth RM250 billion, RM10 billion, RM35 billion, RM10 billion, RM15 billion and RM20 billion, respectively. Further, Malaysia's Minister of Finance announced on 6 May 2020, that banks in Malaysia will waive the additional interest or profit charges imposed on instalments for hire-purchase loans for the six-month moratorium previously announced.

BNM has also taken steps to ensure that monetary and liquidity conditions remain supportive of economic activity. On 25 March 2020, BNM announced several regulatory and supervisory measures to support efforts by banks to assist individuals, small and medium enterprises ("**SMEs**") and corporations to manage the impact of the COVID-19 outbreak:

(a) Banks will provide an automatic moratorium to individuals and SMEs for loan/financing repayments for a period of six months, effective 1 April 2020. The offer is applicable to performing loans, denominated in Ringgit, that are not in arrears for more than 90 days as at 1 April 2020. Corporates may choose to opt into the moratorium.

(b) To ensure sufficient liquidity in the domestic market, BNM is:

    (i) allowing banks to operate below the minimum liquidity coverage ratio ("**LCR**") requirement of 100 per cent.;

    (ii) allowing banks to drawdown the capital conservation buffer of 2.5 per cent.; and

    (iii) reducing the regulatory reserves held against expected losses to 0 per cent.

(c) Meanwhile, the Net Stable Funding Ratio ("**NSFR**") has been implemented effective 1 July 2020, at a lower level of 80 per cent., which is to be reverted to 100 per cent. from 30 September 2021. NSFR is a liquidity standard that seeks to measure the proportion of a bank's long-term assets that are funded by long-term stable funding, requiring banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

The challenges faced by the general banking sector due to the impact of the COVID-19 pandemic include (i) compression to net interest margin due to rate cuts, (ii) lower loans growth from reduced business activities and consumer spending and (iii) potentially higher credit cost from (a) weakening credit quality of customers and (b) having to cushion the financial and cashflow impact to banks following any unprecedented monetary policies undertaken by governments to revive and alleviate the financial burden of the nation.

It is uncertain how long it will take for the global economy to recover from the effects of the COVID-19 pandemic. A prolonged outbreak could cause further uncertainty to economic growth and recovery which will likely adversely impact the business, prospects, financial condition and results of operations of the Group. Further, there can be no assurance that the Group will not face increased pressure as a result of any policies and/or interventions undertaken to curb the COVID-19 pandemic. Any such policies and/or interventions undertaken by governments to curb the COVID-19 pandemic may adversely affect the Group's business, financial condition and results of operations.

In addition to the COVID-19 outbreak, any other outbreak of an infectious disease such as Influenza A (H1N1, H5N1), avian influenza, or severe acute respiratory syndrome in Asia and elsewhere, together with any resulting restrictions on travel and/or imposition of quarantines, could have a negative impact on the economy, and business activities in Asia and could thereby adversely impact the Group's business, financial condition and results of operations. There can be no assurance that any precautionary measures taken against infectious diseases would be effective.

The business of the Group is predominantly concentrated in Malaysia, which may result in a higher level of risk compared to banks whose businesses are spread over diverse locations

The business of the Group is predominantly concentrated in Malaysia, which may result in a higher level of risk compared to some other banks whose businesses are spread over diverse locations. As at 31 December 2020, 88.4 per cent. of the Group's operating revenues were derived from within Malaysia and 87.7 per cent. of the Group's assets were employed within Malaysia. The concentration of revenue streams and asset locations in Malaysia may entail a higher level of risk as compared to banks which have revenue streams and/or assets spread over different countries. As a result, a substantial portion of revenue derived by the Group and the overall quality of its loan portfolio depends on the continued strength of Malaysia's economy, which is, in turn, affected by general economic and business conditions in the Asian region.

Developments in the social, political, regulatory and economic environment in Malaysia may have a material adverse impact on the Group

The Group's business, prospects, financial condition and results of operations may be adversely affected by social, political, regulatory and economic developments in Malaysia. Such political and economic uncertainties include, but are not limited to, the risks of war, terrorism, nationalism, nullification of contracts, changes or fluctuation in interest rates, imposition of capital controls and methods of taxation. In addition, the Group could be subject to changes in legal regimes and governmental regulations such as licensing and approvals, taxation and duties and tariffs.

Negative developments and uncertainties in Malaysia's socio-political environment and economic policies may adversely impact the business and health of the domestic banking sector, which could in turn affect the Group's business, operations and growth prospects.

The economic, market, political and policy conditions in other countries, particularly in major advanced economies (e.g. the U.S., Europe and Japan), large emerging market economies (e.g. the PRC) and Asia (e.g. North East Asia and ASEAN) that are Malaysia's key trading partners and sources of foreign direct investment and portfolio capital, could have an influence on the Malaysian economy. Any deterioration in economic conditions, widespread financial market and currency instability, as well as volatility in commodity prices causing significant loss of consumer, business and investor confidence in these economies, may adversely affect the Malaysian economy, which in turn could materially and adversely affect the business, financial condition, results of operations, prospects or reputation of the Group.

Examples of such external factors or conditions that are outside the Group's control include, but are not limited to the following: (a) entry of new competitors into the Malaysian banking market from foreign countries and other actions by new and existing local and foreign competitors; (b) impact of technological innovation and adoption such as digital economy, e-commerce, blockchain and crypto-currency on the banking industry and financial sector due to the entry of, and competition from, financial technology or 'fintech' companies, and a changing regulatory landscape via developments in regulation technology or 'regtech'; (c) general economic, markets, political and social conditions in Malaysia and key foreign economies; (d) financial markets, currency and interest rate fluctuations; (e) movements in commodity prices where Malaysia and key foreign economies are major producers and exporters, namely crude oil, palm oil, natural gas and coal; (f) consumer spending patterns in Malaysia and key foreign economies; (g) inflationary pressure in Malaysia and key foreign economies; (h) international events and circumstances such as major policy changes, wars, terrorist attacks, natural disasters and political instability; and (i) changes in legal regimes and governmental regulations, such as licensing and approvals, taxation, duties and tariffs in Malaysia and key foreign markets.

There can be no assurance on the condition and prospects of the global economy, financial markets, currencies and commodity prices. Key risks to current global economic, financial market, currency and commodity outlooks include the pace of the U.S. Federal Reserve's monetary policy normalisation (i.e. interest rate hikes); the danger of protectionist trade policies or a trade war because of retaliatory responses by major and regional economies that are affected by the imposition of tariffs on selected U.S. import products; and the outlook for the PRC's economic growth and financial stability. These factors may adversely affect the business, prospects, financial condition and results of operations of the Group.

The Ringgit is subject to exchange rate fluctuations which may negatively impact the Group

BNM has, in the past, intervened in the foreign exchange market to stabilise the Ringgit, and instituted a fixed exchange rate of RM3.80 to U.S.$1.00 on 2 September 1998. Subsequently, on 21 July 2005, BNM adopted a managed float system which benchmarked the Ringgit to a currency basket to ensure that the Ringgit remains close to its fair value.

The period between mid-2013 and early 2017 saw renewed pressures on emerging market currencies, including the Ringgit, amid several key global developments. These include the indication from the then Chairman of the U.S. Federal Reserve, Ben S. Bernanke, that U.S. monetary policy would be normalised, which led to the commencement of the tapering of the U.S. Federal Reserve asset purchase programme, or quantitative easing ("**QE**"), in 2014. The normalisation of U.S. monetary policy remains a major factor in driving the global currency markets as the end of the QE tapering was followed by the signalling of the normalisation in the zero-interest rate policies that resulted in a 200 basis points increase in the federal funds rate between the 15-16 December 2015 Federal Open Market Committee ("**FOMC**") meeting and the 25-26 September 2018 FOMC meeting.

Over the same period, the PRC economy went through a slowdown that is regarded as structural rather than cyclical. Among the key concerns arising from this is the PRC's exchange rate policy and its implication on global currency markets (i.e. competitive devaluation of the Renminbi resulting in downward pressures on other emerging market currencies). With the Renminbi being perceived as a "managed currency", devaluation against the U.S. dollar was regarded an attempt to weaken the Renminbi, boost export competitiveness and support growth. Furthermore, downward pressure on the Renminbi was also attributable to monetary policy easing and capital outflows that contributed to the decrease in the PRC's external reserves.

The pressures on emerging market currencies — including the Ringgit — have been exacerbated further by a decline in commodity prices, led by crude oil, as many emerging market economies are net exporters of commodities. Among the more affected currencies in 2014, 2015 and 2016, coinciding with the plunge in commodity prices, were those of commodity-exporting economies such as the Canadian Dollar, Australian Dollar, Brazilian Real, Russian Ruble, Indonesian Rupiah and Ringgit.

Overall, the U.S. monetary policy normalisation, the PRC's growth and exchange rate policy outlook, as well as the weakness in commodity prices have contributed to heightened risk aversion in the emerging markets, in turn resulting in the outflow of capital from emerging economies' financial markets. During the period between 8 May 2013 when the Ringgit was at a high of RM2.9625 against the U.S. dollar and 4 January 2017 when it reached a low of RM4.4985, the Ringgit declined by 34.1 per cent against the U.S. dollar.

However, in 2017, the Ringgit appreciated 10.9 per cent. compared with a 4.3 per cent. depreciation in 2016. As at 29 June 2018, the closing exchange rate was RM4.0375 to U.S.$1.00 compared with the low of RM4.4985 to U.S.$1.00 at 4 January 2017. This reversal in the Ringgit against the U.S. dollar reflects a shift in market and investor sentiment towards emerging market currencies in general amid factors such as stronger economic growth in 2017 in emerging markets, including Malaysia, during the pick-up in the global economy that was driven by the synchronised expansions in the major economies, namely the U.S., Eurozone and Japan; the rebound in crude oil prices due to the cut in crude oil output by OPEC members and participating non-OPEC producers which eased the pressure on Malaysia's current account and fiscal balances; and the gain in RMB that significantly reversed the previous devaluation against the U.S. dollar. At the same time, in late-2016, BNM's enforcement of existing rules and regulations regarding onshore financial institutions' involvement in the offshore Ringgit's non-deliverable forward market, as well as the re-imposition of the requirement for exporters to repatriate their earnings which was liberalised during 2011–2016, had the effect of stabilising the Ringgit against the U.S. dollar and restoring trade-related inflows.

While the foreign exchange policy in Malaysia has been relaxed in recent years, BNM may continue to alter the extent of progressive liberalisation to achieve a Ringgit exchange rate which supports financial market liquidity and broader economic growth, with the most recent liberalisation of foreign exchange policy announced by BNM on 31 March 2021 (effective 15 April 2021), as part of providing greater flexibility to businesses in its efforts to strengthen Malaysia's position in the global supply chain and to foster a conducive environment in attracting foreign direct investment into Malaysia. The key aspects of the most recent liberalisation on 31 March 2021 include:

(a) removal of the export conversion rule to allow resident exporters to manage the conversion of export proceeds in accordance with their foreign currency cash flow needs;

(b) allowing resident exporters to settle domestic trade in foreign currency with other residents involved in the global supply chain, thereby facilitating a natural hedge for resident exporters and their business partners along the supply chain to better manage the foreign exchange risk;

(c) the six-month period of repatriation of export proceeds remains in place but it can be extended beyond six months based on exceptional circumstances that are beyond the exporter's control without obtaining approval from BNM;

(d) allowing resident exporters to net-off export proceeds against permitted foreign currency obligations and export proceeds against permitted foreign currency obligations; and

(e) in addition to the current access to resident futures brokers for their commodity hedging needs, resident corporates are allowed to transact commodity derivatives with non-resident futures brokers directly, in order to provide greater risk management avenue and choice for resident corporates to hedge their commodity price risk.

In addition, the Group revalues its foreign currency borrowings and its investments on its balance sheet to account for changes in currency rates and recognises the resulting gains or losses in its income statement or reserves. To the extent that the Group is unable to minimise its foreign currency exposure through appropriate foreign currency hedging transactions, fluctuations in the Ringgit's value against other currencies may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

A re-imposition of capital controls may affect investors' ability to repatriate the proceeds from the sale of Notes and interest and principal paid on the Notes from Malaysia

As part of the package of policy responses to the 1997 economic crisis in Southeast Asia, the Government introduced, on 1 September 1998, selective capital control measures. The Government initiated the liberalisation of the selective capital control measures in 1999 to allow foreign investors to repatriate principal capital and profits, subject to a system of graduated exit levies based on the duration of investment in Malaysia. On 1 February 2001, the Government revised the levy to apply only to profits made from portfolio investments retained in Malaysia for less than one year. On 2 May 2001, the Government lifted all such controls in respect of the repatriation of foreign portfolio funds (largely consisting of proceeds from the sale of stocks listed on Bursa Securities).

Under the current Foreign Exchange Notices issued by BNM, non-residents are free to repatriate funds including any income earned or proceeds from divestment of Ringgit Asset (as defined in the Foreign Exchange Notices), provided that such repatriation is made in foreign currency and the conversion of Ringgit into foreign currency is undertaken in accordance with Part B of Notice 1 of the Foreign Exchange Notices. The repatriation of funds is subject to the applicable reporting requirements and any withholding tax. There can be no assurance that the Government will not re-impose these or other forms of capital controls in the future. If the Government re-imposes foreign exchange controls, investors may not be able to repatriate the proceeds of the sale of the Notes and interest and principal paid on the Notes from Malaysia for a specified period of time or may only be able to do so after paying a tax or levy.

Changes in accounting policies by the Issuer and Group mean that the recent financial statements published by the Issuer and/or Group may not be directly comparable to the financial statements for any previous financial periods

On 1 January 2019, the Group adopted MFRS 16 "Leases", which supersedes MFRS 117 "Leases" and its related interpretations. As permitted by the transitional provisions of MFRS 16, the Group elected not to restate comparative figures. Further details on the effect of the adoption of MFRS 16 as at 1 January 2019 and a reconciliation of the operating lease commitments disclosed under MFRS 117 to MFRS 16 can be found in Note 57 to the Group's financial report for the financial year ended 31 December 2019.

As a result of the Group's Business Transfer (as defined herein), the Issuer's unconsolidated statement of financial position as at 31 December 2019 have been restated for comparative purposes in the Issuer's audited unconsolidated financial statements for the financial year ended 31 December 2020 due to the application of predecessor accounting. In addition, the disposal of RHB Securities Singapore Pte Ltd ("**RHB Securities Singapore**") has been accounted for, as a discontinued operation for the financial year ended 31 December 2020, in accordance with MFRS 5 'Non-current Assets Held for Sale and Discontinued Operations'. Accordingly, the results of RHB Securities Singapore were excluded from the results of continuing operations and were presented as a single amount representing profit/(loss) from discontinued operation attributable to equity holders in the Group's consolidated income statement for the financial year ended 31 December 2020. Reclassifications of comparative amounts was made in the Group's consolidated income statement for the financial year ended 31 December 2020 to conform to the classifications used in that financial year. Further details can be found in Note 57 to the Group's financial report for the financial year ended 31 December 2020.

The restated comparative financial information of the Issuer and the Group as at and for the financial year ended 31 December 2019 may differ from the corresponding amounts previously reported in the Issuer's and the Group's audited financial statements for the financial year ended 31 December 2019. Accordingly, the Issuer's unconsolidated statement of financial position as at, and the Group's consolidated income statement for the financial year ended, 31 December 2019 and 2020 included in the audited financial statements for the financial year ended 31 December 2020 are not comparable with the Issuer's unconsolidated statement of financial position or Group's consolidated income statement, as applicable, reported in the audited financial statements for previous financial years. As such, investors should exercise caution when making comparisons and when evaluating the Group's or the Issuer's financial condition and results of operations. See "Description of the Group and the Issuer — Introduction and Overview" and "Summary of Selected Financial Information" for further details.

Corporate disclosure standards in Malaysia vary from those in other jurisdictions

There are different requirements to make public information about Malaysian public companies, such as the Issuer, than is regularly made available by public companies in other jurisdictions. These differences may relate to the timing and content of the disclosure of information concerning the beneficial ownership of equity securities by officers, directors and significant shareholders; officer certification of disclosure and financial statements in periodic public reports; and disclosure of off-balance sheet transactions in management's discussion of results of operations in periodic public reports.

Considerations relating to the Malaysian banking industry

Competition

The banking industry's transformation through a deregulation process as part of BNM's implementation of its Financial Sector Master Plan has resulted in the liberalisation of the banking industry to allow greater presence of foreign and Islamic banks, as well as providing greater opportunities for banks to widen their scope of business beyond traditional commercial banking. In December 2011, BNM released the Financial Sector Blueprint (2011-2020) with a continued focus on strengthening the competition and improving the breadth and depth of Malaysia's financial system. The liberalisation brought about by the Financial Sector Blueprint has also driven greater competition among banking institutions with the trend being expected to continue. As a result, banking institutions are required to improvise and innovate to better serve its customers more efficiently, including through greater usage of technology for efficiency and exploring cost effective solutions.

The Competition Act, 2010 (Act 712) ("**Competition Act**") (effective 1 January 2012), was introduced to promote economic development by promoting and protecting the process of competition in order to maximise consumer welfare through the prohibition of anti-competition practices. The Competition Act applies to all commercial activities undertaken within Malaysia and those outside Malaysia which have effects on competition in the Malaysian market. The scope of the Competition Act includes prohibitions of anti-competitive agreements and the abuse of dominant position.

The Group faces competition from other domestic banking groups, as well as foreign banks operating in Malaysia. There can be no assurance that the Group will be able to maintain or increase its present market share in the future or that increased competition will not materially and adversely impact the business, financial condition and results of operations or prospects of the Group.

On 31 December 2020, BNM issued its Licensing Framework for Digital Banks following a six-month public consultation. In tandem with its issuance of the Licensing Framework for Digital Banks, BNM announced that it plans to issue up to five digital bank licences by the first quarter of 2022. The Licensing Framework for Digital Banks has the objective of enabling innovative application in technology to uplift the financial wellbeing of individuals and businesses, while enhancing financial solutions to the unserved and underserved segments. The introduction of these digital banks may lead to increased competition in the Malaysian market which may impact the business, prospects, financial condition and results of operations of the Group.

Regulatory constraints

The Group's core business is subject to regulatory review and measures imposed by the relevant regulatory agencies. Banking activity in Malaysia is primarily regulated by BNM under the Financial Services Act 2013 ("**FSA**") and Islamic Financial Services Act 2013 ("**IFSA**"). Regulatory measures imposed on banks in Malaysia include restrictions on operations and measures requiring maintenance of reserves and minimum capital adequacy requirements.

The Group is regulated by BNM, which was established on 26 January 1959 pursuant to the Central Bank of Malaya Ordinance 1958 (renamed the Central Bank of Malaysia Act 1958 which has been replaced by the Central Bank of Malaysia Act 2009) as the central bank of Malaysia. BNM is directly involved in the regulation and supervision of Malaysia's financial system. Its principal functions are to (i) formulate and conduct monetary policy in Malaysia; (ii) issue currency in Malaysia; (iii) regulate and supervise financial institutions which are subject to the laws enforced by BNM; (iv) provide oversight over money and foreign exchange markets; (v) exercise oversight over payment systems; (vi) promote a sound, progressive and inclusive financial system; (vii) hold and manage the foreign reserves of Malaysia; (viii) promote an exchange rate regime consistent with the fundamentals of the economic policy; and (ix) act as financial adviser, banker and financial agent of the Government.

BNM and the Minister of Finance of Malaysia have extensive powers under FSA and IFSA, which are the principal statutes that set out the laws for the licensing and regulation of institutions carrying on banking, finance company, investment banking and other financial businesses. In addition to FSA and IFSA, Malaysian licensed institutions are subject to guidelines, practice notes and standards issued by BNM from time to time.

Accordingly, prospective investors should be aware that BNM could, in the future, set interest rates at levels or restrict credit in a way which may be adverse to the operations, financial condition or asset quality of banks and financial institutions in Malaysia, including the Group, and may otherwise significantly restrict the activities of the Group and Malaysian banks and financial institutions generally.

The regulatory measures presently imposed, and as may be introduced from time to time, by the regulatory agencies could affect the Group's business activities.

BNM also has broad investigative and enforcement powers. Contravention of BNM regulations and guidelines may expose the Group to enquiries from an investigation by BNM and other Malaysian regulatory agencies. These enquiries or investigations may result in sanctions including fines, corrective orders, restriction of business lines and possible loss of licences required for the Group to operate its businesses and, in addition, may cause the Group's reputation to be adversely affected. Contravention of regulations, policies or guidelines of BNM (or any other regulatory agency) therefore carries with it financial and reputational risks that could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The FSA and IFSA are the legislations that provide for the regulation and supervision of financial institutions in Malaysia, payment systems and other relevant entities and also the oversight of the money market and foreign exchange market. These legislations generally provide for a stricter financial services regime, including the increase in duties and responsibilities of financial institutions and enhanced level of governance and disclosure.

The Group has procedures in place to ensure compliance with new legislation and that effort is made to ensure the Group is compliant with new regulations. The Group is not in a position to predict future actions of regulators applicable to the Group's business. The Group acknowledges that there will be additional compliance costs to the Group on an ongoing basis with respect to regulatory change.

Failure to comply with such rules and regulations may result in penalties, loss of regulatory licences and permits and damage to business reputation, which may have a material adverse effect on the Group's business, prospects, financial condition and/or results of operations.

Deposits in Malaysia are not insured up to the full amount

BNM is not required to act as lender of last resort to meet liquidity needs in the banking system generally or for specific institutions, although it has, in the past and on a case-by-case basis, provided a safety net for individual banks with an isolated liquidity crisis. However, there can be no assurance that BNM will provide such assistance in the future. Effective 1 September 2005, BNM introduced a deposit insurance system ("**Deposit Insurance System**"), which is administered by an independent statutory body, Perbadanan Insurans Deposit Malaysia. All licensed commercial banks (including subsidiaries of foreign banks operating in Malaysia) and Islamic banks are member institutions of the Deposit Insurance System.

On 16 October 2008, the Government moved to guarantee all bank deposits in an effort to shore up confidence in the Malaysian financial system to curb potentially damaging capital outflows. BNM announced the guarantee for all local and foreign currency deposits from 16 October 2008 until 31 December 2010. With effect from 31 December 2010, the Malaysia Deposit Insurance Corporation Act 2011 (Act 720) ("**2011 Act**") came into effect and replaced the 2005 Act. The 2011 Act was enacted to implement an enhanced financial consumer protection package, whereby, amongst other changes, the deposit insurance limit was increased to RM250,000 per depositor, per member bank with such amount being inclusive of principal and interest. In addition, under the 2011 Act, foreign currency deposits will now benefit from deposit insurance protection.

Under the Deposit Insurance System, explicit deposit protection is provided to eligible deposits up to the prescribed limit of RM250,000 per depositor, per member bank and such amount is inclusive of principal and interest effective as at 31 December 2010. A separate coverage for the same amount is provided for Islamic deposits (i.e. those accepted under Shariah principles), accounts held under joint ownership and trust accounts, sole proprietorships and partnerships.

Notwithstanding the aforesaid, the fact that not all deposits are insured up to their full amount could lead to or exacerbate liquidity problems, which, if severe, could have an adverse effect on the Group's business, financial condition, results of operations or prospects, or on the Malaysian financial markets generally.

Winding-up of the Issuer

Under Section 195 of the FSA, no application for the winding-up of an approved person (which includes the Issuer) may be presented to the High Court of Malaya (the "**High Court**") without the prior written approval of BNM. In addition, a copy of such an application to the High Court must also be delivered to BNM at the same time as it is presented to the High Court. Further, BNM shall be party to the winding-up proceedings and shall be entitled to appear and be heard in all proceedings relating to the application and to call, examine and cross-examine any witness. Failure to comply with such requirements is an offence and a person convicted of such offence is liable to imprisonment and/or a fine under the FSA. As there is no precedent for the winding-up of a major financial institution in Malaysia, there is uncertainty as to the manner in which such proceeding would occur and the results thereof.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features.

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period. The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Partly Paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable Rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate. The market values of those Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes and could affect the market value of an investment in the relevant Notes.

Notes referencing or linked to a 'benchmark' rate

Interest rate benchmarks and other rates and indices (such as the London Interbank Offered Rate ("**LIBOR**")), the Euro Interbank Offered Rate ("**EURIBOR**") and the Singapore Interbank Offered Rate ("**SIBOR**")), by reference to which the amount payable under, or value of, a financial instrument may be determined, have, in recent years, been the subject of political and regulatory scrutiny as to how they are created and operated, culminating in regulatory reform and changes with further changes yet to be implemented. Some of these reforms are already effective whilst others are still to be implemented. These reforms and changes may cause a 'benchmark' rate or index to perform differently than it has done in the past, or to be discontinued and any change in the performance of a 'benchmark' rate or index or the cessation of a 'benchmark' rate or index could have a material adverse effect on any Notes linked to or referencing such a 'benchmark' rate or index.

Regulation (EU) 2016/1011 (the "**Benchmark Regulation**") was published in the Official Journal of the European Union on 29 June 2016 and has applied in the European Union since 1 January 2018 (with the exception of provisions specified in Article 59 of the Benchmark Regulation (mainly on critical benchmarks) that applied from 30 June 2016). The Benchmark Regulation could have a material impact on any Notes linked to a 'benchmark' rate or index, in particular, if the methodology or other terms of the 'benchmark' are changed in order to comply with the terms of the Benchmark Regulation (or any such other rules), and such changes could (amongst other things) have the effect of reducing or increasing the rate or level, or affecting the volatility of the published rate or level, of the benchmark.

In addition, the Benchmark Regulation stipulates that each administrator of a 'benchmark' regulated thereunder must be licensed by the competent authority of the Member State where such administrator is located. It cannot be ruled out that administrators of certain 'benchmarks' will fail to obtain a necessary licence, preventing them from continuing to provide such 'benchmarks'. Other administrators may cease the provision of certain 'benchmarks' because of the additional costs of compliance with the Benchmark Regulation and other applicable regulations, and the risks associated therewith.

More broadly, any of the international, national or other proposals for reform, or the general increased regulatory scrutiny of 'benchmarks', could increase the costs and risks of administering or otherwise participating in the setting of a 'benchmark' and complying with any such regulations or requirements. Such factors may have the effect of discouraging market participants from continuing to administer or contribute to certain 'benchmarks', trigger changes in the rules or methodologies used in certain 'benchmarks' or lead to the discontinuance of certain 'benchmarks'.

More generally, there can be no assurance that LIBOR, EURIBOR, SIBOR or any other such 'benchmarks' will continue to be available. In a speech in July 2017, the Chief Executive of the United Kingdom Financial Conduct Authority (the "**FCA**") committed the FCA to begin planning a transition away from LIBOR to alternative reference rates that are based on actual transactions, such as the Sterling Over Night Index Average ("**SONIA**"). The FCA announcement indicated that the continuation of LIBOR in its current form is not guaranteed after 2021. Subsequent speeches by the Chief Executive of the FCA and other FCA officials emphasised that market participants should not rely on the continued publication of LIBOR after the end of 2021. On 5 March 2021, the FCA announced that: (i) the publication of 24 LIBOR settings (as detailed in the FCA announcement) will cease immediately after 31 December 2021; (ii) the publication of the overnight and 12-month U.S. dollar LIBOR settings will cease immediately after 30 June 2023; (iii) immediately after 31 December 2021, the one-month, three-month and six-month sterling LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consult on requiring the ICE Benchmark Administration Limited (the "**IBA**") to continue to publish these settings on a synthetic basis, which will no longer be representative of the underlying market and economic realities they are intended to measure, for a further period after the end of 2021); and (iv) immediately after 30 June 2023, the one-month, three-month and six-month U.S dollar LIBOR settings will no longer be representative of the underlying market and economic reality that they are intended to measure and representativeness will not be restored (and the FCA will consider the case for using its proposed powers to require IBA to continue publishing these settings on a synthetic basis, which will no longer be representative of the underlying market and economic reality they are intended to measure, for a further period after the end of June 2023). Similarly, the Association of Banks in Singapore is also proposing to discontinue certain tenors for SIBOR and to amend the methodology for determining SIBOR.

The potential elimination of the LIBOR benchmark, the SIBOR benchmark or any other 'benchmark', or changes in the manner of administration of any benchmark, could require an adjustment to the terms and conditions of the Notes, or result in other consequences, in respect of any Notes linked to such benchmark (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR or SIBOR, as the case may be). Any such consequence could have a material adverse effect on the value of and return on any such Notes.

The terms and conditions of the Notes and the Agency Agreement (as defined under "*Terms and Conditions of the Notes*") contain fallback provisions in the event that LIBOR or EURIBOR rates are not available. If the Rate of Interest cannot be determined due to the potential elimination of the LIBOR benchmark or any other benchmark, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (subject to substitution of the margin, if applicable). See "Terms and Conditions of the Notes".

Any of the above changes or any other consequential changes as a result of international or national proposals for reform or other initiatives or investigations, could require an adjustment to the terms and conditions of the Notes, or result in other consequences, which could have a material adverse effect on the value of and return on any Notes linked to a 'benchmark' (including but not limited to Floating Rate Notes whose interest rates are linked to LIBOR).

Investors should consult their own independent advisers and make their own assessment about the potential risks imposed by any international reforms in making any investment decision with respect to any Notes linked to or referencing a benchmark.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally.

Modification

The Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

The secondary market generally

There is no existing market for any Notes and there can be no assurances that a secondary market for the Notes will develop, or if a secondary market for the Notes does develop, that it will provide the Noteholders with liquidity of investment or that it will continue for the life of the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

The market value of any Notes may fluctuate. Consequently, any sale of Notes by Noteholders in any secondary market which may develop may be at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, the Issuer's performance and the market for similar securities. No assurance can be given as to the liquidity of, or trading market for, any Notes and an investor in such Notes must be prepared to hold such Notes for an indefinite period of time or until their maturity. Application has been made to the LFX and the SGX-ST, for the listing of the Notes but there can be no assurance that such listing will occur on or prior to the date of issue of such Notes or at all. Historically, the market for debt securities by South East Asian issuers has been subject to disruptions that have caused substantial volatility in the prices of such securities. There can be no assurance that the market for any Notes will not be subject to similar disruptions. Any such disruption may have an adverse effect on holders of such Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes. Fluctuations in interest rates will affect the Group's earnings stream through changes in net interest income and economic value of the balance sheet. Adverse impact on earnings and capital resulting from interest rate movements can be caused by differences in the timing of maturity (repricing risk), changing rate and yield curve relationships (basis and yield curve risks) and option risk embedded in certain products.

Inflation risk

Investors may suffer erosion on the return of their investments due to inflation. Investors would have an anticipated rate of return based on expected inflation rates on the purchase of the Notes. An unexpected increase in inflation could reduce the actual returns.

Credit ratings may not reflect all risks

It is a condition of the issuance of the Notes under the Programme that the Programme and, if applicable, the Notes to be issued under the Programme, have been assigned a rating of "A3" by Moody's and "BBB+" by S&P. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

Legal risk factors may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Risks related to Renminbi denominated Notes

The Issuer may issue Renminbi denominated Notes ("**RMB Notes**"). Potential investors should be aware of the following risk factors pertaining to such Notes.

(i) Renminbi is not freely convertible and there are significant restrictions on remittance of Renminbi into and outside of the PRC

Prospective investors in RMB Notes should be aware that Renminbi is not freely convertible at present. The PRC Government continues to regulate conversion between the Renminbi and foreign currencies, including the U.S. dollar, despite the significant reduction over the years by the PRC Government of its control over routine foreign exchange transactions under current accounts. However, remittance of Renminbi by foreign investors into the PRC for the purposes of capital account items, such as capital contributions, is generally only permitted upon obtaining specific approvals from, or completing specific registrations or filings with, the relevant authorities on a case-by-case basis and is subject to a strict monitoring system. Regulations in the PRC on the remittance of Renminbi into the PRC for settlement of capital account items are developing gradually.

Although Renminbi was added to the Special Drawing Rights basket created by the International Monetary Fund in 2016 and policies further improving accessibility to Renminbi to settle cross-border transactions in foreign currencies were implemented by the People's Bank of China (the "**PBoC**") in 2018, there is no assurance that the PRC Government will continue to gradually liberalise the control over cross-border Renminbi remittances in the future, that the schemes for Renminbi cross-border utilisation will not be discontinued or that new regulations in the PRC will not be promulgated in the future which have the effect of restricting or eliminating the remittance of Renminbi into or out of the PRC. Despite Renminbi internationalisation pilot programmes and efforts in recent years to internationalise the currency, there can be no assurance that the PRC Government will not impose interim or long-term restrictions on the cross-border remittance of Renminbi. In the event that funds cannot be repatriated out of the PRC in Renminbi, this may affect the overall availability of Renminbi outside the PRC and the ability of the Issuer to source Renminbi to finance its obligations under Notes denominated in Renminbi.

Further, holders of beneficial interests in RMB Notes may be required to provide certifications and other information (including Renminbi account information) in order to receive payments in Renminbi in accordance with Renminbi clearing and settlement system for participating banks in Hong Kong. Prospective investors should consult their tax and legal advisers on how the relevant PRC regulations may apply to them and to payments they may receive in connection with the Notes.

(ii) There is only limited availability of Renminbi outside the PRC, which may affect the liquidity of RMB Notes and the Issuer's ability to source Renminbi outside the PRC to service the Notes

As a result of the restrictions by the PRC Government on cross-border Renminbi fund flows, the availability of Renminbi outside the PRC is limited. While the PBoC has entered into agreements (the "**Settlement Arrangements**") on the clearing of Renminbi business with financial institutions (the "**Renminbi Clearing Banks**") in a number of financial centres and cities, including but not limited to Hong Kong, has established the Cross-Border Inter-Bank Payments System to facilitate cross-border Renminbi settlement and is further in the process of establishing Renminbi clearing and settlement mechanisms in several other jurisdictions, the current size of Renminbi denominated financial assets outside the PRC is limited.

There are restrictions imposed by PBoC on Renminbi business participating banks in respect of cross-border Renminbi settlement, such as those relating to direct transactions with PRC enterprises. Furthermore, Renminbi business participating banks do not have direct Renminbi liquidity support from PBoC, although PBoC has gradually allowed participating banks to access the PRC's onshore inter-bank market for the purchase and sale of Renminbi. The Renminbi Clearing Banks only have limited access to onshore liquidity support from PBoC for the purpose of squaring open positions of participating banks for limited types of transactions and are not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services. In cases where the participating banks cannot source sufficient Renminbi through the above channels, they will need to source Renminbi from outside the PRC to square such open positions.

Although it is expected that the offshore Renminbi market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Arrangements will not be terminated or amended in the future which will have the effect of restricting availability of Renminbi outside the PRC. The limited availability of Renminbi outside the PRC may affect the liquidity of the Renminbi Notes. To the extent the Issuer is required to source Renminbi in the offshore market to service its Renminbi Notes, there is no assurance that the Issuer will be able to source such Renminbi on satisfactory terms, if at all.

(iii) Investment in the RMB Notes is subject to exchange rate risks and the Issuer may make payments of interest and principal originally due in Renminbi in U.S. dollars, Hong Kong dollars or another specified currency in certain circumstances

There can be no assurance that access to Renminbi funds for the purposes of making payments under the RMB Notes or generally will remain available or will not become restricted. The value of Renminbi against the U.S. dollar and other foreign currencies fluctuates and is affected by changes in the PRC's and international political and economic conditions and by many other factors. Although the Issuer's primary obligation is to make all Renminbi payments of interest and principal or other amounts with respect to the RMB Notes in Renminbi, in certain circumstances and if so specified, the terms of the Notes allow the Issuer to delay any such payment and/or make payment in U.S. dollars, Hong Kong dollars or another specified currency at the prevailing spot rate of exchange, and/or cancel or redeem such Notes. As a result, the value of such payments in Renminbi (in U.S. dollar, Hong Kong dollar or other applicable foreign currency terms) may vary with the prevailing rates in the marketplace such that if the value of Renminbi depreciates against the U.S. dollar, Hong Kong dollar or other foreign currencies, the value of a Noteholder's investment in U.S. dollars, Hong Kong dollars or other applicable foreign currency terms will decline. Foreign exchange fluctuations between an investor's home currency and Renminbi may also affect investors who intend to convert gains or losses from the sale or redemption of the Notes into their home currency.

(iv) Payments in Renminbi under the RMB Notes will only be made to investors in the manner specified in the RMB Notes

All payments to investors in respect of the RMB Notes will be made solely by (i) when RMB Notes are represented by Global Notes deposited with a sub-custodian for the CMU, transfer to a Renminbi bank account maintained in Hong Kong in accordance with the prevailing CMU rules and procedures; (ii) when RMB Notes are represented by Global Notes held with the common depositary, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing Euroclear and Clearstream, Luxembourg rules and procedures; or (iii) when RMB Notes are in definitive form, transfer to a Renminbi bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

(v) Interest rate risk

The PRC Government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. With respect to any RMB Notes which carry a fixed interest rate, the value of such RMB Notes will vary with the fluctuations in the Renminbi interest rates. If a Noteholder tries to sell such RMB Notes before their maturity, he may receive an offer that is less than the amount he has invested.

Terms and Conditions of the Notes

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (provided that such amendment, supplement or variation is not inconsistent with the terms and conditions submitted to the Securities Commission of Malaysia and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued pursuant to an amended and restated Agency Agreement (as modified and/or supplemented and/or restated from time to time, the "**Agency Agreement**") dated 25 May 2021 between the Issuer, Bank of America, National Association (London Branch), as fiscal agent, The Hongkong and Shanghai Banking Corporation Limited as CMU lodging and paying agent and the other agents named in it and Bank of America Europe DAC as registrar, and with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") dated 23 September 2014 executed by the Issuer in relation to the Notes. The fiscal agent, the CMU lodging and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) appointed pursuant to the Agency Agreement are referred to below respectively as the "**Fiscal Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**" (such Fiscal Agent, CMU Lodging and Paying Agent, Paying Agents, Registrars, Transfer Agents and Calculation Agent(s) (if any) being referred together as the "**Agents**"). For the purpose of these Conditions, all references to the Fiscal Agent, the Registrar and the Transfer Agent shall, with respect to a Series of Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**"), be deemed to be a reference to the CMU Lodging and Paying Agent.

The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the "**Conditions**"), "**Tranche**" means Notes which are identical in all respects and "**Series**" means a series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expected to have the same series number.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1. Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"), the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

*All Registered Notes shall have the same Specified Denomination. Notes which are listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies) or such other amount as may be allowed or required from time to time.*

This Note is a Fixed Rate Note, a Floating Rate Note, a Variable Rate Note, a Zero Coupon Note, an Instalment Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest Basis and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. No Exchange of Notes and Transfers of Registered Notes

(a) **No Exchange of Notes**: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes**: One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer) duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes**: In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Conditions 2 (b) or (c) shall be available for delivery within five business days of receipt of the form of transfer or Exercise

Notice (as defined in Condition 6(e)) or Purchase Notice (as defined in Condition 6(f)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Purchase Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or Purchase Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfer Free of Charge**: Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods**: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7 (b)).

3. Status

The Notes and the Receipts and Coupons relating to them constitute direct, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4. Negative Pledge

So long as any Note, Receipt or Coupon remains outstanding (as defined in the Agency Agreement) the Issuer will not create, or have outstanding any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness without at the same time or prior thereto according to the Notes, the Receipts and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security or such other arrangement (whether or not it includes giving security) as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

In this Condition:

"**Relevant Indebtedness**" means any present or future indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which:

(a) for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market (provided that "Relevant Indebtedness" shall not include any such indebtedness which is quoted, listed or dealt in or traded only on a stock exchange or over-the-counter or other securities market in Malaysia); and

(b) either are by their terms payable, or confer a right to receive payment, in any currency other than Ringgit or are denominated in Ringgit and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside Malaysia by or with the authorisation of the Issuer thereof.

Notwithstanding the foregoing, in the event that there is a change in law or regulation in Malaysia permitting or providing for the issue of covered bonds (such changed law or regulation, the "**Covered Bond Regulation**"), any arrangement relating to the segregation required by the Covered Bond Regulation of any part of the Issuer or its Principal Subsidiary's (as defined in Condition 10) property, assets or revenues or the creation of any security interest required by the Covered Bond Regulation in respect thereof for the purpose of issuing such covered bonds shall be permitted and shall not require the creation of equivalent security in respect of the Notes, provided that, such arrangement is entered into in compliance with, and only to the extent required by, the Covered Bond Regulation and such segregated property, assets or revenues qualify as collateral for, or are to be applied in priority in meeting claims of, issues of covered bonds under the Covered Bond Regulation.

5. Interest and Other Calculations

(a) **Interest on Fixed Rate Notes**: Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes and Variable Rate Notes**:

(i) *Interest Payment Dates*: Each Floating Rate Note and Variable Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date provided that the Agreed Yield (as defined in Condition 5(b)(iv)) in respect of any Variable Rate Note for any Interest Period shall be payable on the first day of that Interest Period.

(ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which, if any, is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub- paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest is:

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Eurozone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) *Rate of Interest for Variable Rate Notes*

(A) Each Variable Rate Note bears interest at a variable rate determined in accordance with the provisions of this paragraph (iv). The interest payable in respect of a Variable Rate Note for each Interest Period relating to that Variable Rate Note, which shall be payable on the first day of such Interest Period, is referred to in this Conditions as the "Agreed Yield" and the rate of interest payable in respect of a Variable Rate Note on the last day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the "Rate of Interest".

(B) The Agreed Yield or, as the case may be, the Rate of Interest payable from time to time in respect of each Variable Rate Note for each Interest Period shall be determined as follows:

(x) not earlier than 9.00 a.m. (Kuala Lumpur time) on the ninth business day nor later than 3.00 p.m. (Kuala Lumpur time) on the fifth business day prior to the commencement of each Interest Period, the Issuer and the Relevant Dealer (as defined below) shall endeavour to agree on the following:

(1) whether interest in respect of such Variable Rate Note is to be paid on the first day or the last day of such Interest Period;

(2) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the first day of such Interest Period, an Agreed Yield in respect of such Variable Rate Note for such Interest Period (and, in the event of the Issuer and the Relevant Dealer so agreeing on such Agreed Yield, the Rate of Interest for such Variable Rate Note for such Interest Period shall be zero); and

(3) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the last day of such Interest Period, a Rate of Interest in respect of such Variable Rate Note for such Interest period (an "**Agreed Rate**") and, in the event of the Issuer and the Relevant Dealer so agreeing on an Agreed Rate, such Agreed Rate shall be the Rate of Interest for such Variable Rate Note for such Interest Period; and

(y) if the Issuer and the Relevant Dealer do not agree either an Agreed Yield or an Agreed Rate in respect of such Variable Rate Note for such Interest Period by 3.00 p.m. (Kuala Lumpur time) on the fifth business day prior to the commencement of the relevant Interest Period, or if there shall be no Relevant Dealer during the period for agreement referred to in (x) above, the Rate of Interest for such Variable Rate Note for such Interest Period shall automatically be the Fall Back Rate (as defined in Condition 5(b)(iv)(D)).

(C) The Issuer has undertaken to the Fiscal Agent and the Calculation Agent (if any) that it will as soon as possible after the Agreed Yield or, as the case may be, the Agreed Rate in respect of any Variable Rate Note is determined but not later than 10.30 a.m. (Kuala Lumpur time) on the next following business day:

(x) notify the Fiscal Agent and the Calculation Agent in writing of the Agreed Yield or, as the case may be, the Agreed Rate for such Variable Rate Note for such Interest Period; and

(y) cause such Agreed Yield, or as the case may be, the Agreed Rate for such Variable Rate Note to be notified by the Fiscal Agent to the relevant Noteholder at its request.

(D) For the purposes of paragraph (B) above, the Rate of Interest for each Interest Period for which there is neither an Agreed Yield nor Agreed Rate in respect of any Variable Rate Note or no Relevant Dealer during the period for agreement in respect of the Variable Rate Note shall be the rate (the "**Fall Back Rate**") determined by reference to a Reference Rate as specified hereon.

(E) The Fall Back Rate payable from time to time in respect of each Variable Rate Note will be determined by the Calculation Agent in accordance with the provisions of Condition 5(b)(iii)(B), as the case may be, above (*mutatis mutandis*) and references therein to "**Rate of Interest**" shall mean Fall Back Rate.

(c) **Zero Coupon Notes**: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Partly Paid Notes**: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(e) **Accrual of Interest**: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(f) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding**:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(g) **Calculations**: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(h) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**: The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Registrar, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(i) **Definitions**: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day (other than a Saturday or Sunday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual (ISDA)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y2 - Y1)] + [30 \times M2 - M1] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30

(v) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \times (Y2 - Y1)] + [30 \times M2 - M1] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30

(vi) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \text{ x } (Y2 - Y1)] + [30 \text{ x } M2 - M1] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30

(vii) if "**Actual/Actual (ICMA)**" is specified hereon:

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s)

"**Eurozone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended

"**Interest Accrual Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Eurozone office of four major banks in the Eurozone inter-bank market, in each case selected by the Calculation Agent or as specified hereon

"**Reference Rate**" means the rate specified as such hereon

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(j) **Calculation Agent**: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

(k) **Floating Rate Notes — Benchmark Discontinuation**:

(i) *Independent Adviser*

If a Benchmark Event occurs in relation to an Original Reference Rate when any Rate of Interest (or any component part thereof) remains to be determined by reference to such Original Reference Rate, the Issuer shall use its reasonable endeavours to appoint an Independent Adviser, as soon as reasonably practicable, to determine a Successor Rate, failing which, an Alternative Rate (in accordance with Condition 5(k)(ii) and, in either case, an Adjustment Spread and any Benchmark Amendments (in accordance with Condition 5(k)(iv)).

In making such determination, the Independent Adviser appointed pursuant to this Condition 5(k) shall act in good faith and in a commercially reasonable manner as an expert. In the absence of bad faith or fraud, the Independent Adviser shall have no liability whatsoever to the Issuer, the Fiscal Agent, the Paying Agents, the Noteholders, the Receiptholders or the Couponholders for any determination made by it, pursuant to this Condition 5(k).

If:

(a) the Issuer is unable to appoint an Independent Adviser; or

(b) the Independent Adviser appointed by the Issuer fails to determine a Successor Rate or, failing which, an Alternative Rate in accordance with this Condition 5(k)(i) prior to the relevant Interest Determination Date,

the Rate of Interest applicable to the next succeeding Interest Period shall be equal to the Rate of Interest last determined in relation to the Notes in respect of the immediately preceding Interest Period. If there has not been a first Interest Payment Date, the Rate of Interest shall be the initial Rate of Interest. Where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Period from that which applied to the last preceding Interest Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Period shall be substituted in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Period. For the avoidance of doubt, this paragraph shall apply to the relevant next succeeding Interest Period only and any subsequent Interest Periods are subject to the subsequent operation of, and to adjustment as provided in, the first paragraph of this Condition 5(k)(i).

(ii) *Successor Rate or Alternative Rate*

If the Independent Adviser determines that:

(a) there is a Successor Rate, then such Successor Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(k)); or

(b) there is no Successor Rate but that there is an Alternative Rate, then such Alternative Rate and the applicable Adjustment Spread shall subsequently be used in place of the Original Reference Rate to determine the Rate of Interest (or the relevant component part thereof) for all future payments of interest on the Notes (subject to the operation of this Condition 5(k)).

(iii) *Adjustment Spread*

The Adjustment Spread (or the formula or methodology for determining the Adjustment Spread) shall be applied to the Successor Rate or the Alternative Rate (as the case may be).

(iv) *Benchmark Amendments*

If any Successor Rate or Alternative Rate and, in either case, the applicable Adjustment Spread is determined in accordance with this Condition 5(k) and the Independent Adviser, determines:

(a) that amendments to these Conditions are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and/or (in either case) the applicable Adjustment Spread (such amendments, the "**Benchmark Amendments**"); and

(b) the terms of the Benchmark Amendments,

then the Issuer shall, subject to giving notice thereof in accordance with Condition 5(k)(v), without any requirement for the consent or approval of Noteholders, vary these Conditions to give effect to such Benchmark Amendments with effect from the date specified in such notice.

For the avoidance of doubt, none of the Fiscal Agent, the Calculation Agent, the Paying Agents, the Registrars or the Transfer Agents shall be responsible or liable for any determinations or certifications made by the Issuer or the Independent Adviser with respect to any Successor Rate or Alternative Rate (as applicable) or any other changes and shall be entitled to rely conclusively on any certifications provided to each of them in this regard.

In connection with any such variation in accordance with this Condition 5(k)(iv), the Issuer shall comply with the rules of any stock exchange on which the Notes are for the time being listed or admitted to trading.

(v) *Notices*

Any Successor Rate, Alternative Rate, Adjustment Spread and the specific terms of any Benchmark Amendments determined under this Condition 5(k) will be notified promptly by the Issuer to the Fiscal Agent, the Calculation Agent, the Paying Agents and, in accordance with Condition 14, the Noteholders. Such notice shall be irrevocable and shall specify the effective date of the Benchmark Amendments, if any.

No later than notifying the Fiscal Agent of the same, the Issuer shall deliver to the Fiscal Agent a certificate signed by two authorised signatories of the Issuer:

(a) confirming (A) that a Benchmark Event has occurred, (B) the Successor Rate or, as the case may be, the Alternative Rate, (C) the applicable Adjustment Spread and (D) the specific terms of the Benchmark Amendments (if any), in each case as determined in accordance with the provisions of this Condition 5(k); and

(b) certifying that the Benchmark Amendments (if any) are necessary to ensure the proper operation of such Successor Rate or Alternative Rate and (in either case) the applicable Adjustment Spread.

The Fiscal Agent shall be entitled to rely on such certificate (without liability to any person) as sufficient evidence thereof. The Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) specified in such certificate will (in the absence of manifest error or bad faith in the determination of the Successor Rate or Alternative Rate and the Adjustment Spread and the Benchmark Amendments (if any) and without prejudice to the Fiscal Agent's ability to rely on such certificate as aforesaid) be binding on the Issuer, the Fiscal Agent, the Calculation Agent, the Paying Agents and the Noteholders.

(vi) *Survival of Original Reference Rate*

Without prejudice to the obligations of the Issuer under Conditions 5(k)(i), 5(k)(ii), 5(k)(iii) and 5(k)(iv), the Original Reference Rate and the fallback provisions provided for in Condition 5(b) will continue to apply unless and until a Benchmark Event has occurred.

(vii) *Definitions*

As used in this Condition 5(k):

"**Adjustment Spread**" means either:

(a) a spread (which may be positive, negative or zero); or

(b) a formula or methodology for calculating a spread, in each case to be applied to the Successor Rate or the Alternative Rate (as the case may be) and is the spread, formula or methodology which:

(x) in the case of a Successor Rate, is formally recommended in relation to the replacement of the Original Reference Rate with the Successor Rate by any Relevant Nominating Body; or

(y) (if no such recommendation has been made, or in the case of an Alternative Rate) the Independent Adviser determines, is customarily applied to the relevant Successor Rate or the Alternative Rate (as the case may be) in international debt capital markets transactions to produce an industry-accepted replacement rate for the Original Reference Rate; or

(z) (if the Independent Adviser determines that no such spread is customarily applied) the Independent Adviser determines is recognised or acknowledged as being the industry standard for over-the-counter derivative transactions which reference the Original Reference Rate, where such rate has been replaced by the Successor Rate or the Alternative Rate (as the case may be).

"**Alternative Rate**" means an alternative benchmark or screen rate which the Independent Adviser determines in accordance with Condition 5(k)(ii) is customarily applied in international debt capital markets transactions for the purposes of determining rates of interest (or the relevant component part thereof) in the same Specified Currency as the Notes.

"**Benchmark Amendments**" has the meaning given to it in Condition 5(k)(iv).

"**Benchmark Event**" means:

(a) the Original Reference Rate ceasing to be published for a period of at least 5 Business Days or ceasing to exist;

(b) a public statement by the administrator of the Original Reference Rate that it has ceased or that it will cease publishing the Original Reference Rate permanently or indefinitely (in circumstances where no successor administrator has been appointed that will continue publication of the Original Reference Rate);

(c) a public statement by the supervisor of the administrator of the Original Reference Rate, that the Original Reference Rate has been or will be permanently or indefinitely discontinued;

(d) a public statement by the supervisor of the administrator of the Original Reference Rate as a consequence of which the Original Reference Rate will be prohibited from being used either generally, or in respect of the Notes; or

(e) it has become unlawful for the Fiscal Agent, any Paying Agent, the Calculation Agent, the Issuer or any other party to calculate any payments due to be made to any Noteholder using the Original Reference Rate,

provided that in the case of sub-paragraphs (b), (c) and (d), the Benchmark Event shall occur on the date of the cessation of publication of the Original Reference Rate, the discontinuation of the Original Reference Rate, or the prohibition of use of the Original Reference Rate, as the case may be, and not the date of the relevant public statement.

"**Independent Adviser**" means an independent financial institution of international repute or an independent financial adviser with appropriate expertise appointed by the Issuer under Condition 5(k)(i).

"**Original Reference Rate**" means the originally-specified benchmark or screen rate (as applicable) used to determine the Rate of Interest (or any component part thereof) on the Notes.

"**Relevant Nominating Body**" means, in respect of a benchmark or screen rate (as applicable):

(a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, or any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable); or

(b) any working group or committee sponsored by, chaired or co-chaired by or constituted at the request of (a) the central bank for the currency to which the benchmark or screen rate (as applicable) relates, (b) any central bank or other supervisory authority which is responsible for supervising the administrator of the benchmark or screen rate (as applicable), (c) a group of the aforementioned central banks or other supervisory authorities or (d) the Financial Stability Board or any part thereof.

"**Successor Rate**" means a successor to or replacement of the Original Reference Rate which is formally recommended by any Relevant Nominating Body.

6. Redemption, Purchase and Options

(a) **Redemption by Instalments and Final Redemption:**

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes*: The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, if so specified thereon, at any time (if this Note is not a Floating Rate Note) on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Malaysia or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Purchase at the option of holders of Variable Rate Notes:** If VRN Purchase Option is specified hereon, each holder of Variable Rate Notes shall have the option to have all or any of his Variable Rate Notes purchased by the Issuer at their Redemption Amount on any Interest Payment Date and the Issuer will purchase such Variable Rate Notes accordingly. To exercise such option, the holder must deposit (in the case of Bearer Notes) such Variable Rate Notes (together with all unmatured Receipts and Coupons and unexchanged Talons) to be purchased with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option purchase notice ("**Purchase Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the Noteholders' VRN Purchase Option Period specified hereon. Any Note or Certificate so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(h) **Purchases:** The Issuer and its Subsidiaries (as defined in Condition 10) may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Any Notes so purchased may be held, reissued or resold by the Issuer and its Subsidiaries.

(i) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. Payments and Talons

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be:

(i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and

(ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of a Noteholder with a bank in Hong Kong.

In this Condition 7(a) and Condition 7(b), "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes:**

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(x) in a case of the currency other than Renminbi, in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(y) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b)(ii), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments Subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents:** The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require and (v) such other agents as may be required by any other stock exchange on which the Notes may be listed.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, those Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong).

8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Malaysia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders, the holders of Receipts and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) **Other connection**: to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with Malaysia other than the mere holding of the Note, Receipt or Coupon; or

(b) **Presentation more than 30 days after the Relevant Date**: presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

(c) **FATCA Withholding Tax**: Notwithstanding any other provision in these Conditions, any amounts to be paid by or on behalf of the Issuer on the Notes will be paid net of any deduction or withholding imposed or required pursuant to Sections 1471 to 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**"), any current or future regulations or official interpretations thereof, any agreement entered into pursuant to Section 1471(b) of the Code, or any fiscal or regulatory legislation, rules or practices adopted pursuant to any intergovernmental agreement entered into in connection with the implementation of such Sections of the Code (or any law implementing such an intergovernmental agreement (a "**FATCA Withholding Tax**"). Neither the Issuer nor any other person will be required to pay additional amounts on account of any FATCA Withholding Tax.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face

Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition.

9. Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

If any of the following events ("**Events of Default**") occurs, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable:

(a) **Non-Payment**: default is made in the payment on the due date of interest or principal in respect of any of the Notes and, only in the case of default in the payment of interest, such default remains unremedied for five business days. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in Malaysia; or

(b) **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or where the default is capable of remedy is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or

(c) **Cross-Default**: (A) any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.$20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 90 days; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person); or

(f) **Insolvency**: the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Principal Subsidiaries; or

(g) **Winding-up**: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases or threatens to cease to carry on all or substantially all of its business or operations save for the purposes of reconstruction, reorganisation or amalgamation whilst solvent; or

(h) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes admissible in evidence in the courts of Malaysia is not taken, fulfilled or done; or

(i) **Illegality**: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or

(j) **Analogous Events**: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (e) to (g) above.

In these Conditions:

"**Principal Subsidiary**" means any Subsidiary of the Issuer whose total assets, as shown by the accounts of such Subsidiary, based upon which the latest audited consolidated accounts of the Group (as defined below) have been prepared, is at least five per cent. of the total assets of the Issuer and its Subsidiaries taken as a whole (the "**Group**") as shown by such audited consolidated accounts, provided that if any such Subsidiary (the "**transferor**") shall at any time transfer the whole or a substantial part of its business, undertaking or assets to another Subsidiary or the Issuer (the "**transferee**") then:

(a) if the whole of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall thereupon cease to be a Principal Subsidiary and the transferee (unless it is the Issuer) shall thereupon become a Principal Subsidiary; and

(b) if a substantial part only of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall remain a Principal Subsidiary and the transferee (unless it is the Issuer) shall thereupon become a Principal Subsidiary.

Any Subsidiary which becomes a Principal Subsidiary by virtue of (a) above or which remains or becomes a Principal Subsidiary by virtue of (b) above shall continue to be a Principal Subsidiary until the date of issue of the first audited consolidated accounts of the Group prepared as at a date later than the date of the relevant transfer which show the total assets as shown by the accounts of such Subsidiary, based upon which such audited consolidated accounts have been prepared, to be less than five per cent. of the total assets of the Group, as shown by such audited consolidated accounts.

A certificate by the independent auditors of the Issuer, who shall also be responsible for producing any pro-forma accounts required for the above purposes, that in their opinion a Subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive.

"**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer.

11. Meeting of Noteholders and Modifications

(a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings (including by way of teleconference or video-conference call) of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. in nominal amount of the Notes for the time being outstanding or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) **Modification of Agency Agreement:** The Issuer and the Fiscal Agent shall only permit any waiver or authorisation of any breach or proposed breach of or any failure to comply with the Agency Agreement, without the consent of the Noteholders, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders. The Issuer and the Fiscal Agent shall only permit any modification of the Agency Agreement without the consent of the Noteholders, if (i) to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders; or (ii) such modification is either of a formal, minor or technical nature or made to cure any ambiguity or correct a manifest or proven error or to comply with mandatory provisions of the law. Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

12. Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer, the Fiscal Agent and the Registrar may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in these Conditions to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

14. Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation (which is expected to be the Wall Street Journal Asia). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

15. Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16. Substitution

Any corporation into which the Issuer may be merged or converted, or any corporation with which the Issuer may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Issuer shall be a party, or any corporation to which the Issuer shall sell or otherwise transfer all or substantially all of its assets shall, on the date when the merger, conversion, consolidation or transfer becomes effective and to the extent permitted by any applicable laws, without the consent of the Noteholders, replace and substitute the Issuer as principal debtor (the "**Substituted Issuer**") in respect of the Notes, provided that:

(a) **Conditions Precedent to Substitution**

(i) a deed of covenant in or substantially in the form of the Deed of Covenant and such other documents (if any) as may be necessary to give full effect to the substitution (including, but not limited to, a document or documents pursuant to which the Substituted Issuer agrees to be bound by the terms of the Agency Agreement and the dealer agreement relating to the Issuer's US$5,000,000,000 Euro Medium Term Note Programme) (together the "**Documents**") shall be executed by the Substituted Issuer and (without limiting the generality of the foregoing) pursuant to which the Substituted Issuer shall undertake in favour of each Noteholder to be bound by these Conditions and the provisions of the Documents as fully as if the Substituted Issuer had been named in the Notes and the Documents as the principal debtor in respect of the Notes in place of the Issuer (or any previous substitute);

(ii) without prejudice to the generality of subparagraph (i) above, where the Substituted Issuer is incorporated, domiciled or resident for taxation purposes in a territory other than Malaysia, the Documents shall contain a covenant by the Substituted Issuer and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of Condition 8 (*Taxation*) with the substitution for the references to Malaysia of references to the territory or territories in which the Substituted Issuer is incorporated, domiciled and/or resident for taxation purposes;

(iii) (A) the Substituted Issuer will obtain all necessary governmental and regulatory approvals and consents for such substitution and for the performance by the Substituted Issuer of its obligations under the Documents and that all such approvals and consents will be in full force and effect on the date when the merger, conversion, consolidation or transfer becomes effective; and (B) the obligations assumed by the Substituted Issuer under the Documents shall constitute legal, valid and binding obligations of the Substituted Issuer in accordance with their respective terms;

(iv) with respect to Notes listed on a stock exchange, if any, such stock exchange having been notified of any such merger, conversion, consolidation or transfer (in accordance with the applicable notification procedures) and any requirements of such stock exchange in respect of such consolidation, merger or substitution having been complied with;

(v) the Substituted Issuer shall have delivered to the Fiscal Agent a certified copy of the certificate of incorporation and the Memorandum and Articles of Association of the Substituted Issuer, such documents to be available for inspection by Noteholders at the specified office of the Fiscal Agent;

(vi) the Substituted Issuer shall have delivered to the Fiscal Agent a certified copy of all resolutions and other authorisations required to be passed or given, and any evidence of any other action required to be taken, on behalf of the Substituted Issuer: (A) to approve its entry into the Documents; and (B) to authorise appropriate persons to execute the Documents and to take any other action in connection therewith, such documents to be available for inspection by Noteholders at the specified office of the Fiscal Agent;

(vii) the Substituted Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of lawyers in the jurisdiction of incorporation of the Substituted Issuer to the effect that the Documents constitute legal, valid and binding obligations of the Substituted Issuer, such opinion to be dated not more than seven days prior to the date of the substitution of the Substituted Issuer for the Issuer and to be available for inspection by Noteholders at the specified office of the Fiscal Agent;

(viii) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of Malaysian lawyers to the effect that the Documents constitute legal, valid and binding obligations of the Issuer, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Issuer for the Issuer and to be available for inspection by Noteholders at the specified office of the Fiscal Agent;

(ix) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of English lawyers to the effect that the Documents constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Issuer for the Issuer and to be available for inspection by Noteholders at the specified office of the Fiscal Agent; and

(x) the Substituted Issuer shall have appointed the process agent appointed by the Issuer in Condition 17 (c) (*Service of Process*) or another person with an office in England as its agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes.

(b) **Assumption by Substituted Issuer**

Upon execution of the Documents as referred to in Condition 16(a)(i) above, the Substituted Issuer shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer as issuer (or such previous substitute as aforesaid) from all of its obligations as principal debtor in respect of the Notes.

(c) **Deposit of Documents**

The Documents shall be deposited with and held by the Fiscal Agent for so long as any Note remains outstanding and for so long as any claim made against the Substituted Issuer or the Issuer by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged.

(d) **Notice of Substitution**

Not less than 15 days after execution of the Documents, the Substituted Issuer shall give notice thereof to the Noteholders in accordance with Condition 14 (*Notices*).

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms.

18. Governing Law and Jurisdiction

(a) **Governing Law:** The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons (including any dispute relating to any non-contractual obligations arising out of or in connection with any Notes, Receipts, Coupons or Talons) and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons (including any dispute relating to any non-contractual obligations arising out of or in connection with any Notes, Receipts, Coupons or Talons) ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) **Service of Process:** The Issuer irrevocably appoints TMF Global Services (UK) Limited of 8th Floor, 20 Farringdon Street, London, EC4A 4AB, United Kingdom as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

Summary of Provisions Relating to the Notes while in Global Form

1. Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream, Luxembourg (as the case may be) and/or (ii) the HKMA as operator of the CMU and delivery of the relative Global Certificate to the Common Depositary or the CMU (as the case may be), Euroclear or Clearstream, Luxembourg or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2. Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, the CMU or any other clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, the CMU or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, the CMU or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid.

3. Exchange

3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Overview of the Programme — Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

In accordance with the rules and procedures of the CMU, any such exchange for a permanent Global Note may be required to be made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders have so certified.

The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes: (i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or (ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent (or in the case of CMU Notes, to the CMU Lodging and Paying Agent) of its election for such exchange or; (iii) if the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the permanent Global Note in definitive form.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 Global Certificates

If the Pricing Supplement states that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) if principal in respect of any Notes is not paid when due; or

(iii) if the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Global Certificate in definitive form,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Noteholder has given the Registrar not less than 30 days' notice at its specified office of the Noteholder's intention to effect such transfer.

3.4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) with the consent, or request, of the Issuer or (iii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

3.5 Delivery of Notes

On or after any Exchange Date (as defined in paragraph 3.6 below) the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent (or in the case of CMU Notes, to the CMU Lodging and Paying Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.6 Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent (or in the case of CMU Notes, of the CMU Lodging and Paying Agent) is located and in the city in which the relevant clearing system is located.

4. Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes.

For the purpose of any payment made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 7(h).

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited as at the opening of business on the date for payment and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose.

4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

4.3 Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

4.4 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

4.5 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

4.6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, the CMU or any other clearing system (as the case may be).

4.7 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), or to a Paying Agent acting on behalf of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation.

4.8 Events of Default

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent (or in the case of CMU Notes, to the CMU Lodging and Paying Agent) the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer under the terms of a Deed of Covenant executed as a deed by the Issuer to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

4.9 Notices

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

5. Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Partly Paid Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Partly Paid Notes and shall have no further obligation to their holder in respect of them.

Use of Proceeds

The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for its and its subsidiaries' general working capital and other corporate purposes and general financing or refinancing requirements. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement for the Notes.

Summary of Selected Financial Information

The following tables set out the Group's and the Issuer's summary of selected financial information, in each case, for the periods and as at the dates indicated. A prospective investor should read the following summary of selected financial information in conjunction with the Group's and the Issuer's historical financial statements, including the notes related thereto.

*The Group's and the Issuer's financial statements are reported in Ringgit and prepared in accordance with Malaysian Financial Reporting Standards ("**MFRS**"), International Financial Reporting Standards ("**IFRS**"), the provisions of the Companies Act, 2016 in Malaysia and the listing requirements of Bursa Securities.*

The summary of selected financial information set out below as at and for the financial years ended 31 December 2018, 31 December 2019 and 31 December 2020 has been derived from the Group's audited consolidated financial statements and the Issuer's audited unconsolidated financial statements, and is qualified in its entirety by reference to those consolidated and unconsolidated financial statements and the notes thereto.

On 1 January 2019, the Group adopted MFRS 16 "Leases", which supersedes MFRS 117 "Leases" and its related interpretations. The adoption of MFRS 16 resulted in changes in accounting policies. As permitted by the transitional provisions of MFRS 16, the Group elected not to restate the financial information relating to the financial position of the Group and the Issuer as at 31 December 2018, appearing as comparative figures in the Group's audited financial statements for the financial year ended 31 December 2019 and the Issuer's audited unconsolidated financial statements for the financial year ended 31 December 2019. Please refer to Note 57 to the Group's financial report for the financial year ended 31 December 2019 for further details on the effect of the adoption of MFRS 16 as at 1 January 2019 and a reconciliation of the operating lease commitments disclosed under MFRS 117 to MFRS 16.

The Issuer's unconsolidated statement of financial position as at 31 December 2019 have been restated and included as a comparative in the Issuer's audited unconsolidated financial statements for the financial year ended 31 December 2020 due to the application of predecessor accounting arising from the Group's Business Transfer (as defined herein). See Note 57 to the Group's financial report for the financial year ended 31 December 2020 for further information. The restated comparative numbers may differ from the corresponding amounts previously reported in the Issuer's audited unconsolidated financial statements for the financial year ended 31 December 2019. The Group's Business Transfer did not affect the Issuer's unconsolidated income statement for the financial year ended 31 December 2019 and therefore it has not been restated in the Issuer's audited unconsolidated financial statements for the financial year ended 31 December 2020. Accordingly, the Issuer's unconsolidated statement of financial position as at 31 December 2019 and 2020 included in the Issuer's audited unconsolidated financial statements for the financial year ended 31 December 2020 is not comparable with the Issuer's unconsolidated statement of financial position reported in the Issuer's audited unconsolidated financial statements for previous financial years.

In 2020, the Group disposed of RHB Securities Singapore and in accordance with MFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the results of RHB Securities Singapore were excluded from the results of continuing operations and were presented as a single amount representing profit/(loss) from discontinued operation attributable to equity holders in the Group's consolidated income statement for the financial year ended 31 December 2020. See Note 57 to the Group's financial report for the financial year ended 31 December 2020 for further information. Reclassifications of comparative amounts was made in the Group's consolidated income statement for the financial year ended 31 December 2020 to conform to classifications used in that financial year and therefore, may differ from the corresponding amounts previously reported in the Group's audited consolidated financial statement for the financial year ended 31 December 2019. The disposal of RHB Securities Singapore did not affect the Group's consolidated statement of financial position as at 31 December 2019 and therefore it has not been restated in the Group's audited consolidated financial statements for the financial year ended 31 December 2020. Accordingly, the Group's consolidated income statement for the financial year ended 31 December 2019 and 2020 included in the Group's audited consolidated financial statements for the financial year ended 31 December 2020 is not comparable with the Group's consolidated income statement reported in the Group's audited consolidated financial statements for previous financial years.

Solely for the convenience of the reader, the Ringgit amounts in the tables below have been translated into U.S. dollars using the mid-day exchange rate of RM4.0130 = U.S.$1.00, as published by BNM on 31 December

2020, for the amount as at and for the financial year ended 31 December 2020, giving effect to rounding where applicable. Such translations are unaudited and should not be construed as representations that the Ringgit or U.S. dollar amounts referred to could have been, or could be, converted into Ringgit or U.S. dollars, as the case may be, at that or any other rate or at all.

The Issuer

	For the year ended 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Unconsolidated Income Statement				
Interest income	7,954,609	8,042,465	6,930,514	1,727,016
Interest expense	(4,213,342)	(4,384,157)	(3,143,823)	(783,410)
Net interest income	3,741,267	3,658,308	3,786,691	943,606
Other operating income	872,745	1,150,372	1,750,090	436,105
Income from Islamic Banking business	556	3,538	4,272	1,065
Net modification loss[(1)]	—	—	(158,771)	(39,564)
Net income	4,614,568	4,812,218	5,382,282	1,341,212
Other operating expenses	(2,206,020)	(2,357,650)	(2,290,393)	(570,743)
Operating profit before allowances	2,408,548	2,454,568	3,091,889	770,469
Allowance for credit losses on financial assets	(172,831)	(263,334)	(806,291)	(200,920)
Impairment losses made on other non-financial assets	—	—	(52,500)	(13,082)
Profit before taxation	**2,235,717**	**2,191,234**	**2,233,098**	**556,467**
Taxation	(601,474)	(542,240)	(433,493)	(108,022)
Net profit for the financial year	**1,634,243**	**1,648,994**	**1,799,605**	**448,445**

(1) The Group and the Issuer have granted an automatic payment moratorium on certain loan/financing to individuals and SMEs. As a result of the payment moratorium, the Group and the Issuer have recognised a loss arising from the modification of cash flows of the loan/financing. This loss is set-off against the fair value gain on concessionary funding received as part of the COVID-19 relief measures. The net modification loss will be unwound through the income statements over the remaining tenure of the loans/financing and funding.

The Group

	For the year ended 31 December	
	2018	2019
	RM'000	RM'000
Consolidated Income Statement		
Interest income	8,015,172	8,098,328
Interest expense	(4,359,938)	(4,488,736)
Net interest income	3,655,234	3,609,592
Other operating income	1,722,052	1,876,714
Income from Islamic Banking business	1,428,327	1,614,464
Net income	6,805,613	7,100,770
Other operating expenses	(3,357,655)	(3,471,759)
Operating profit before allowances	3,447,958	3,629,011
Allowance for credit losses on financial assets	(306,002)	(278,537)
Impairment losses made on other non-financial assets	(23,000)	—
	3,118,956	3,350,474
Share of results of joint venture	99	(30)
Profit before taxation and zakat	3,119,055	3,350,444
Taxation and zakat	(810,143)	(862,635)
Net profit for the financial year	**2,308,912**	**2,487,809**

	For the year ended 31 December	
	2018	2019
	RM'000	RM'000
Attributable to:		
— Equity holders of the Bank	2,305,196	2,482,432
— Non-controlling interests ("NCI")	3,716	5,377
	2,308,912	**2,487,809**
— Earnings per share (sen)		
— Basic	57.5	61.9
— Diluted	57.5	61.9

The Group

	For the year ended 31 December		
	2019	2020	2020
	RM'000 (Restated)	RM'000	U.S.$'000
Consolidated Income Statement			
Interest income	8,088,822	6,987,381	1,741,186
Interest expense	(4,486,296)	(3,225,973)	(803,881)
Net interest income	3,602,526	3,761,408	937,305
Other operating income	1,840,537	2,176,656	542,401
Income from Islamic Banking business	1,614,464	1,665,652	415,064
Net modification loss[1]	—	(418,004)	(104,162)
Net income	7,057,527	7,185,712	1,790,608
Other operating expenses	(3,387,336)	(3,386,723)	(843,938)
Operating profit before allowances	3,670,191	3,798,989	946,670
Allowance for credit losses on financial assets	(275,819)	(1,145,086)	(285,344)
Impairment losses made on other non-financial assets	—	(9,500)	(2,367)
	3,394,372	2,644,403	658,959
Share of results of joint venture	(30)	—	—
Profit before taxation and zakat	3,394,342	2,644,403	658,959
Taxation and zakat	(862,307)	(639,912)	(159,460)
Profit from continuing operations	2,532,035	2,004,491	499,499
Profit/(Loss) from discontinued operation attributable to equity holders	(44,226)	34,661	8,637
Net profit for the financial year	**2,487,809**	**2,039,152**	**508,136**
Attributable to:			
— Equity holders of the Bank	2,482,432	2,032,530	506,486
— Non-controlling interests ("NCI")	5,377	6,622	1,650
	2,487,809	**2,039,152**	**508,136**
Earnings per share (sen/U.S.$ cents):			
— Profit from continuing operations attributable to equity holders of the Bank			
— Basic	63.0	49.8	12.4
— Diluted	63.0	49.8	12.4
— Profit attributable to equity holders of the Bank			
— Basic	61.9	50.7	12.6
— Diluted	61.9	50.7	12.6

(1) The Group and the Issuer have granted an automatic payment moratorium on certain loan/financing to individuals and SMEs. As a result of the payment moratorium, the Group and the Issuer have recognised a loss arising from the modification of cash flows of the loan/financing. This loss is set-off against the fair value gain on concessionary funding received as part of the COVID-19 relief measures. The net modification loss will be unwound through the income statements over the remaining tenure of the loans/financing and funding.

The Issuer

	As at 31 December	
	2018	2019
	RM'000	RM'000
Statement of Financial Position		
Assets		
Cash and short-term funds	8,855,326	5,502,893
Deposit and placements with banks and other financial institutions	3,092,186	5,349,632
Investment account due from designated financial institutions	7,898,611	8,229,334
Financial assets at fair value through profit or loss ("**FVTPL**")	1,891,771	2,530,288
Financial assets at fair value through other comprehensive income ("**FVOCI**")	27,584,376	33,934,272
Financial investments at amortised costs	10,228,651	9,702,802
Loans, advances and financing	108,216,146	107,345,665
Other assets	921,813	1,104,726
Derivative assets	1,147,494	903,584
Statutory deposits	2,978,677	2,608,316
Tax recoverable	351,451	433,364
Deferred tax assets	32,490	—
Investments in subsidiaries	4,911,660	4,913,885
Right of use assets	—	85,960
Property, plant and equipment	753,531	753,638
Goodwill	1,651,542	1,651,542
Intangible assets	527,562	548,434
Total assets	**181,043,287**	**185,598,335**
Liabilities and Equity		
Deposits from customers	127,145,222	131,571,124
Deposits and placements of banks and other financial institutions	17,526,185	19,173,832
Obligations on securities sold under repurchase agreements	3,120,449	3,772,623
Bills and acceptances payable	247,552	205,528
Other liabilities	2,082,123	1,780,860
Derivative liabilities	1,120,287	1,155,074
Recourse obligation on loans sold to Cagamas Berhad(1)	2,995,877	1,265,757
Deferred tax liabilities	—	136,711
Lease liabilities	—	85,267
Borrowings	981,849	840,177
Senior debt securities	3,323,664	3,296,763
Hybrid Tier-1 Capital Securities	608,235	—
Subordinated obligations	2,589,066	1,565,396
Total liabilities	**161,740,509**	**164,849,112**
Share capital	6,994,103	6,994,103
Reserves	12,308,675	13,755,120
Total equity	**19,302,778**	**20,749,223**
Total liabilities and equity	**181,043,287**	**185,598,335**
Commitments and contingencies	**167,318,657**	**143,445,965**

(1) Cagamas Berhad is the Malaysian national mortgage corporation.

The Issuer

	For the year ended 31 December		
	2019	2020	2020
	RM'000 (Restated)	RM'000	U.S.$'000
Statement of Financial Position			
Assets			
Cash and short-term funds	5,502,893	7,905,636	1,970,006
Deposit and placements with banks and other financial institutions	5,349,632	9,447,903	2,354,324
Investment account due from designated financial institutions	8,229,334	8,840,858	2,203,055
Financial assets at FVTPL	2,530,288	2,285,301	569,474
Financial assets at FVOCI	33,934,272	35,869,640	8,938,360
Financial investments at amortised costs	9,702,802	10,195,993	2,540,741
Loans, advances and financing	107,345,665	109,515,184	27,290,103
Other assets	1,104,841	1,278,048	318,477
Derivative assets	903,584	1,790,567	446,192
Statutory deposits	2,608,316	228,107	56,842
Tax recoverable	433,364	251,917	62,775
Investments in subsidiaries	4,914,479	4,901,397	1,221,380
Right of use assets	86,015	76,166	18,980
Property, plant and equipment	753,671	766,626	191,036
Goodwill	1,714,913	1,714,913	427,339
Intangible assets	548,437	565,485	140,913
Total assets	**185,662,506**	**195,633,741**	**48,749,997**
Liabilities and Equity			
Deposits from customers	131,571,124	134,310,974	33,468,969
Deposits and placements of banks and other financial institutions	19,173,832	24,610,611	6,132,721
Obligations on securities sold under repurchase agreements	3,772,623	4,740,494	1,181,284
Bills and acceptances payable	205,528	174,838	43,568
Other liabilities	1,844,975	2,287,372	569,991
Derivative liabilities	1,155,074	1,979,142	493,183
Recourse obligation on loans sold to Cagamas Berhad(1)	1,265,757	—	—
Deferred tax liabilities	136,711	152,111	37,905
Lease liabilities	85,323	77,356	19,276
Borrowings	840,177	201,101	50,112
Senior debt securities	3,296,763	3,545,150	883,416
Subordinated obligations	1,565,396	1,762,067	439,090
Total liabilities	**164,913,283**	**173,841,216**	**43,319,515**
Share capital	6,994,103	6,994,103	1,742,861
Reserves	13,755,120	14,798,422	3,687,621
Total equity	**20,749,223**	**21,792,525**	**5,430,482**
Total liabilities and equity	**185,662,506**	**195,633,741**	**48,749,997**
Commitments and contingencies	**143,445,965**	**154,247,517**	**38,436,959**

(1) Cagamas Berhad is the Malaysian national mortgage corporation.

The Issuer has adopted the predecessor accounting to reflect the Group's Business Transfer and the effects of the restatement arising therefrom are as follows:

The Issuer

	Audited as at 31 December 2019	Effect of predecessor accounting	Restated as at 31 December 2019
	RM'000	RM'000	RM'000
Statement of Financial Position			
Assets			
Cash and short-term funds	5,502,893	—	5,502,893
Deposit and placements with banks and other financial institutions	5,349,632	—	5,349,632
Investment account due from designated financial institutions	8,229,334	—	8,229,334
Financial assets at FVTPL	2,530,288	—	2,530,288
Financial assets at FVOCI	33,934,272	—	33,934,272
Financial investments at amortised costs	9,702,802	—	9,702,802
Loans, advances and financing	107,345,665	—	107,345,665
Other assets	1,104,726	115	1,104,841
Derivative assets	903,584	—	903,584
Statutory deposits	2,608,316	—	2,608,316
Tax recoverable	433,364	—	433,364
Investments in subsidiaries	4,913,885	594	4,914,479
Right of use assets	85,960	55	86,015
Property, plant and equipment	753,638	33	753,671
Goodwill	1,651,542	63,371	1,714,913
Intangible assets	548,434	3	548,437
Total assets	**185,598,335**	**64,171**	**185,662,506**
Liabilities and Equity			
Deposits from customers	131,571,124	—	131,571,124
Deposits and placements of banks and other financial institutions	19,173,832	—	19,173,832
Obligations on securities sold under repurchase agreements	3,772,623	—	3,772,623
Bills and acceptances payable	205,528	—	205,528
Other liabilities	1,780,860	64,115	1,844,975
Derivative liabilities	1,155,074	—	1,155,074
Recourse obligation on loans sold to Cagamas Berhad[1]	1,265,757	—	1,265,757
Deferred tax liabilities	136,711	—	136,711
Lease liabilities	85,267	56	85,323
Borrowings	840,177	—	840,177
Senior debt securities	3,296,763	—	3,296,763
Subordinated obligations	1,565,396	—	1,565,396
Total liabilities	**164,849,112**	**64,171**	**164,913,283**
Share capital	6,994,103	—	6,994,103
Reserves	13,755,120	—	13,755,120
Total equity	**20,749,223**	**—**	**20,749,223**
Total liabilities and equity	**185,598,335**	**64,171**	**185,662,506**

(1) Cagamas Berhad is the Malaysian national mortgage corporation.

The Group

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Statement of Financial Position				
Assets				
Cash and short-term funds	12,553,188	11,627,992	8,904,285	2,218,860
Deposit and placements with banks and other financial institutions	898,120	1,095,567	6,069,443	1,512,445
Financial assets at FVTPL	3,800,649	4,623,447	4,462,106	1,111,913
Financial assets at FVOCI	32,577,833	39,805,304	42,903,259	10,691,069
Financial investments at amortised costs	14,090,275	14,249,409	16,005,267	3,988,355
Loans, advances and financing	165,629,774	173,236,672	182,424,879	45,458,480
Clients' and brokers' balances	943,056	893,448	1,339,568	333,807
Reinsurance assets	511,236	510,176	467,504	116,497
Other assets	1,489,839	1,258,179	1,528,592	380,910
Derivative assets	1,131,057	855,256	1,653,479	412,031
Statutory deposits	4,795,230	4,549,296	612,671	152,672
Tax recoverable	389,172	467,103	289,969	72,257
Deferred tax assets	79,191	22,989	35,338	8,806
Investment in associates and joint ventures	25,352	9,512	12	3
Right of use assets	—	112,807	149,898	37,353
Property, plant and equipment	999,962	991,305	1,013,255	252,493
Goodwill	2,649,307	2,654,122	2,654,122	661,381
Intangible assets	602,438	629,912	636,311	158,562
Total assets	**243,165,679**	**257,592,496**	**271,149,958**	**67,567,894**
Liabilities and Equity				
Deposits from customers	178,856,330	190,555,225	203,470,783	50,702,911
Deposits and placements of banks and other financial institutions	18,290,894	21,539,329	21,035,186	5,241,761
Obligations on securities sold under repurchase agreements	2,194,324	2,048,516	972,963	242,453
Bills and acceptances payable	301,603	254,945	187,020	46,604
Clients' and brokers' balances	841,782	824,166	1,171,930	292,033
General insurance contract liabilities	1,094,114	1,106,886	1,086,385	270,717
Other liabilities	2,922,556	3,210,479	3,822,314	952,483
Derivative liabilities	1,116,701	1,160,927	2,034,795	507,051
Recourse obligation on loans sold to Cagamas Berhad(1)	5,266,116	3,535,996	3,023,760	753,491
Provision for taxation and zakat	24,578	60,172	69,623	17,349
Deferred tax liabilities	2,308	169,763	165,938	41,350
Lease liabilities	—	111,769	154,188	38,422
Borrowings	1,182,885	1,182,527	634,630	158,144
Senior debt securities	3,323,664	3,296,763	3,545,150	883,416
Hybrid Tier-1 Capital Securities	603,221	—	—	—
Subordinated obligations	3,748,655	2,724,224	2,718,729	677,480
Total liabilities	**219,769,731**	**231,781,687**	**244,093,394**	**60,825,665**
Share capital	6,994,103	6,994,103	6,994,103	1,742,861
Reserves	16,363,884	18,781,291	20,029,732	4,991,212
Equity attributable to the shareholders of the Bank	23,357,987	25,775,394	27,023,835	6,734,073
Non-controlling interest ("**NCI**")	37,961	35,415	32,729	8,156
Total equity	**23,395,948**	**25,810,809**	**27,056,564**	**6,742,229**
Total liabilities and equity	**243,165,679**	**257,592,496**	**271,149,958**	**67,567,894**
Commitments and contingencies	**172,941,427**	**150,427,794**	**157,480,418**	**39,242,566**

(1) Cagamas Berhad is the Malaysian national mortgage corporation.

Financial ratios[2] of the Group

	As at or for the year ended 31 December		
	2018	2019[3]	2020
	(%)	(%)	(%)
Net Interest Margin	2.2	2.1	2.1
Return on Assets	1.0	1.0	0.8
Return on Equity	9.9	10.1	7.7
Cost to Income	49.3	48.0[4]	47.1
Gross Impaired Loans Ratio	2.1	2.0	1.7
Loan Loss Coverage (inclusive of regulatory reserve)	103.0	107.9	119.7
Loans, Advances and Financing/Deposits from customers	94.4	92.5	91.5
Before proposed dividends:			
CET-1 capital ratio	15.920	16.883	16.416
Tier-1 capital ratio	16.128	16.884	16.416
Total capital ratio	19.213	19.207	18.598
After proposed dividends:			
CET-1 capital ratio	15.488	16.271	16.188[1]
Tier-1 capital ratio	15.696	16.271	16.188[1]
Total capital ratio	18.780	18.594	18.370[1]

(1) The Issuer had on 9 February 2021 paid an interim single-tier dividend of 10.00 sen per share in respect of the financial year ended 31 December 2020, amounting to RM401.0 million.

On 26 February 2021, the Issuer had proposed a final single-tier dividend of 7.65 sen per share in respect of the financial year ended 31 December 2020, subject to shareholders' approval in the next annual general meeting.

(2) The Financial Ratios used are defined as:

(a) "**Net Interest Margin**" means net interest income, including net financing income from Islamic Banking business, as a percentage of the average interest-earning assets (comprising cash and short-term funds, deposits and placements with banks and other financial institutions, financial assets at fair value through profit and loss, financial assets at fair value through other comprehensive income, financial investments at amortised costs and loans, advances and financing).

(b) "**Return on Assets**" means profit after taxation as a percentage of the average of beginning and year-end total assets.

(c) "**Return on Equity**" means profit after taxation as a percentage of the average of beginning and year-end shareholders' funds.

(d) "**Cost to Income**" means overhead expenses as a percentage of total net income (including net interest income, net income from Islamic Banking business and other operating income).

(e) "**Gross Impaired Loans Ratio**" means gross impaired loans as a percentage of gross loans, advances and financing.

(f) "**Loan Loss Coverage**" means total allowance for credit losses and regulatory reserves, as a percentage of gross impaired loans.

(g) "**Loans, Advances and Financing/Deposits from customers**" means gross loans, advances and financing as a percentage of deposits from customers.

(h) "**CET-1 capital ratio**" means (i) before proposed dividends, the ratio of total common equity Tier-1 capital to total risk-weighted assets and (ii) after proposed dividends, the ratio of total common equity Tier 1 capital after dividends to total risk-weighted assets.

(i) "**Tier-1 capital ratio**" means (i) before proposed dividends, the ratio of total Tier-1 capital to total risk-weighted assets and (ii) after proposed dividends, the ratio of total Tier-1 capital after dividends to total risk-weighted assets.

(j) "**Total capital ratio**" means (i) before proposed dividends, the ratio of total capital to total risk-weighted assets and (ii) after proposed dividends, the ratio of total capital after dividends to total risk weighted assets.

(3) The Financial Ratios for the financial year ended 31 December 2019 are calculated based on the Group's restated comparative financial information for the financial year ended 31 December 2019, as reported in the Group's financial statements as at or for the financial year ended 31 December 2020.

(4) Cost to Income for the financial year ended 31 December 2019 is 48.0% based the Group's restated comparative financial information for the financial year ended 31 December 2019, as reported in the Group's financial statements as at or for the financial year ended 31 December 2020. Cost to Income for the financial year ended 31 December 2019 is 48.9% based on the Group's financial information for the financial year ended 31 December 2019, as reported in the Group's financial statements as at or for the financial year ended 31 December 2019.

Capitalisation and Indebtedness

The following tables set out the capitalisation and indebtedness of the Group and the Issuer as at 31 December 2020. These tables are derived from, and should be read in conjunction with, the corresponding audited annual financial statements of the Group and the Issuer. Save for an issuance of RM500 million subordinated obligations with a fixed rate coupon of 3.65 per cent. per annum on 28 April 2021 by the Issuer, there has been no material change in the capitalisation, indebtedness or contingent liabilities of the Group and the Issuer since 31 December 2020.

The Issuer

	As at 31 December[(1)]	
	2020	2020
	RM'000	U.S.$'000
Indebtedness		
Deposits from customers	134,310,974	33,468,969
Deposits and placement of banks and other financial institutions	24,610,611	6,132,721
Obligations on securities sold under repurchase agreements	4,740,494	1,181,284
Bills and acceptances payable	174,838	43,568
Other liabilities	2,287,372	569,991
Derivative liabilities	1,979,142	493,183
Deferred tax liabilities	152,111	37,905
Lease liabilities	77,356	19,276
Borrowings	201,101	50,112
Senior debt securities	3,545,150	883,416
Subordinated obligations	1,762,067	439,090
Total Indebtedness	**173,841,216**	**43,319,515**
Share Capital[(2)]	6,994,103	1,742,861
Reserves	14,798,422	3,687,621
Total Capitalisation	**21,792,525**	**5,430,482**
Total Capitalisation and Indebtedness	**195,633,741**	**48,749,997**
Commitments and contingencies	**154,247,517**	**38,436,959**

(1) The Issuer completed an issuance of RM500 million subordinated obligations with a fixed rate coupon of 3.65 per cent. per annum on 28 April 2021.

(2) See "Principal Shareholders" for information on changes in share capital.

The Group

	As at 31 December[1]	
	2020	2020
	RM'000	U.S.$'000
Indebtedness		
Deposits from customers	203,470,783	50,702,911
Deposits and placement of banks and other financial institutions	21,035,186	5,241,761
Obligations on securities sold under repurchase agreements	972,963	242,453
Bills and acceptances payable	187,020	46,604
Clients' and brokers' balances	1,171,930	292,033
General insurance contract liabilities	1,086,385	270,717
Other liabilities	3,822,314	952,483
Derivative liabilities	2,034,795	507,051
Recourse obligation on loans sold to Cagamas Berhad[2]	3,023,760	753,491
Provision for taxation and zakat	69,623	17,349
Deferred tax liabilities	165,938	41,350
Lease liabilities	154,188	38,422
Borrowings	634,630	158,144
Senior debt securities	3,545,150	883,416
Subordinated obligations	2,718,729	677,480
Total Indebtedness	**244,093,394**	**60,825,665**
Share Capital[3]	6,994,103	1,742,861
Reserves	20,029,732	4,991,212
NCI	32,729	8,156
Total Capitalisation	**27,056,564**	**6,742,229**
Total Capitalisation and Indebtedness	**271,149,958**	**67,567,894**
Commitments and contingencies	**157,480,418**	**39,242,566**

(1) The Issuer completed an issuance of RM500 million subordinated obligations with a fixed rate coupon of 3.65 per cent. per annum on 28 April 2021.

(2) Cagamas Berhad is the Malaysian national mortgage corporation.

(3) See "Principal Shareholders" for information on changes in share capital.

Description of the Group and the Issuer

Introduction and Overview

The Group is the fourth largest commercial bank in Malaysia in terms of total assets. As at 31 December 2020, the Group had RM271.15 billion (U.S.$67.57 billion) in total assets, RM182.42 billion (U.S.$45.46 billion) in net loans, advances and financing, RM203.47 billion (U.S.$50.70 billion) in customer deposits and RM27.06 billion (U.S.$6.74 billion) in total equity. As at 31 December 2020, the Issuer had RM195.63 billion (U.S.$48.75 billion) in total assets, RM109.52 billion (U.S.$27.29 billion) in net loans, advances and financing, RM134.31 billion (U.S.$33.47 billion) in customer deposits and RM21.79 billion (U.S.$5.43 billion) in total equity.

As at 30 April 2021, the Group had a network of 208 branches throughout Malaysia comprising 202 conventional bank branches and 6 Islamic bank branches. The Issuer has 35 sales centres throughout Malaysia. As at 30 April 2021, the Issuer had 11 overseas commercial bank branches, comprising seven branches in Singapore, three branches in Thailand and one branch in Brunei. The Group's wholly-owned commercial bank subsidiaries, RHB Bank (Cambodia) Plc ("**RHB Cambodia**") (formerly known as RHB Indochina Bank Limited) and RHB Bank Lao Sole Co., Ltd ("**RHB Bank Lao**") have 12 branches in Cambodia and three branches in Laos, respectively.

The Issuer also maintains relationships and connections with a large network of over 715 correspondent banks in over 63 countries covering six continents worldwide.

The Group offers a comprehensive range of financial products and services ranging from retail, commercial, corporate and investment banking to Islamic products and services and electronic banking. As at 30 April 2021, the Issuer had five main subsidiaries, RHB Islamic Bank Berhad ("**RHB Islamic**"), RHB Investment Bank Berhad ("**RHB Investment Bank**"), RHB Insurance Berhad ("**RHB Insurance**"), RHB Bank (L) Ltd ("**RHB Labuan**") and RHB Cambodia.

The Group's internal reorganisation (pursuant to which RHB Capital Berhad transferred its equity interests in, and certain assets and liabilities of its subsidiaries to, the Issuer) (the "**Internal Reorganisation**") was completed on 28 June 2016 with the successful listing of Issuer's shares on Bursa Securities. On 31 August 2020, RHB Securities Singapore transferred (i) its client coverage team, research and advisory services in relation to corporate finance, mergers and acquisitions, equity capital markets and institutional equities sales, (ii) its entire equity interests in its wholly-owned subsidiaries, RHB Nominees Singapore Pte Ltd, Summit Nominees Singapore Pte Ltd and RHB Research Institute Singapore Pte Ltd; and (iii) other assets and liabilities in respect of (i), to the Issuer (the "**Business Transfer**"). Following the Business Transfer, RHB Investment Bank disposed of its entire equity interest in RHB Securities Singapore on 11 September 2020 (the "**Disposal of RHB Securities Singapore**"). As at 30 April 2021, the Issuer's market capitalisation was RM20.89 billion (U.S.$5.21billion).

The Group is well recognised regionally and has won many accolades over the years, including:

The Group

- Association of Accredited Advertising Agents Malaysia
  - Putra Brand Awards 2020 — Preferred brand in the Banking, Investment & Insurance Category (Gold)
- CSR Malaysia Publications
  - Sustainability & CSR Malaysia Awards — Excellence in CSR Strategy (Gold)
- Human Resource Online
  - HR Excellence Awards 2020 Malaysia — Company of the Year Award for Nurturing Young Talents and Health & Wellness Initiative

The Issuer

- Asian Banking and Finance Retail Banking Award 2020

— Mortgage & Home Loan Product of the Year (Malaysia) — MyHome Ecosystem

— Credit Card Initiative of the Year (Malaysia) — Motion Code Credit Card

- International Business Award 2020 — Best Retail Bank Malaysia 2020

- The Digital Banker Global Retail Banking Innovation Award

  — Best Product Innovation – Motion Code Credit Card

- Alpha Southeast Asia Awards 2020

  — Best Digital Bank in Malaysia

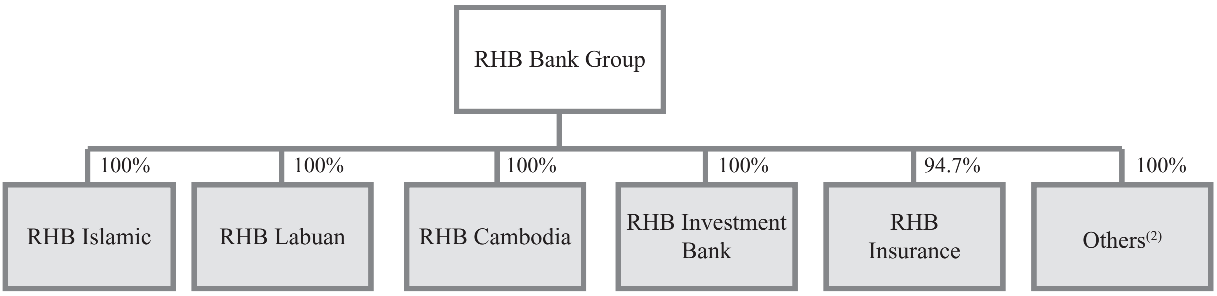
  — Best Trade Finance Bank in Malaysia

- Retail Banker International Asia Trailblazer Summit and Awards 2020

  — Highly Commended – Excellence in SME Banking Category

Simplified Group Structure Chart

The following is a simplified group structure chart of the Group as at 30 April 2021[1]:



(1) The structure chart shows the Issuer and its main subsidiaries only. Further information as to the Issuer's other subsidiaries as at 31 December 2020 can be found at Note 15 of the Group's financial report for the financial year ended 31 December 2020.

(2) Including RHB Kawal Sdn Bhd and RHB Property Management Sdn Bhd and 59.95 per cent. equity interest in RHB Finexasia.Com Sdn Bhd (remaining equity interest of 40.05 per cent held by RHB Investment Bank).

History

The Issuer was incorporated in Malaysia on 4 October 1965 as a public company limited by shares under the name of Development and Commercial Bank Berhad Limited and commenced business in November 1965. It changed its name to Development and Commercial Bank (Limited) Berhad on 15 April 1966 and to Development and Commercial Bank Berhad on 20 September 1982. It was listed on the Kuala Lumpur Stock Exchange (currently known as Bursa Securities) on 2 August 1983.

In 1990, Rashid Hussain Berhad acquired a 20.0 per cent. equity interest in Development and Commercial Bank Berhad. On 17 December 1994, it changed its name to DCB Bank Berhad and was delisted on 29 December 1994. It assumed its present name on 1 July 1997.

On 1 July 1997, the commercial banking business of Kwong Yik Bank Berhad was merged with the Issuer and on 1 July 1998, the operations of RHB Finance Berhad were merged with the Issuer. Pursuant to the acquisition of Sime Bank Berhad, the banking business was vested in the Issuer on 30 June 1999. On 27 October 2000, the Issuer acquired the equity interest in Delta Finance Berhad ("**DFB**") and Interfinance Berhad ("**IFB**"). On 1 December 2000, the finance company business of IFB was merged into DFB and since 8 January 2001, the finance company business of DFB has been conducted under the new name of RHB Delta Finance Berhad. On 1 January 2006, RHB Delta Finance Berhad was merged with the Issuer.

On 1 May 2003, Bank Utama (Malaysia) Berhad was merged with the Issuer. On 2 February 2005, RHB Islamic, a wholly-owned subsidiary of the Issuer, was incorporated. Pursuant to the vesting order issued by the High Court on 8 March 2005, the Islamic banking business of the Issuer was transferred to RHB Islamic on 16 March 2005.

On 9 April 2013, RHB Cambodia, which owns RHB Securities (Cambodia) Plc. ("**RHB Securities Cambodia**") (formerly known as RHB Indochina Securities Plc), became a wholly-owned subsidiary of the Issuer. On 30 May 2014, RHB Bank Lao was incorporated as a wholly-owned subsidiary of the Issuer. On 9 December 2015, RHB Securities Cambodia became a wholly-owned subsidiary of RHB Investment Bank, upon divestment of the 100.0 per cent. equity interest of RHB Securities Cambodia by RHB Cambodia to RHB Investment Bank.

Pursuant to the Internal Reorganisation, the Issuer became the ultimate holding company of the Group on 13 June 2016. It has been listed (in place of RHB Capital Berhad, the former ultimate holding company of the Group) on the Main Market of Bursa Securities since 28 June 2016.

The Group's Strategy: FIT22

In 2018, the Group embarked on a new five-year strategy ("**FIT22**") with an aim to strengthen its presence in Malaysia and succeed in its target segments. Comprising 22 initiatives, it is envisaged that FIT22 will drive the Group's aspiration to be among the top three banks in Malaysia (by return on equity) as well as top three in SMEs, wholesale and Islamic banking (by asset size). The three core pillars of FIT22 are:

(1) **F**und Our Journey;

(2) **I**nvest to Win; and

(3) **T**ransform the Organisation.

The Group made considerable progress in the third year of the five-year FIT22 strategic initiatives despite the negative impact on global and local economy brought about by the Covid-19 pandemic. Through the three core pillars of FIT22, the Group continued to create sustainable value for its stakeholders as evidenced by robust growth in its key business metrics and balance sheet, including growth in total assets to RM271.1 billion in 2020 (an increase of 17.8 per cent. from RM230.2 billion in 2017) and growth in total deposits to RM203.5 billion in 2020 (an increase of 21.9 per cent. from RM166.9 billion in 2017).

Fund Our Journey

The Group aims to (i) drive its revenue growth and (ii) optimise its use of capital to promote sustainable growth, and has identified three key segments as its focus in these aspects:

(1) the affluent segment, which generally has the fastest growth in revenue pool;

(2) the SME segment, for which the Group intends to grow its loan base and provide a complete financial services ecosystem; and

(3) the large and mid-capitalisation companies segment, for which the Group aims to increase its market penetration and wallet share.

As part of its FIT22 strategy, the Group also aims to increase the size of its retail business segment to its overall portfolio, both in terms of deposits and loans, through leveraging its position as a prominent market player that caters to the needs of the local population.

As efficient use of capital is central to promoting sustainable growth for the Group, it has become increasingly important for the Group to re-evaluate and re-allocate capital to higher yielding assets and portfolios, in order for it to increase its profit before tax and return on equity. The Group intends to achieve efficient use of capital by analysing risk-adjusted return on capital to assess the profitability of its individual portfolios.

Invest to Win

A core part of the FIT22 strategy to differentiate the Group in the medium term is to deliver a comprehensive suite of segment-driven lifestyle services through digital and payments innovation. Accordingly, the Group plans to continue investing in technological and digital initiatives to enable it to be well-positioned to continue delivering innovative solutions and maintain sustainable growth. Further, the Group is also committed to optimising its branch network to serve its customers' needs effectively while achieving greater synergies and lowering its cost to serve.

Since its implementation of FIT22, the Group has benefited from its investments in digitalisation such as automation and process optimisation, which improved overall operational excellence and helped it keep up with evolving customer demands. In 2020, the Group achieved several key milestones, including (i) its launch of the first AI-powered SME financing mobile app in Malaysia; (ii) the launch of its RHB MyHome website in addition to its existing RHB MyHome app as part of its homeowners' ecosystem; and (iii) being the first Malaysian bank to provide real-time mobile e-ticketing services and same-day appointments at selected branches.

Ease of banking and enhancement of customer experience will continue to be part of the Group's core focus in order to strengthen its relationships with its customers.

Transform the Organisation

The Group recognises the importance of customer experience in an increasingly competitive market. Accordingly, it aims to make customer experience and service delivery its key differentiator through building an operating model that prioritises customer journeys, agility, analytics and digital enablement. In 2018, the Group undertook an organisation-wide implementation of 'AGILE', a collaborative working culture that is focused on integrating key resources across the Group, in order to deliver innovation to the market in a flexible and timely manner, to improve the Group's overall productivity and competitiveness. Since its introduction of AGILE over two years ago, the Group has gradually scaled up implementation of AGILE across the Group, and the benefits realised from AGILE has enabled it to continue value enhancement for both its customers and employees.

As the Group progresses towards its 2022 goals, the Group will continue to equip its employees with the relevant skills required for its operations and the evolving demands of the digital age. For example, the Group has launched its 'Workforce of the Future' programme, a Group-wide targeted upskilling initiative aimed at preparing its employees for future roles. Employee engagement will also remain a priority of the Group, in line with its aim to become an employer of choice for talent acquisition and retention.

Competitive Strengths

Strong Track Record

With over 100 years of experience, the Group has built a strong reputation as a reliable financial services provider in Malaysia. The Group offers a wide array of financial products and services to its customers through its extensive distribution network. Over the years, the Group has established itself as a regional bank especially through its investment arm, which has successfully strengthened its position in the capital markets and participated actively in landmark deals in Malaysia.

Geographical Diversification and Extensive Network

As one of the leading Malaysian banks, the Group has a growing regional presence spanning Malaysia, Singapore, Thailand, Indonesia, Cambodia, Laos, Brunei, Vietnam and Myanmar. The Group has approximately 333 delivery channels including a network of 208 branches, 35 sales centres and 37 corporate and investment banking offices in Malaysia as well as 53 branches and offices located regionally.

Strong Balance Sheet and Capital Base

The Group has a strong capital base which is consistent with its business model, balance sheet structure and risk profile. As at 31 December 2020, the Group's total capital ratio was 18.4 per cent. which was well above the regulatory requirement of 10.5 per cent (the aggregate of the minimum regulatory requirement of 8.0 per cent and CCB of 2.5 per cent). The Group believes that its strong capital base together with prudent loan loss coverage provisions will better enable it to withstand the impact of potential shocks in the event of a global economic downturn, while providing it with the flexibility to grow its business. Robust risk management and functions frameworks have been established to enable effective risk management and compliance across the Group.

Innovation, Digital Transformation and Best Practices

Innovation is at the core of the Group's business, spanning reinvention of business models to new product offerings and services. The Group continues to remain nimble in the digital landscape as it aims to respond swiftly to changing marketplaces and customer needs. The Group has embarked on its *"Digital Transformation Programme"* to effectively deliver meaningful, high value-adding interactions and customised services for its customers by leveraging its digital capabilities. See the section titled "Group Digital Transformation" under "The Group and the Issuer's Business" for more details.

Strong Management Team and High Performing Talent

The Group's strong management team has been critical to its success. Backed by many years of experience, the senior management team has proven its ability to execute strategic initiatives and remain resilient in the current operating environment that has impacted the domestic banking landscape in recent years.

Recent Developments

On 17 December 2020, the Issuer announced that it proposes to undertake the establishment of a dividend reinvestment plan that provides its shareholders with an option to elect to reinvest, in whole or in part, their cash dividend declared by the Issuer in new shares ("**Proposed DRP**").

The rationale of the Proposed DRP is as follows:

(1) It provides the Issuer with flexibility in managing and strengthening its capital position as part of its capital management strategy.

   (a) The reinvestment of dividend by its shareholders will enlarge the share capital base of the Issuer.

   (b) The cash retained which would otherwise be used for the payment of dividend, may be utilised for working capital, repay borrowings and/or other requirements of the Issuer or the Group to be identified at the point when such funds are retained.

(2) It allows its shareholders to have the option of reinvesting further into the Issuer and provides its shareholders with the following:

   (a) an opportunity to enhance and maximise the value of their shareholdings in the Issuer by investing in Issuer's shares at a discount; and

   (b) flexibility to its shareholders in meeting their investment objectives as its shareholders would have the option of receiving dividend in cash and/or reinvesting in the Issuer's shares.

(3) The implementation of the Proposed DRP will provide an avenue for its shareholders to exercise the electable portion under the reinvestment option for the Issuer's shares in lieu of receiving cash.

(4) The Proposed DRP may potentially improve the trading liquidity of the Issuer's shares as well as strengthen the financial position and capital base of the Issuer through the issuance of shares.

Implementation of the Proposed DRP is conditional on receipt of the following approvals:

(1) BNM's approval for the implementation of the Proposed DRP, for which application to BNM has been submitted on 18 January 2021;

(2) Bursa Malaysia's approval for the listing and quotation of shares under the Proposed DRP on the Main Market of Bursa Malaysia;

(3) shareholders' approval (at the next annual general meeting); and

(4) approval by any other relevant authority and/or party, if required.

The Issuer has obtained the following approvals in relation to its proposed final single-tier dividend of 7.65 sen per share for the financial year ended 31 December 2020:

(1) approval from BNM pursuant to a letter dated 29 March 2021, for the increase in issued share capital of the Issuer arising from the implementation of the Proposed DRP; and

(2) approval from Bursa Securities pursuant to a letter dated 7 April 2021, for the listing and quotation of shares under the Proposed DRP, on the Main Market of Bursa Malaysia.

The Group and the Issuer's Business

Overview

The Group's core businesses are streamlined into seven strategic business groups ("**SBGs**"), comprising (i) Group Retail Banking, (ii) Group Business and Transaction Banking, (iii) Group Wholesale Banking, (iv) Group Singapore Operations, (v) Group Shariah Business, (vi) Group International Business and (vii) Group Insurance.

All the seven SBGs are offered through the key entities within the Group which consist of the Issuer, RHB Islamic, RHB Investment Bank and RHB Insurance, while its asset management and unit trust businesses are undertaken by RHB Asset Management Sdn. Bhd. and RHB Islamic International Asset Management Berhad.

The SBGs are supported by 11 other strategic functional groups ("**SFGs**") comprising (i) Group Finance, (ii) Group Strategy and Analytics, (iii) Group Digital and Technology, (iv) Group Risk and Credit Management, (v) Group Compliance, (vi) Group Marketing, (vii) Group Corporate Communications, (viii) Group Human Resources, (ix) Group Operations, (x) Group Legal, Secretariat and Governance, and (xi) Group Internal Audit.

Group Shariah Business

The Issuer began its Islamic banking services on 21 August 1993 following BNM's direction that all financial institutions in Malaysia have Islamic banking windows via the *Skim Perbankan Islam* (the Islamic Banking Scheme). In July 2004, the Malaysian Minister of Finance agreed to grant the Issuer a licence to operate a full-fledged Islamic bank. The Issuer was one of the first two commercial banking groups in Malaysia to be issued such a licence.

The Group officially received the licence for an Islamic banking subsidiary on 1 March 2005 and subsequently the Issuer's wholly-owned subsidiary, RHB Islamic, commenced operations on 16 March 2005. The Group conducts all of its Islamic banking activities through RHB Islamic such that the business and operations of RHB Islamic cut across the activities of the other businesses (including the Islamic banking business of RHB Labuan and the Issuer's Singapore branch) to reach the customer base of the entire Group.

The Group established the Islamic transformation programme with the aim of achieving improved operational efficiency, manpower optimisation, enhanced asset quality and earnings, a larger customer base and a broader geographical reach for RHB Islamic. The programme saw RHB Islamic adopting a business model which leverages the operational capabilities, commitments and synergies afforded by the larger Group network. The model aims to ensure that customers enjoy a reliable, convenient and efficient banking experience.

Today, RHB Islamic is the primary driver of the Shariah business for the Group, the fourth largest banking group in Malaysia by asset value. The Group's Shariah products and services are delivered seamlessly nationwide to fulfil the needs and wants of customers through the Group's network, cutting across its commercial banking (which covers retail, corporate and commercial business segments), investment banking and asset management businesses. The Group's customer touchpoints network is one of the largest in Malaysia with services available at all branches of RHB Islamic and the Issuer. These include 6 dedicated Islamic banking branches and 202 conventional bank branches with 933 automatic teller machines ("**ATM**") nationwide, with the added convenience of mobile and internet banking services. The Group's Islamic banking operations are targeted at both Muslim and non-Muslim individuals as well as commercial, corporate and government customers that comply with international Shariah standards, which are based on principles such as Murabahah, Mudharabah, Wadiah, Musyarakah, Istisna' and Ijarah. RHB Islamic's products and services include deposits (including junior savings accounts), term deposits, investment accounts, multicurrency deposits, financing, trade and guarantee products and services, capital markets products and cash management solutions.

Strategic Business Groups

Group Retail Banking

Group Retail Banking provides conventional and Shariah-compliant consumer banking solutions, spanning a broad spectrum of products and services ranging from wealth management, bancassurance, mortgages, auto financing and Amanah Saham Bumiputera financing, personal financing, credit and debit cards and deposits. Group Retail Banking differentiates itself in the marketplace by leveraging technology and the Agile way of working to deliver superior services to customers.

Affluent Segment and Premier Banking

Group Retail Banking continues its focus on the affluent segment by targeting high net worth individuals, with a key focus on Premier Banking customers. Premier Banking customers are offered benefits such as bespoke wealth management solutions to address their different investment needs, seamless cross border regional banking services, exclusive lifestyle privileges and access to private events, and direct access to a team of dedicated relationship managers and investment specialists.

Products and Services

Wealth Management

The Group offers a wide range of investment products. As at 30 April 2021, there were 182 funds across 9 strategic partners with varying investment objectives to better meet investors' needs. Other investment products such as fund-linked and commodity-linked structured investments, retail bonds, direct foreign exchange and wealth financing are being offered under the Premier Banking proposition to accommodate different risk appetite and investment portfolio strategies.

Bancassurance, BancaTakaful and General Insurance

Group Retail Banking offers a wide range of bancassurance, BancaTakaful and general insurance products, many of which leverage the Bank's relationships with its insurance partners, Tokio Marine Life, Syarikat Takaful Malaysia and RHB Insurance. Group Retail Banking offers traditional insurance, investment-linked life insurance and credit-linked insurance, for both conventional and Islamic banking. In addition, Group Retail Banking also offers general insurance products, including motor insurance, personal accident insurance, hospitalisation and surgical insurance, property insurance and travel insurance, for both conventional and Islamic banking.

Currently, Group Retail Banking offers life insurance products through a 10-year exclusive partnership with Tokio Marine Life which was renewed in January 2015. Group Retail Banking also offers family Takaful products and general Takaful products through new five-year exclusive partnerships with Syarikat Takaful Malaysia Keluarga Berhad and Syarikat Takaful Malaysia Am Berhad which commenced on 1 August 2020. The Issuer may receive certain pre-agreed special incentives from Tokio Marine Life, Syarikat Takaful Keluarga Malaysia and Syarikat Takaful Malaysia Am Berhad if it meets certain prescribed annual and cumulative annual sales targets. The Issuer expects to be able to leverage the life insurance, advisory and Takaful products to offer more innovative products to its customers.

Mortgage Loans

Group Retail Banking offers both conventional and Shariah-approved home financing and continues to support homeownership among Malaysians by providing innovative solutions which cover the homeownership process end-to-end, through utilising the following three platforms:

- RHB Partner App — enables real estate agents and developers to digitally refer homebuyers to RHB Bank to secure loans. In 2020, 68 per cent. of leads were referred digitally through the RHB Partner App as compared to 25 per cent. in 2019;

- RHB MyHome App — brought the home buying experience online, by providing customers with the convenience of end-to-end mortgage application using a mobile device. In 2020, 39 per cent. of loan acceptance were processed through the RHB MyHome App as compared to 20 per cent. in 2019; and

- RHB MyHome website — serves as a platform for Group Retail Banking's service partners to offer exclusive renovation and interior design services to its customers.

Group Retail Banking remains disciplined in new booking activities, focusing on a quality and customer segment approach. In addition, Group Retail Banking is further strengthening its presence in key market centres by partnering with key developers and realtors and by delivering products via mobile sales teams for the added convenience and flexibility of customers.

Group Retail Banking is focused on a segment-targeted approach and intends to offer improved Islamic mortgage products to extend its market share in this segment. The Group is confident that this strategy mix will allow it to remain well-placed in the retail banking sector to capitalise on opportunities and address challenges which may arise.

As at 31 December 2020, the Group's mortgage gross loans were RM67.76 billion and the Issuer's mortgage gross loans were RM46.59 billion.

Auto Financing

Auto Finance provides both Islamic and conventional vehicle financing to customers with flexible repayment periods of up to nine years. Besides fixed interest rate financing options, customers can also opt for variable interest rate financing which was introduced in 2017.

In addition, the automotive industry was one of the main beneficiaries of the PENJANA stimulus announced by the Government. The sales tax waiver of 50 per cent. for imported cars and 100 per cent. for locally-assembled cars announced in June 2020 resulted in an increased demand in the automotive industry for the second half of 2020. The Group leveraged the favourable industry performance to capture market share through greater collaboration with automotive industry players through unique offerings, such as its variable rate auto finance product and instant approval-in-principle to hirers.

As at 31 December 2020, the Group's auto financing business gross loans were RM8.95 billion and the Issuer's auto financing business gross loans were RM0.42 billion.

Amanah Saham Bumiputera Financing

Amanah Saham Bumiputera ("**ASB**") financing is a form of financing whereby the Issuer provides its customers with a term loan to purchase ASB units. ASB units are fixed price funds managed by Amanah Saham Nasional Berhad ("**ASNB**"), a wholly-owned subsidiary of Permodalan Nasional Berhad ("**PNB**"). ASNB was established in 1979 for the purposes of, among other things, managing the unit trusts funds launched by PNB. ASB term loans have a maximum tenure of 40 years. The Group's policy is to lend up to 100 per cent. of the ASB units purchased or 105 per cent. if Group Reducing Terms Assurance or Group Reducing Term Takaful financing (that is, a life insurance with reducing coverage throughout the financing tenure that covers the outstanding financial amount in the event of the borrower's death) is included. The loans are secured by the ASB units purchased by the customer.

As at 31 December 2020, the Group's ASB financing gross loans were RM8.00 billion and the Issuer's ASB financing gross loans were RM3.37 billion.

Consumer Deposits

The majority of the Group's deposits are in the form of current accounts, savings accounts and fixed deposits. As at 31 December 2020, the Group's retail banking deposits grew by 15.55 per cent. to RM66.71 billion (primarily comprising saving deposits and current deposits of RM20.73 billion and fixed deposits of RM45.98 billion) from RM57.73 billion as at 31 December 2019. The Issuer's retail banking deposits grew by 17.93 per cent. to RM45.21 billion (primarily comprising current deposits and saving deposits of RM17.42 billion and fixed deposits of RM27.79 billion) from RM38.34 billion as at 31 December 2019.

The Group continues to focus on growing its retail deposits, in line with Basel III liquidity requirements, for a stable and larger retail deposit base. Total retail deposit has shown strong growth, outpacing industry's growth over the past 3 years, with an increase in market share from 7.4 per cent. in 2018 to 8.3 per cent. in 2020.

The acquisition of salary accounts has also improved Group Retail Banking opportunities to cross-sell other retail product offerings. Group Retail Banking continues to invest in its Corporate Employee Privilege Programme via RHB Joy@Work, an initiative to attract more companies to open employee salary accounts with the Issuer and RHB Islamic, to drive the efficiency and productivity of this channel.

Cards and Unsecured Financing

Group Retail Banking operates the Group's cards business, which consists of credit card, prepaid card, debit card, commercial card and merchant acquiring businesses. Revenues from the Group's card business consist principally of annual fees paid by cardholders, finance charges on outstanding balances, cash advance fees, interchange fees, foreign exchange service fees and merchant discount rates payable by service establishments.

The Group is licensed to issue Visa and MasterCard credit cards, prepaid cards, commercial cards, debit cards and also to conduct merchant acquiring business. The Group relies on its extensive branch network and sales distribution along with strategic partnerships with recognised brands such as MyEG (Malaysia's only government-oriented payment portal) in order to grow its cards business. The Group has intensified its efforts to increase market share in the credit card segment by offering a wide range of credit card products to cater to customers' needs. In addition, it has implemented digital and spend initiatives to drive incremental spend and revolving balances via mass usage campaigns, e-commerce spend campaigns and tactical portfolio products.

As at 31 December 2020, the Group's credit card receivables were approximately RM2.02 billion.

Group Retail Banking also offers personal financing to individual customers, which includes: (i) deduction at source financing (where repayment amounts are deducted from the customer's salary on a monthly basis); and (ii) non-deduction at source financing (where repayment amounts are made by the customer through over-the-counter or other similar means). Financing is offered up to RM200,000, payable in fixed monthly instalments (fixed rate financing) and non-fixed monthly instalments (variable rate financing) for tenure up to 10 years. The Group's personal financing products are offered to a range of customers, including those in the civil service segment and the mass market segment.

With straight-through-processing (whereby applications for personal financing, ASB financing can be approved and disbursed and credit card can be issued instantaneously), Group Retail Banking efforts have shown that customers are attracted to fast and simplified banking services. Contributions from channels such as branches, telesales and outsource agencies have also attracted additional new-to-bank customers while retaining existing customers via anti-attrition programmes.

As at 31 December 2020, the Group's personal financing receivables were approximately RM7.49 billion.

Distribution Channels and Platforms

Overall Distribution Channels

The Group implemented a structured Community Banking engagement model to cater to the needs of the various segments of the communities in which it operates, allowing it to address a wide spectrum of segments, including retail customers, SMEs, corporate clients, government agencies, universities, schools and trade associations.

In 2019, Group Retail Banking launched a structured Community Banking Programme to drive engagement culture in branches. The programme was structured with three levels — Fundamental, Intermediate and Advanced, and with prescribed activities and financial targets. The performance of each branch was measured according to its adoption rate of the programme.

In 2020, approximately 2,300 community events (both in-person and virtual) were held by respective regions and branches. Through these community events, branch's assets under management grew by 16 per cent. to RM66 billion in 2020 from RM56 billion in 2019.

eChannel

The Group's investments in digitalisation, such as its Homeowners Ecosystem, has supported its continued efforts in serving its customers in an efficient and seamless manner. The Group continued to streamline processes, enabled new digital platforms and delivered fully digitised experiences across all its business channels. For example, its premier banking business began marketing investment products through virtual events to overcome the loss of face-to-face cross-selling opportunities.

In relation to its wealth products, the Group introduced new processes to eliminate filling out manual applications and facilitated virtual sales through video-conferencing tools for the end-to-end enrolment of customers, thereby creating a faster and more seamless buying experience.

Market penetration through digital and automated channels, such as internet banking, mobile banking, ATMs, cash deposit machines, and credit and debit cards, has increased from 43 per cent. in 2016 to 76 per cent. in 2020, of overall transaction volume (digital and non-digital). The Group's RHBNow Internet has experienced strong growth in its number of registered users. Internet banking transaction volume grew exponentially at CAGR of 41 per cent. from 2016 to 2020. As at 30 April 2021, the Group has a total of 2.19 million registered Internet Banking users.

In April 2019, the Group rolled out its new RHB Mobile Banking App with an improved customer journey and customer experience, incorporating unique features such as quick link, one-touch payment, biometric-only transactions and unified dashboard view. Mobile banking transaction volume grew at CAGR of 77 per cent. from 2016 to 2020. As at 30 April 2021, the Group has a total of 811,000 mobile banking registered users.

In line with the Group's efforts to be environmentally responsible, Group Retail Banking continues to drive and introduce eStatement services via RHBNow, which allows customers to download their account statements through the internet banking portal. As at 30 April 2021, approximately 80 per cent. group customers are registered to receive e-statements.

Network

As at 30 April 2021, the Group had a network of 208 branches throughout Malaysia comprising 202 conventional bank branches and 6 Islamic bank branches. In addition, the Issuer has 35 sales centre outlets and 431 off-premise ATMs throughout Malaysia.

Customer Experience — Executing the RHB way of delivering superior customer service

To deliver its brand promise of "Together We Progress" by building trust, delivering convenience and creating value for internal and external customers, the Group intensified its effort in building a service culture through its enhanced RHB Way 2.0 Programme launched in 2020. RHB Way 2.0 aims to intensify service culture and elevate customer experience to deliver the brand promise of "Together We Progress" and improving Net Promoter Score ("**NPS**").

Through various initiatives conducted in 2020, NPS improved to +11 points which is on par with the industry average of +11 points, ranking 4th out of the 16 banks ranked in Malaysia. The Group's efforts in delivering superior customer service were validated through its achievement of various customer experience excellence awards. Further, approximately RM10 million savings were achieved through operational excellence projects.

Group Business and Transaction Banking

Group Business and Transaction Banking comprises the Group Business Banking and the Group Transaction Banking segments.

Group Business Banking

Group Business Banking provides both conventional and Shariah-compliant financing and transactional solutions to SMEs and family-owned enterprises in Malaysia which are predominantly made up of large non-listed private companies and SMEs from various industries. These financing and transactional solutions include working capital, trade financing, asset-based financing, supply chain financing, foreign exchange, remittance and interbank business.

To anticipate customer business needs, Group Business Banking offers facilities granted through a parameterised approach for small businesses, by using behaviour scorecards as a matrix for credit approval, or structured financing for larger and complex deals, and is supported by a distribution network consisting of dedicated relationship managers across 35 business centres and 208 branches in Malaysia. In addition, Group Business Banking leverages digitalisation to further strengthen its banking value propositions for its SMEs customers. The Group remains the fourth largest SME bank in Malaysia, with an SME market share of 9.7 per cent and SME assets of RM27.9 billion as at 31 December 2020.

Aligned with the Group's FIT22 strategic plan, Group Business Banking continues to outpace the industry and focus on driving asset growth to 20 per cent. contribution of the Group's total domestic loans by 2022, driven by several strategies and initiatives. The key focus areas are as follows:

- focus on the small business segment growth and increase secured lending proposition;

- leverage innovation and technology-based solutions to build an operating model that prioritises customer experience, agility, analytics and digital enablement to drive top line growth;
- rebalance the Group's trade portfolio mix by scaling up the financial supply chain ecosystem and focus on expanding SME exporters base; and
- elevated seamless customer experiences as differentiator with the competitive standing in the market.

Group Transaction Banking

Group Transaction Banking comprises of four key areas of transaction banking: Trade Business, Cash Management, Business Innovative Solutions and Financial Institutions.

The Group offers comprehensive transaction banking solutions for both conventional and Shariah-compliant trade finance and services, cash management solutions (including facilitating interbank business and cross border settlement) and serves Government-linked companies, corporates and SMEs with fully integrated and innovative process solutions.

Group Transaction Banking has built a strong franchise in the trade business and cash management sector in Malaysia. It is currently the sixth largest trade bank in Malaysia with a market share of 7.2 per cent. as at 31 December 2020 and has approximately 121,000 online banking subscribers with an 9.1 per cent. share of the domestic corporate online payments market (by transaction volume). In addition, the Group is well-established in the Government and related agencies' value chain where it is:

- the anchor bank for payments to and collections by Malaysian Customs;
- the sole service provider for the payment and withdrawal of Employees Provident Funds;
- the sole payment gateway for the Malaysian Road Transport Department's eDaftar collections; and
- the sole banker to provide a payment gateway for the Klang Net Communities, facilitating payments for all freight forwarders to the Port Klang Authority.

Group Transaction Banking intends to focus on export trade and supply chain financing to drive revenue growth, as well as leverage its connected financial ecosystem and cash management capabilities as a key differentiator from its competitors.

Group Wholesale Banking

Group Wholesale Banking comprises Group Investment Banking, Group Corporate Banking and Group Treasury and Global Markets.

Group Investment Banking

Group Investment Banking ("**Group IB**") offers the full spectrum of investment banking products and services in the primary and secondary markets to corporate clients, institutional fund managers and retail customers. As at the date of this Offering Circular, Group IB has offices in Malaysia, Indonesia, Thailand, Cambodia and Vietnam.

Group IB has dedicated relationship managers who work closely with the Group's product specialist teams across the region to develop integrated solutions to meet client requirements. These client coverage teams focus on specific client segments, namely large-capitalisation and mid-capitalisation clients across the ASEAN region and, the Government and Government-linked companies ("**GLCs**") in Malaysia. The coverage teams have expertise across multiple industries and are capable of advising on corporate restructurings, mergers and acquisitions and lending and fundraising via both equity and debt instruments. The coverage teams are involved from the origination of the deals and structuring of the schemes to the distribution of the securities for Group IB. Group IB's capability in the origination of deals has positioned the Group as an established market participant in both the mid-capitalisation, large-capitalisation and GLC segment in Malaysia, and increasingly in the emerging ASEAN markets.

Working closely with the client coverage teams, Group IB's product specialist teams deliver transactional execution expertise to its clients by providing a broad range of products and services including:

(i) Investment Banking

- Advisory — corporate finance, mergers and acquisitions, financial advisory
- Fundraising and Distribution — equity capital markets and debt capital markets[1]

(ii) Securities Broking

- Trading of stock, futures and commodities — for retail customers
- Trading, distribution of stock and managing funds — for institutional clients
- Share margin financing

(iii) Equity Derivatives

- Issuance of exchange-listed structured warrant — mainly for retail investors
- Issuance of customised over-the-counter derivative instruments — for financial institutions, fund managers and corporates

(iv) Investment Banking Treasury

- Foreign exchange (spot/forward lines)
- Derivatives and structured products (spot/forward lines; interest rate/currency swaps)
- Fixed income securities
- Money market instruments
- Global remittances

(v) Asset Management

- Unit trust management, investment management advisory, product development and trustee services
- Tailor-made structures for discretionary and non-discretionary mandates covering equities, fixed income, mixed assets and cash management
- Private retirement schemes / pension funds and alternative investments covering various asset classes across conventional and Shariah-compliant products
- Trustee services — estate-planning, will-writing, private trust, REITs, corporate trust services and escrow account management

Group IB is supported by a regional team of equity research analysts who provide comprehensive coverage on over 350 companies across four major ASEAN equity markets — Malaysia, Indonesia, Singapore and Thailand. The team also uses its in-depth understanding of companies and sectors within these markets to write thematic research on regional and cross-sector ideas that help investors make longer-term investment decisions.

RHB Investment Bank, the wholly-owned subsidiary and investment banking arm of the Group is an award-winning investment bank and one of the key participants in the Malaysian capital markets. RHB Investment Bank has completed many landmark deals over the years, including the world's first Structured Covered Sukuk Programme backed by financing receivables of up to RM3.0 billion for Malaysia Building Society Berhad that was launched in December 2013.

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[1] Group IB leverages Group Treasury and Global Market in the distribution of private debt securities.

Group Corporate Banking

Group Corporate Banking ("**Group CB**") offers an extensive range of products and services, both conventional, Shariah-compliant financing solutions, as well as foreign currency loans. The products offered by Group CB include:

- Working capital funding — overdraft, revolving credit and multi trade lines
- Term loans
- Contract, bridging and project finance
- Structured finance
- Syndications and unrated corporate bond/Sukuk
- Bank guarantees
- Standby letters of credit

Group CB also provides an extensive range of trade services and financing solutions to meet its customers' various needs for export/local sales or for import/local purchases with options to:

- pay interest upfront or at the end of the financing period;
- prepay in full or in part;
- finance in local currency or in foreign currency; and
- structure financing packages to meet customers' specific and/or general requirements.

Group CB also offers an extensive range of treasury products and services to meet its customers' needs, including:

- foreign exchange (spot/forward lines);
- derivatives (spot/forward lines; interest rate/currency swaps); and
- global remittances.

Group Treasury and Global Markets

Group Treasury and Global Markets offers a comprehensive suite of treasury products and solutions including foreign exchange, derivatives and fixed income to cater to the hedging and investment requirements of a diverse customer base in Malaysia, Singapore, Thailand and Indonesia. The business function enables foreign exchange trades in 24 global currencies and precious metals investments supported by foreign currency settlement facilities via multi-currency accounts ("**MCAs**").

The following are the key growth drivers and priorities for Group Treasury and Global Markets:

(i) Key growth drivers:

  - Introduction of RHB Live FX @ Reflex, the Group's hassle-free digital foreign exchange platform covering 34 currency pairs that enables RHB's customer to monitor foreign exchange rates in real time, book foreign exchange contracts and manage settlement all in one place.
  - Talent and human resources optimisation following the change in customers' behaviour towards increasing adoption of digitalisation.
  - Increasing focus on data analytics to increase cross-selling opportunities and share-of-wallet.

(ii) Key priorities:

- Intensify digitalisation initiatives to deliver seamless customer experience and achieve process efficiency.

- Simplify internal processes for process efficiency and promote greater collaboration with product distribution channels.

- Diversify sources, increase volume and simplify process for cross-border customer foreign exchange transactions in tandem with regulatory changes.

- Optimise funding structure in tandem with bank-wide asset and liability mix.

Group Singapore Operations

RHB Bank Singapore was first established in 1961 and has been granted foreign "Full Bank" status by the Monetary Authority of Singapore. The foreign "Full Bank" status allows RHB Bank Singapore to provide a wide range of banking services permitted under the Banking Act, Chapter 19 of Singapore. RHB Bank Singapore offers a wide spectrum of banking services serving the consumer, commercial and corporate segments. These services include deposits, loans, payment services, trade financing, treasury solutions, wealth management, wholesale bank notes and structured finance.

RHB Bank Singapore has seven branches spread across the country. This is further augmented by RHBNow internet banking services for consumers and Reflex, a business internet banking platform for SME and corporate clients.

RHB Bank Singapore's core businesses are streamlined into five pillars, namely (i) retail banking, (ii) commercial banking, (iii) corporate and investment banking, (iv) treasury and (v) asset management.

In recent years, RHB Bank Singapore has won numerous accolades for customer service and business excellence. The awards won by RHB Bank Singapore since 2015 include:

- Excellent Service Award (EXSA) by Association of Banks Singapore from 2015 to 2020;

- Singapore Quality Class (SQC) Star with Service niche in 2018;

- Best Small to Mid-Cap Corporate Finance House in Singapore by Alpha Southeast Asia in 2020;

- Top 150 Best Employers Singapore by Straits Times in 2020;

- awards in a total of 10 categories, including 'Best Small Cap Analyst' by Asiamoney Brokers Poll since 2015; and

- Top Bank in Wealth Management for the Best Investment Unit Trust Net Sales by iFAST Award in 2016.

In 2020, RHB Bank Singapore successfully arranged a two-bank club green term loan facility of S$150 million to support the acquisition and development of a top-tier colocation data centre for a major property player in Singapore. In the same year, RHB Bank Singapore was the sole lead arranger for a notable cross-border Mergers & Acquisitions transaction between a Malaysian conglomerate and a listed regional real estate developer in Singapore.

As at 31 December 2020, Group Singapore Operations' gross loans were RM15.57 billion.

Group International Business

Group International Business comprises both the Group's commercial banking and investment banking portfolios. The Group has a strong presence through an established network of branches across Singapore, Cambodia, Thailand, Laos, Brunei, Indonesia and Vietnam. The Group offers a wide variety of products and services for customers from all segments ranging from loans, deposits and wealth management solutions to trade financing solutions and investment banking services. The Group also maintains a representative office in Vietnam and Myanmar to offer liaison advisory services for Malaysian companies seeking to conduct business in the country.

In addition, Group International Business also manages the loan recovery function within the Group ("**Loan Recovery**"). Loan Recovery's main responsibility is to formulate and execute plans and strategies to manage the Group's corporate and commercial impaired loans. Loan Recovery coordinates closely with various divisions within the Group and overseas branches and subsidiaries to contain new impaired loans and to maximise the impact of recoveries. Areas under Loan Recovery's remit include work-out and implementation of impaired loan rehabilitation schemes, expediting the recovery and/or resolution of impaired loans and work with Group Finance in ensuring adequate and timely impairment provision is made for impaired loans.

Thailand

RHB Bank Thailand was first established in 1964. Currently, it consists of three branch offices in Bangkok, Sri Racha and Ayuthaya. RHB Bank Thailand offers a range of products and services such as deposit-taking, loans and advances, trade finance, remittances and foreign exchange. In addition to local Thai companies, RHB Bank Thailand's key client segment consists of local Thai corporates, multi-national entities, and Malaysian businesses operating in Thailand.

As at 31 December 2020, RHB Bank Thailand's gross loans were RM1.43 billion.

Brunei

RHB Bank Brunei was established in 1965. At present, it consists of one branch office in Bandar Seri Begawan. The branch offers a range of products and services such as deposit-taking, loans and advances, trade finance, remittances and foreign exchange.

In addition to the retail segment, the branch also serves various commercial clients in the oil and gas and construction industries.

As at 31 December 2020, RHB Bank Brunei's gross loans were RM172.57 million.

Cambodia

RHB Cambodia commenced operations on 10 October 2008. RHB Cambodia is a wholly-owned subsidiary of the Issuer and offers a full range of retail, commercial and corporate banking products and services. The initiatives that are currently being undertaken include building a formidable digital retail bank in Cambodia, which includes the Group's Reflex Cash Management and card services. As at 30 April 2021, RHB Cambodia operated 12 branches in Cambodia.

All the branches are equipped with Cambodia's 24-hour full-function ATM, which offers cash deposit, cash withdrawal, cheque deposit and cross-currency withdrawal services in one machine. Currently, there are 39 ATMs in operation, comprising 18 onsite and 21 offsite.

As at 31 December 2020, RHB Cambodia's gross loans were RM2.35 billion.

Laos

RHB Bank Lao Limited ("**RHB Bank Lao**") commenced operations on 6 June 2014. RHB Bank Lao is a wholly-owned subsidiary of the Issuer and offers a selected range of retail and commercial banking products and services. Currently, there is a head office and two branches in Vientiane. As at 31 December 2020, RHB Bank Lao's gross loans were RM159.62 million.

Vietnam

State Bank of Vietnam ("**SBV**") granted the Issuer a licence to operate a representative office in Ho Chi Minh City on 9 October 2008. In November 2018, the representative office relocated to Hanoi after obtaining approval from the SBV. The office functions as a liaison office and carries out market research.

Myanmar

On 26 March 2014, the Central Bank of Myanmar granted the Issuer a licence to operate a representative office in Yangon. The office functions as a liaison office and carries out market research.

Group Insurance

RHB Insurance has 14 branches across Malaysia and provides general insurance for both retail and corporate customers. As at December 2020, it is the 11th largest general insurance company in Malaysia by gross written premiums/contributions with a market share of 3.8 per cent. Group Insurance adopts a multi-channel approach for the distribution of its products and services through bancassurance, agents, brokers, motor franchise and online/mobile.

Strategic Functional Groups

The SFGs provide centralised services to support all business functions across the Group.

Group Finance

Group Finance is responsible for the overall accounting and finance functions of the Group to enable the Group to develop, align, communicate and execute strategies to achieve its business goals. In addition, areas under the purview of Group Finance include investor relations, procurement and security services.

Group Strategy and Analytics

Group Strategy and Analytics is responsible for developing the Group's strategic priorities. In addition to ensuring that the FIT22 strategy remains on track, Group Strategy and Analytics has also been tasked with developing and executing new strategies that will not only allow the Group to remain competitive, but also facilitates the Group's ability to grow and expand.

Group Digital and Technology

Group Digital Transformation

The Group commenced a digital transformation programme in April 2017 with a vision to be a digital leader in banking throughout Malaysia and the broader region. The Group-wide 'Digital Transformation Programme' aims to enable the bank to become a customer centric, data driven and innovative digital bank in order for it to compete more effectively. Core to the program was the set-up of the Group Digital Transformation department to drive the acceleration of digital developments and build new future ready capabilities. The Digital Transformation Programme was a pioneer initiative in adopting the collaborative working culture of AGILE, focusing on customer centricity, design thinking and rapid deliveries through minimum viable products. In 2018, Agile@Scale was formed to expand the Agile way of work to departments beyond IT & Digital, and by 2020, over 4,377 RHB employees have adopted the AGILE collaborative working culture.

The Digital Transformation Programme forms part of the FIT22 five-year strategic roadmap, and comprises a robust digital adoption and innovation plan designed to enhance service and operational excellence, strengthen the Group's presence, and deepen customer engagement and relationship. Through the various digital implementation from 2017 to 2020, the Group's digital transaction volume reached 85.6 per cent. in 2020, which was above its 2022 target of 80 per cent. Similarly, there was stronger traction for digital customer acquisition from 18 per cent. in 2019 to 23.5 per cent. in 2020.

Through its Digital Transformation Programme, RHB has successfully launched a number of initiatives, including a new mobile banking app in 2019, with quick login, one touch payment without a one-time password, and actionable notifications. This new mobile app earned an NPS score of +55, which is 25 per cent. above industry average, in a country wide IPSOS survey in 2019. Additionally, the team implemented the RHB MyHome mobile app for quick mortgage eligibility and application, SME Online Financing mobile app with built-in AI capabilities, big data and AI analytics capabilities, robotic process automation and the first credit card in Southeast Asia with a dynamic CVV feature. RHB has also strengthened its digital offerings through strong ecosystem partnerships for the MyHome proposition and RHB Reflex, a secured financial solution for SMEs.

The Group plans to continue exploring digital-first innovations which focuses on customer engagement and acquisition, digital payments, ecosystem partnerships, and expanding its digital footprint in the region in the coming years.

Information Technology

The Group's information technology team leads the use of information technology to run, grow and innovate the Group's business. It encompasses information technology strategic planning, project management, software development and maintenance, information asset protection and security, data centre operation and implementation and maintenance of the Group's information technology infrastructure.

The Group is committed to investing in technology to foster and support its business objectives and, as such, has allocated substantial financial and human resources to its information technology functions. The Group will continue to make new investments in technology to promote new levels of process efficiency and effectiveness to improve its business performance and risk management policies. The Group's information technology policies and procedures comply with national standards and BNM's requirements.

Group Risk and Credit Management

Group Risk and Credit Management is independent of the Group's business functions to ensure that the necessary risk-to-return balance in business decisions is not compromised by short term pressure to generate revenues.

Group Risk and Credit Management, consisting of Group Risk Management, Group Credit Management and Group Risk Operations, provides independent oversight on business activities and implements the Group's 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.

Group Risk Management

Group Risk Management is responsible for the Group's risk policy and framework, day-to-day risk measurement and monitoring, providing timely risk analysis to management, and ensuring compliance with regulatory risk reporting requirements.

Group Credit Management

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

Group Risk Operations strategises and implements comprehensive enterprise-wide risk governance frameworks and manages the development of robust risk management infrastructure and tools to support the Group's strategy for growth and keeping pace with market requirements and the competitive business environment. Group Risk Operations drives the operationalisation of the Group's risk transformation initiatives by establishing risk management as a valuable business tool.

Group Compliance

Group Compliance has overall responsibility for overseeing the design, implementation and effectiveness of the compliance framework and driving its evolution to ensure it remains relevant and is consistent with the Group's strategic objectives and global best practices. This includes the following:

- developing, maintaining and implementing strategies for compliance risk identification, assessment, mitigation, monitoring, reporting and measurement;

- leading and providing direction on the management of the Group's compliance risk activities to ensure adequate measures are undertaken by the Group to protect it from compliance failures; and

- keeping the Board of Directors (the "**Board**") of the Group, Board committees and senior management informed on emerging compliance risk issues.

Group Compliance is also responsible for providing subject matter expertise to Group Human Resources to educate and engage the Group's employees with respect to key compliance policies and practices.

Group Marketing

The Group Marketing division is responsible for the development and implementation of the marketing initiatives and activities of the Group. Group Marketing consists of Group Brand Communications, Group Retail Banking Marketing, Group Business Banking Marketing and Customer Insights, Group Marketing Strategic Planning and Governance and Group Digital Marketing and Analytics. Key functions of Group Marketing are:

- Strategise, plan and execute brand initiatives and campaigns for the Group

- Oversee usage of the RHB branding across the organisation and ensure compliance with RHB Brand Corporate Identity at all times

- Plan and execute marketing campaigns, track marketing campaign performance and analyse the total implementation of marketing campaigns of the Group

- Provide insights across all Group business teams, as well as execution of brand studies

- Own and manage the Group's digital and social platforms, including its corporate website, social media platforms and My1Portal

- Generate leads and drive acquisition for the Group's products and services via digital marketing channels and campaigns

Group Corporate Communications

Group Corporate Communications consists of Group Communications & Media Relations, Community Engagement, Sustainability Management and Event Management. Key functions of Group Corporate Communications are:

- drive and build the Group's brand and reputation, both domestically and regionally, through strategic communications, media relations, customer and stakeholder engagement, and crisis management;

- drive and execute the Group's corporate responsibility and community engagement initiatives with the vision of enriching and empowering the community, while instilling positive values among the Group's employees and the society at large;

- provide strategic support in developing and executing the Group's sustainability framework, including the vision and core pillars; and

- manage the plan, execute and the coordinate the Group's corporate, business and employee engagement events.

Group Human Resources

Group Human Resources' main task is to develop and provide human resource systems and solutions which generate commitment to the Group's vision and to facilitate execution of its business strategies. Group Human Resources also provides support for both the development of long-term human capital strategies, as well as the provision of human capital to business and operating units.

Group Operations

Group Operations provides centralised back-office support of the branches which includes credit operations, treasury operations, payment operations, banking operations, property and admin services as well as retail brokerage and assets management operations within the Group. Group Operations is also responsible for the service delivery and operation of customer contact centre, the strategy and execution of the Group's 'Operations Excellence and Customer Experience', as well as providing oversight on the relevant support functions of overseas operations.

Group Legal, Secretariat and Governance

In addition to the above SFGs, the Group has an in-house legal, secretariat and governance function.

Group Legal

Group Legal advises the businesses of the Group and the management on matters ranging from company law, commercial law and financial services (including cross border issues) to litigation and recovery.

Group Legal provides a variety of legal advisory functions and is also responsible for the review of legal documentation in respect of conventional credit facilities, investment banking, asset management, stock broking, Islamic banking facilities based on Shariah concepts, structuring of cross border issues as well as the implementation and execution of special projects from time to time.

Group Legal also ensures the Group and the management team are kept abreast of changes and developments in the law relating to financial services in Malaysia and the Group's regional operations.

Group Secretariat

Group Secretariat provides efficient and reliable corporate advisory and corporate secretarial services to the Group and its subsidiaries in accordance with the requirements of relevant laws, rules and regulations and to ensure diligent corporate practices by the Group to enhance the overall level of corporate governance. Group Secretariat also provides other functions which include the following:

- to establish and implement rigorous and effective monitoring mechanisms to ensure compliance with all regulatory requirements as well as to regularly assess the effectiveness and efficiency of the aforesaid mechanisms;

- to review any initiatives from a regulatory compliance perspective so as to put forth an objective opinion on whether all relevant requirements have been complied with as well as to highlight any related compliance issues;

- to liaise with the authorities and to attend to all matters brought forth by them in respect of the Group's level of compliance including but not limited to discussions on any non-compliance or potential non-compliance as well as the remedial actions taken; and

- to advise, facilitate and co-ordinate the efforts of the various business and functional units within the Group to ensure compliance.

Under this division of Group Legal, Secretariat and Governance, resides the Group Integrity & Governance ("**GIG**") department. The GIG ensures the Group's Corporate Governance standards and practices are in-line with the legal and regulatory requirements and where applicable, in line with the regional and international best practices. The GIG also oversees the Group's anti-bribery and corruption efforts as well as inculcating good business ethics and promoting integrity in daily workplace conduct.

Group Internal Audit

The Group has an in-house internal audit function which is guided by the Internal Audit Charter, BNM Guidelines on Internal Audit Function of Licensed Institutions and the International Professional Practices Framework of the Institute of Internal Auditors. Group Internal Audit reports to the Board Audit Committee and its main responsibility is to provide the Board with independent assurance on the adequacy and effectiveness of the Group's risk management, internal control and governance processes.

Main Subsidiaries

RHB Islamic

RHB Islamic, the Issuer's wholly-owned subsidiary was incorporated on 2 February 2005. Pursuant to the vesting order issued by the High Court on 8 March 2005, the Islamic banking business of the Issuer was transferred to RHB Islamic on 16 March 2005.

See "Overview — Group Shariah Business" for further details on RHB Islamic's operating and business model.

RHB Investment Bank

RHB Investment Bank, a wholly-owned subsidiary of the Issuer following the completion of the Internal Reorganisation, was incorporated on 5 August 1974 in Malaysia under the Companies Act, 1965. RHB Investment Bank is involved in merchant banking, dealing in securities, stock, debt and derivatives, stock-broking 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.

As at 31 December 2020, RHB Investment Bank and its subsidiaries had total assets of RM9.21 billion (U.S.$2.30 billion).

RHB Insurance

RHB Insurance was incorporated on 7 March 1978 as N.E.M (Malaysia) Sdn Bhd and was renamed RHB Insurance Berhad on 1 July 1997. Following the completion of the Internal Reorganisation, RHB Insurance became a wholly-owned subsidiary of the Issuer. RHB Insurance is engaged principally in the underwriting of all classes of general insurance.

As at 31 December 2020, RHB Insurance had total assets of RM1.76 billion (U.S.$0.44 billion).

RHB Labuan

RHB Labuan, a wholly-owned subsidiary of the Issuer, was incorporated in the Federal Territory of Labuan on 12 March 1992. RHB Labuan operates from the International Business and Financial Centre in Labuan ("**IBFC**") and provides banking services to corporate and commercial customers both in Malaysia and abroad. The Government has adopted a policy of encouraging the development of Labuan as an international offshore business centre. As a result, banks which operate in the IBFC are subject to beneficial tax rates and legal documents for facilities granted by banks within the IBFC are exempted from stamp duty.

RHB Labuan obtains its funding from a mixture of corporate deposits, bilateral loans, money market borrowings and shareholders' funds. Its main activities are lending to Malaysian and overseas borrowers.

As at 31 December 2020, RHB Labuan had total assets of RM7.65 billion (U.S.$1.91 billion).

Employees

As at 30 April 2021, the Group had approximately 14,176 employees. Approximately 15 per cent. of the Group's workforce in Malaysia is unionised, with employees having membership with the Association of Bank Officers of Malaysia ("**ABOM**") and the National Union of Bank Employees ("**NUBE**"), among others. The employment terms of the Group's unionised employees are stipulated in the collective agreements ("**CAs**") negotiated with the relevant unions. The CAs with NUBE and ABOM respectively, were in effect from 1 January 2018 to 31 December 2020 and shall continue to remain in force thereafter, until superseded by a new agreement. As negotiations for new CAs with both unions are still underway, the CAs continue to remain in force.

Properties

The registered office of the Issuer is located at Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur while its head office's principal place of business is located at Towers Two and Three, RHB

Centre, Jalan Tun Razak, 50400 Kuala Lumpur. As at 31 December 2020, the net book value of the Issuer's properties, plant and equipment, including land and premises, was RM766.63 million (U.S.$191.04 million) which compares with RM753.67 million (U.S.$187.81 million) as at 31 December 2019. The Issuer leases the majority of the premises at which the Group's branches and outlets are located.

Technology

The Group is committed to investing in technology to foster and support its business objectives and, as such, has allocated financial and human resources to its technology functions. The Group believes that its technology capabilities and tools provide it with a strong competitive advantage and appropriate levels of automation, improves its delivery of customer services and facilitates the development of innovative new products and services. The Group will continue to make new investments in automation and processing technologies to meet regulatory requirements, enhance systems availability and security and increase productivity levels. The Group is also focused on its "Digital Agenda" strategy which is designed to enable it to connect better with its customers and drive new innovations.

Legal Proceedings

As at 30 April 2021, there are no material claims, demands, lawsuits or litigation matters (including those pending or threatened) by or against the Issuer or any of its subsidiaries, which are outside the ordinary course of business of the Issuer or its subsidiaries (as applicable), nor any proceedings pending or threatened which might materially and adversely affect the position or business of the Issuer, and in particular, any injunctions, winding-up orders, any orders relating to the enforcement of judgments or other remedies which may if granted by the court, effectively cause the Issuer to have to cease all or parts of the Issuer's business.

Capital Adequacy and Funding

Funding

Group Treasury and Global Markets is responsible for managing the Group's overall funding and liquidity position in order to ensure that the Bank has access to liquidity to meet assets growth demands and its short term liabilities and obligations. All current and projected cash inflows and outflows are monitored to ensure that there are sufficient avenues to fund the Group's operations and ensure that excess cash, if any, is prudently invested.

While the Group's major sources of funding are derived from customers' deposits, shareholders' funds and the interbank money market, the Group has also undertaken other long-term funding sources such as long-term borrowings, asset securitisations and other bilateral arrangements. In order to proactively manage the Group's future cashflow requirements, the Group proactively monitors large cashflow movements, undertakes projections and stress tests and monitors key triggers of various indicators while ensuring that contingent funding options are kept active and available. This includes ensuring that the Group is able to tap into the standing facilities made available by BNM (for example, repo and sell-and-buy-back agreements, collateralised commodity Murabahah and cross-border collateral agreements) in order to effectively manage funding sufficiency for both domestic and offshore operations.

The Group also ensures that funding sources are diversified in order to manage concentration risks or over-dependencies on certain types of funding or certain segments of customers or markets or even on single depositors, and that the Group has a balanced proportion of long-term and short-term funding, in each case, in accordance with principles outlined in the Group's Liquidity Risk Policy.

By adhering to the regulatory and internal requirements pertaining to liquidity management such as liquidity coverage ratio ("**LCR**"), loans to funds ratio, liquid assets ratio and net stable funding ratio ("**NSFR**"), the Group ensures that the Group's funding and liquidity positions are sufficient in order to meet growth requirements and other obligations.

Customer Deposits

As at 31 December 2020, the Group's customer deposits structure comprised primarily fixed deposits, demand deposits and savings deposits, representing 69.0 per cent., 24.3 per cent. and 6.5 per cent., respectively, of the Group's total customer deposits. As at 31 December 2020, the Issuer's fixed deposits, demand deposits and savings deposits represented 60.7 per cent., 30.9 per cent. and 8.1 per cent. respectively, of the Issuer's total customer deposits.

The Issuer

Profile of Customer Deposits by Type

The following table displays the total customer deposits of the Issuer by type of deposit:

	As at 31 December						
	2018		2019		2020		
	RM'000	%	RM'000	%	RM'000	%	U.S.$'000
Demand deposits	30,229,454	23.8	31,538,822	24.0	41,522,937	30.9	10,347,106
Savings deposits	8,404,126	6.6	8,739,694	6.6	10,913,587	8.1	2,719,558
Fixed/investment deposits	87,325,687	68.7	90,374,161	68.7	81,455,981	60.7	20,298,027
Negotiable instruments of deposits	1,185,955	0.9	918,447	0.7	418,469	0.3	104,278
Total	**127,145,222**	**100.0**	**131,571,124**	**100.0**	**134,310,974**	**100.0**	**33,468,969**

Maturity Profile of the Fixed/Investment Deposits and Negotiable Instruments of Deposits

The following table displays the maturity profile of the Issuer's fixed/investment deposits and negotiable instruments of deposits:

	As at 31 December						
	2018		2019		2020		
	RM'000	%	RM'000	%	RM'000	%	U.S.$'000
Due within six months	63,439,942	71.7	62,411,341	68.4	63,247,679	77.2	15,760,698
Six months to one year	23,149,265	26.1	25,827,669	28.3	17,843,488	21.8	4,446,421
One year to three years	1,113,157	1.3	2,936,737	3.2	657,610	0.8	163,870
Three years to five years	809,278	0.9	116,861	0.1	125,673	0.2	31,316
Total	**88,511,642**	**100.0**	**91,292,608**	**100.0**	**81,874,450**	**100.0**	**20,402,305**

Profile of Customer Deposits by Type of Depositor

The following table displays the total customer deposits of the Issuer categorised by type of depositor:

	As at 31 December						
	2018		2019		2020		
	RM'000	%	RM'000	%	RM'000	%	U.S.$'000
Government and statutory bodies	4,631,954	3.6	3,711,730	2.8	6,656,689	4.9	1,658,781
Business enterprises	73,724,271	58.0	79,328,733	60.3	70,758,550	52.7	17,632,332
Individuals	43,595,983	34.3	42,718,943	32.5	50,626,789	37.7	12,615,696
Other financial institutions	5,193,014	4.1	5,811,718	4.4	6,268,946	4.7	1,562,160
Total	**127,145,222**	**100.0**	**131,571,124**	**100.0**	**134,310,974**	**100.0**	**33,468,969**

The Group

Profile of Customer Deposits by Type

The following table displays the total customer deposits of the Group categorised by type:

	As at 31 December						
	2018		2019		2020		
	RM'000	%	RM'000	%	RM'000	%	U.S.$'000
Demand deposits	36,284,375	20.3	38,376,019	20.1	49,511,159	24.3	12,337,692
Savings deposits	10,107,052	5.6	10,554,978	5.6	13,267,557	6.5	3,306,144
Fixed/investment deposits	131,278,948	73.4	140,705,781	73.8	140,273,598	69.0	34,954,797
Negotiable instruments of deposits	1,185,955	0.7	918,447	0.5	418,469	0.2	104,278
Total	**178,856,330**	**100.0**	**190,555,225**	**100.0**	**203,470,783**	**100.0**	**50,702,911**

Maturity Profile of the Fixed/Investment Deposits and Negotiable Instruments of Deposits

The following table displays the maturity profile of the Group's fixed/investment deposits and negotiable instruments of deposits:

	As at 31 December						
	2018		2019		2020		
	RM'000	%	RM'000	%	RM'000	%	U.S.$'000
Due within six months	96,317,780	72.7	95,216,919	67.2	105,692,228	75.1	26,337,460
Six months to one year	33,947,548	25.6	41,871,670	29.6	32,833,137	23.3	8,181,694
One year to three years	1,299,374	1.0	3,935,590	2.8	1,625,159	1.2	404,974
Three years to five years	900,201	0.7	600,049	0.4	541,543	0.4	134,947
Total	**132,464,903**	**100.0**	**141,624,228**	**100.0**	**140,692,067**	**100.0**	**35,059,075**

Profile of Customer Deposits by Type of Depositor

The following table displays the total customer deposits of the Group categorised by type of depositor:

	As at 31 December						
	2018		2019		2020		
	RM'000	%	RM'000	%	RM'000	%	U.S.$'000
Government and statutory bodies	11,817,181	6.6	13,905,730	7.3	20,183,118	9.9	5,029,434
Business enterprises	105,062,527	58.7	107,669,851	56.5	103,449,050	50.9	25,778,482
Individuals	56,325,426	31.5	62,773,983	32.9	72,922,998	35.8	18,171,691
Other financial institutions	5,651,196	3.2	6,205,661	3.3	6,915,617	3.4	1,723,304
Total	**178,856,330**	**100.0**	**190,555,225**	**100.0**	**203,470,783**	**100.0**	**50,702,911**

Capital Adequacy

BNM guidelines on capital adequacy require the Group and the Issuer 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 following tables set out the capital adequacy ratios of the Issuer[1] as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
CET-1/Tier-1 Capital				
Share capital	6,994,103	6,994,103	6,994,103	1,742,861
Retained profits	12,116,174	12,606,320	13,660,680	3,404,107
Other reserves	499,913	490,905	444,776	110,834
FVOCI reserves	299,322	1,123,748	1,541,980	384,246
	19,909,512	21,215,076	22,641,539	5,642,048
Less:				
Goodwill	(1,651,542)	(1,651,542)	(1,714,913)	(427,339)
Intangible assets (include associated deferred tax liabilities)	(504,752)	(478,305)	(487,937)	(121,589)
Deferred tax assets	(55,305)	(141,690)	(247,523)	(61,680)
55 per cent. of cumulative gains arising from change in value of FVOCI financial instruments	(164,627)	(618,061)	(848,089)	(211,335)
Investments in subsidiaries	(4,711,343)	(4,713,568)	(4,701,080)	(1,171,463)
Other deductions[2]	(34,675)	(14,189)	(21,261)	(5,298)
Total CET-1 Capital	**12,787,268**	**13,597,721**	**14,620,736**	**3,643,344**
Hybrid Tier-1 Capital Securities[3]	240,000	—	—	—
Total Tier-1 Capital	**13,027,268**	**13,597,721**	**14,620,736**	**3,643,344**
Tier-2 Capital				
Subordinated obligations subject to gradual phase out treatment[4]	300,000	300,000	—	—
Subordinated obligations meeting all relevant criteria	2,249,272	1,249,527	1,749,531	435,966
Surplus eligible provisions over expected losses	379,954	363,909	401,269	99,992
General provisions[5]	144,014	183,354	85,599	21,330
Investment in capital instrument of financial and insurance/takaful entities	—	(134,187)	—	—
Total Tier-2 Capital	**3,073,240**	**1,962,603**	**2,236,399**	**557,288**
Total Capital	**16,100,508**	**15,560,324**	**16,857,135**	**4,200,632**

(1) The capital adequacy ratios of the Issuer consist of capital base and risk-weighted assets derived from the Issuer and its wholly-owned offshore banking subsidiary, RHB Labuan.

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

(3) Hybrid Tier-1 Capital Securities that are recognised as Tier-1 capital instruments are subject to gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 38.6 of the Capital Adequacy Framework (Capital Components) issued by BNM on 9 December 2020.

(4) Subordinated obligations that are recognised as Tier-2 capital instruments are subject to gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 38.6 of the Capital Adequacy Framework (Capital Components) issued by BNM on 9 December 2020.

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

	As at 31 December		
	2018	2019	2020
	%	%	%
Capital ratios (before proposed dividends)			
CET-1 capital ratio	13.818	15.145	14.945
Tier-1 capital ratio	14.077	15.145	14.945
Total capital ratio	17.398	17.331	17.231
Capital ratios (after proposed dividends)			
CET-1 capital ratio	13.254	14.319	14.632(1)
Tier-1 capital ratio	13.514	14.319	14.632(1)
Total capital ratio	16.835	16.505	16.918(1)

(1) On 26 February 2021, the Issuer had proposed a final single-tier dividend of 7.65 sen per share in respect of the financial year ended 31 December 2020, subject to shareholders' approval in the next annual general meeting.

With the implementation of the Proposed DRP, the amount of dividend to be deducted from the Issuer's capital may be reduced by the portion of dividend reinvested by the shareholders, which will correspondingly increase the Issuer's capital ratios.

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

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Credit risk	81,202,389	77,851,675	85,311,553	21,258,797
Market risk	2,945,831	3,394,037	3,783,371	942,779
Operational risk	8,394,333	8,535,951	8,734,782	2,176,621
Total risk-weighted assets	**92,542,553**	**89,781,663**	**97,829,706**	**24,378,197**

The following tables set out the capital adequacy ratios of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	**2019**	**2020**	**2020**
	RM'000	**RM'000**	**RM'000**	**U.S.$'000**
CET-1/Tier-1 Capital				
Share capital	6,994,103	6,994,103	6,994,103	1,742,861
Retained profits	14,791,837	15,614,585	17,339,102	4,320,733
Other reserves	722,541	727,132	556,644	138,710
FVOCI reserves	319,844	1,283,816	1,817,650	452,940
	22,828,325	24,619,636	26,707,499	6,655,244
Less:				
Goodwill	(2,633,383)	(2,638,198)	(2,638,198)	(657,413)
Intangible assets (include associated deferred tax liabilities)	(563,693)	(535,880)	(533,609)	(132,970)
Deferred tax assets	(100,192)	(175,214)	(352,107)	(87,742)
55 per cent. of cumulative gains arising from change in value of FVOCI financial instruments	(175,914)	(706,099)	(999,707)	(249,117)
Investments in subsidiaries	(102,427)	(102,425)	(102,425)	(25,523)
Investments in associates and joint ventures	(25,352)	(9,512)	(12)	(3)
Other deductions[(1)]	(39,524)	(16,144)	(19,504)	(4,860)
Total CET-1 Capital	**19,187,840**	**20,436,164**	**22,061,937**	**5,497,616**
Hybrid Tier-1 Capital Securities[(2)]	240,000	—	—	—
Qualifying non-controlling interests recognised as Tier 1 Capital	10,606	220	210	52
Total Tier-1 Capital	**19,438,446**	**20,436,384**	**22,062,147**	**5,497,668**
Tier-2 Capital				
Subordinated obligations subject to gradual phase out treatment[(3)]	300,000	300,000	—	—
Subordinated obligations meeting all relevant criteria	2,249,272	1,249,527	1,749,531	435,966
Qualifying capital instruments of a subsidiary issued to third parties[(4)]	501,504	490,764	465,001	115,874
Surplus eligible provisions over expected losses	473,875	478,626	538,079	134,084
General provisions[(5)]	192,590	293,276	179,727	44,786
Total Tier-2 Capital	**3,717,241**	**2,812,193**	**2,932,338**	**730,710**
Total Capital	**23,155,687**	**23,248,577**	**24,994,485**	**6,228,378**

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

(2) Hybrid Tier-1 Capital Securities that are recognised as Tier-1 capital instruments are subject to gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 38.6 of the Capital Adequacy Framework (Capital Components) issued by BNM on 9 December 2020.

(3) Subordinated obligations that are recognised as Tier-2 capital instruments are subject to gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 38.6 of the Capital Adequacy Framework (Capital Components) issued by BNM on 9 December 2020.

(4) Qualifying subordinated sukuk that are recognised as Tier II capital instruments held by third parties as prescribed under paragraph 18.6 of the Capital Adequacy Framework (Capital Components) which were issued by a fully consolidated subsidiary of the Issuer.

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

	As at 31 December		
	2018	2019	2020
	%	%	%
Capital ratios (before proposed dividends)			
CET-1 capital ratio	15.920	16.883	16.416
Tier-1 capital ratio	16.128	16.884	16.416
Total capital ratio	19.213	19.207	18.598
Capital ratios (after proposed dividends)			
CET-1 capital ratio	15.488	16.271	16.188(1)
Tier-1 capital ratio	15.696	16.271	16.188(1)
Total capital ratio	18.780	18.594	18.370(1)

(1) On 26 February 2021, the Issuer had proposed a final single-tier dividend of 7.65 sen per share in respect of the financial year ended 31 December 2020, subject to shareholders' approval in the next annual general meeting.

With the implementation of the Proposed DRP, the amount of dividend to be deducted from the Issuer's capital may be reduced by the portion of dividend reinvested by the shareholders, which will correspondingly increase the Issuer's capital ratios.

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

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Credit risk	104,908,738	105,139,766	117,398,841	29,254,633
Market risk	3,852,444	3,844,722	4,314,070	1,075,024
Operational risk	11,762,542	12,058,426	12,677,517	3,159,112
Total risk-weighted assets	**120,523,724**	**121,042,914**	**134,390,428**	**33,488,769**

Asset Quality

Loan Portfolio

The Issuer

As at 31 December 2020, the value of the Issuer's gross loans portfolio had expanded by 2.0 per cent. from the previous financial year ended 31 December 2019. As at 31 December 2020, its largest exposures (by purpose) were loans granted for purchase of landed property (residential) (38.6 per cent.), working capital (23.1 per cent.) and purchase of landed property (non-residential) (12.3 per cent).

As at 31 December 2020, the Issuer's net loans, advances and financing were RM109.52 billion (U.S.$ 27.29 billion), which represented 56.0 per cent. of the Issuer's total assets.

The following table shows a breakdown of loans, advances and financing by type of the Issuer as at 31 December 2018, 31 December 2019 and 31 December 2020.

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
At amortised cost				
Overdrafts	5,770,136	5,355,885	4,414,180	1,099,970
Term loans/financing				
- Housing loans/financing	40,489,870	42,455,732	44,045,052	10,975,592
- Syndicated term loans/financing	2,993,804	5,810,288	5,915,125	1,473,991
- Hire purchase receivables/financing	2,195,103	1,385,512	1,015,862	253,143
- Other term loans/financing	45,025,256	38,508,287	40,862,686	10,182,578
Bills receivables	2,388,667	3,131,190	3,378,674	841,932
Trust receipts	564,973	657,190	525,147	130,861
Claims on customers under acceptance credits	3,293,614	3,457,367	2,934,996	731,372
Share margin financing	—	283,836	356,465	88,828
Staff loans/financing	113,618	105,342	97,201	24,222
Credit/charge card receivables	1,865,814	1,932,411	1,747,981	435,580
Revolving credit/financing	5,970,550	6,565,179	7,116,639	1,773,396
Gross loans, advances and financing	**110,671,405**	**109,648,219**	**112,410,008**	**28,011,465**
Fair value changes arising from fair value hedges	1,873	3,342	8,681	2,163
	110,673,278	**109,651,561**	**112,418,689**	**28,013,628**
Less:				
- Allowance for credit losses	(2,457,132)	(2,305,896)	(2,903,505)	(723,525)
Net loans, advances and financing	**108,216,146**	**107,345,665**	**109,515,184**	**27,290,103**

Loans, advances and financing by type of customer

The following table shows a breakdown of loans, advances and financing by type of customer of the Issuer as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Domestic non-bank financial institutions				
- Others	544,223	831,549	710,488	177,047
Domestic business enterprises				
- Small medium enterprises	20,532,892	20,702,527	22,614,690	5,635,358
- Others	17,138,866	14,866,227	14,938,302	3,722,477
Government and statutory bodies	1,941,949	1,911,967	65,260	16,262
Individuals	55,763,504	55,525,488	55,495,220	13,828,861
Other domestic entities	14,087	15,456	27,685	6,899
Foreign entities	14,735,884	15,795,005	18,558,363	4,624,561
	110,671,405	**109,648,219**	**112,410,008**	**28,011,465**

Loans, advances and financing by purpose

The following table shows a breakdown of loans, advances and financing by purpose of the Issuer as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Purchase of securities	6,538,214	5,072,680	4,794,695	1,194,791
Purchase of transport vehicles	1,558,419	947,556	628,177	156,535
Purchase of landed property				
- Residential	39,841,953	41,770,722	43,335,901	10,798,879
- Non-residential	14,001,746	13,772,009	13,792,771	3,437,022
Purchase of property, plant and equipment other than land and building	2,304,220	1,962,043	2,102,691	523,970
Personal use	6,696,533	6,146,621	6,456,314	1,608,850
Credit card	1,865,814	1,932,411	1,747,981	435,580
Purchase of consumer durables	15,956	14,585	12,014	2,994
Construction	5,598,892	5,558,253	6,051,960	1,508,089
Working capital	23,510,558	23,752,175	25,940,892	6,464,214
Merger and acquisition	1,429,580	1,022,647	489,461	121,969
Other purposes	7,309,520	7,696,517	7,057,151	1,758,572
	110,671,405	**109,648,219**	**112,410,008**	**28,011,465**

Loans, advances and financing by remaining contractual maturities

The following table shows a breakdown of loans, advances and financing by remaining contractual maturities of the Issuer as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Maturity within one year	32,450,920	33,846,039	32,547,239	8,110,451
One year to three years	6,811,286	4,286,651	3,420,980	852,474
Three years to five years	6,731,774	5,581,448	5,759,252	1,435,149
Over five years	64,677,425	65,934,081	70,682,537	17,613,391
	110,671,405	**109,648,219**	**112,410,008**	**28,011,465**

Loans, advances and financing by geographical distribution

The following table shows a breakdown of loans, advances and financing by geographical distribution of the Issuer as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Malaysia	97,353,043	95,203,293	95,236,486	23,731,993
Singapore	11,696,999	12,614,249	15,567,576	3,879,286
Thailand	1,453,771	1,663,059	1,433,375	357,183
Brunei	167,592	167,618	172,571	43,003
	110,671,405	**109,648,219**	**112,410,008**	**28,011,465**

Loans, advances and financing by economic sector

The following table shows a breakdown of loans, advances and financing by economic sector of the Issuer as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	**2019**	**2020**	**2020**
	RM'000	**RM'000**	**RM'000**	**U.S.$'000**
Agriculture, hunting, forestry and fishing	2,461,618	2,096,069	1,967,721	490,337
Mining and quarrying	326,975	350,371	258,361	64,381
Manufacturing	6,613,596	7,075,716	7,143,108	1,779,992
Electricity, gas and water	2,049,427	1,728,133	1,362,272	339,465
Construction	7,801,936	7,282,412	8,121,305	2,023,749
Wholesale and retail trade and restaurant and hotel	10,596,310	12,563,300	14,876,841	3,707,162
Transport, storage and communication	3,026,887	2,066,500	1,929,825	480,893
Finance, insurance, real estate and business services	13,629,919	13,316,611	14,896,692	3,712,109
Government and government agencies	1,941,949	1,911,967	65,260	16,262
Education, health and others	2,294,059	1,931,026	2,019,308	503,192
Household sector	59,260,651	58,856,599	59,403,172	14,802,684
Others	668,078	469,515	366,143	91,239
	110,671,405	**109,648,219**	**112,410,008**	**28,011,465**

The Group

As at 31 December 2020, the Group's gross loans portfolio had expanded by 5.3 per cent. from the previous financial year ended 31 December 2019. As at 31 December 2020, its largest exposures (by purpose) were loans granted for purchase of landed property (residential) (34.3 per cent.), working capital (22.8 per cent.) and purchase of landed property (non-residential) (10.5 per cent).

As at 31 December 2020, the Group's net loans, advances and financing were RM182.42 billion (U.S.$ 45.46 billion), which represented 67.3 per cent. of the Group's total assets.

The following table shows a breakdown of loans, advances and financing by type of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
At amortised cost				
Overdrafts	6,786,330	6,553,680	5,591,112	1,393,250
Term loans/financing				
- Housing loans/financing	56,096,417	61,144,001	65,651,613	16,359,734
- Syndicated term loans/financing	6,475,098	9,666,554	9,903,531	2,467,862
- Hire purchase receivables/financing	9,441,182	9,108,539	9,614,361	2,395,804
- Lease receivables	715	193	156	39
- Other term loans/financing	68,122,419	66,014,239	72,633,450	18,099,539
Bills receivables	3,429,081	3,279,270	3,765,638	938,360
Trust receipts	587,595	686,290	562,226	140,101
Claims on customers under acceptance credits	3,293,614	4,220,358	3,699,294	921,828
Share margin financing	—	2,138,891	2,185,523	544,611
Staff loans/financing	117,045	112,373	108,452	27,025
Credit/charge card receivables	2,149,984	2,225,932	2,021,947	503,849
Revolving credit/financing	12,379,047	11,024,528	10,376,209	2,585,649
Gross loans, advances and financing	**168,878,527**	**176,174,848**	**186,113,512**	**46,377,651**
Fair value changes arising from fair value hedges	2,840	41,906	117,725	29,336
	168,881,367	**176,216,754**	**186,231,237**	**46,406,987**
Less:				
- Allowance for credit losses	(3,251,593)	(2,980,082)	(3,806,358)	(948,507)
Net loans, advances and financing	**165,629,774**	**173,236,672**	**182,424,879**	**45,458,480**

Loans, advances and financing by type of customer

The following table shows a breakdown of loans, advances and financing by type of customer of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Domestic non-bank financial institutions				
- Others	4,002,667	3,923,700	4,028,623	1,003,893
Domestic business enterprises				
- Small medium enterprises	23,923,063	25,523,338	28,122,412	7,007,828
- Others	30,371,727	29,410,330	28,960,697	7,216,720
Government and statutory bodies	6,966,868	7,005,672	6,512,428	1,622,833
Individuals	84,651,922	90,163,496	95,182,250	23,718,477
Other domestic entities	144,079	137,795	149,412	37,232
Foreign entities	18,818,201	20,010,517	23,157,690	5,770,668
	168,878,527	**176,174,848**	**186,113,512**	**46,377,651**

Loans, advances and financing by purpose

The following table shows a breakdown of loans, advances and financing by purpose of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	**2019**	**2020**	**2020**
	RM'000	**RM'000**	**RM'000**	**U.S.$'000**
Purchase of securities	11,049,203	11,305,453	12,046,734	3,001,927
Purchase of transport vehicles	8,860,127	8,702,883	9,248,129	2,304,543
Purchase of landed property:				
- Residential	54,684,923	59,458,474	63,791,998	15,896,337
- Non-residential	18,035,783	18,786,302	19,503,376	4,860,049
Purchase of property, plant and equipment other than land and building	3,017,858	2,645,065	2,824,997	703,961
Personal use	10,329,313	10,420,875	11,063,576	2,756,934
Credit card	2,149,984	2,225,932	2,021,947	503,849
Purchase of consumer durables	15,956	14,585	12,014	2,994
Construction	7,499,847	7,551,967	7,704,997	1,920,009
Working capital	37,363,313	37,465,094	42,450,904	10,578,346
Merger and acquisition	2,858,468	2,423,564	1,804,322	449,619
Other purposes	13,013,752	15,174,654	13,640,518	3,399,083
	168,878,527	**176,174,848**	**186,113,512**	**46,377,651**

Loans, advances and financing by remaining contractual maturities

The following table shows a breakdown of loans, advances and financing by remaining contractual maturities of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	**2019**	**2020**	**2020**
	RM'000	**RM'000**	**RM'000**	**U.S.$'000**
Maturity within one year	42,198,881	45,435,134	41,798,823	10,415,854
One year to three years	11,255,456	7,541,535	8,390,912	2,090,933
Three years to five years	13,171,605	14,742,896	13,464,779	3,355,290
Over five years	102,252,585	108,455,283	122,458,998	30,515,574
	168,878,527	**176,174,848**	**186,113,512**	**46,377,651**

Loans, advances and financing by geographical distribution

The following table shows a breakdown of loans, advances and financing by geographical distribution of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	**2019**	**2020**	**2020**
	RM'000	**RM'000**	**RM'000**	**U.S.$'000**
Malaysia	150,434,800	156,943,906	163,801,243	40,817,654
Labuan offshore	2,483,266	1,978,689	2,321,773	578,563
Singapore	11,894,363	12,828,721	15,567,576	3,879,286
Thailand	1,628,349	1,829,253	1,548,312	385,824
Brunei	167,592	167,618	172,571	43,003
Cambodia	1,822,861	2,113,095	2,353,437	586,453
Laos	231,204	197,844	159,617	39,775
Indonesia	128,070	88,690	188,983	47,093
Hong Kong	88,022	27,032	—	—
	168,878,527	**176,174,848**	**186,113,512**	**46,377,651**

Loans, advances and financing by economic sector

The following table shows a breakdown of loans, advances and financing by economic sector of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	**2019**	**2020**	**2020**
	RM'000	**RM'000**	**RM'000**	**U.S.$'000**
Agriculture, hunting, forestry and fishing	3,739,027	3,640,554	3,500,827	872,372
Mining and quarrying	1,186,963	655,608	565,203	140,843
Manufacturing	8,453,566	9,492,621	9,717,560	2,421,520
Electricity, gas and water	2,445,122	2,122,290	1,734,819	432,300
Construction	12,155,342	12,316,993	13,318,314	3,318,792
Wholesale and retail trade and restaurant and hotel	12,852,649	15,179,612	17,874,802	4,454,224
Transport, storage and communication	7,886,642	7,216,382	7,410,118	1,846,528
Finance, insurance, real estate and business services	19,716,460	19,982,481	21,491,620	5,355,500
Government and government agencies	5,456,807	5,495,679	3,497,372	871,511
Education, health and others	4,942,589	4,653,993	6,099,353	1,519,899
Household sector	88,914,861	94,400,973	100,026,690	24,925,664
Others	1,128,499	1,017,662	876,834	218,498
	168,878,527	**176,174,848**	**186,113,512**	**46,377,651**

Single Counterparty Exposure Limit

The single counterparty exposure limit ("**SCEL**") imposed by BNM represents a non-risk adjusted back-stop measure to ensure that a bank's exposure to a single counterparty and persons connected to it are within 25 per cent. of the bank's capital base at all times.

As at 31 December 2020, the Issuer's largest exposure to a single counterparty and persons connected to it based on BNM's guidelines was RM2.6 billion or 15.2 per cent. of the Issuer's total capital.

Credit Approval

The Group has a multi-level credit approval process which requires applications for credit exceeding specified thresholds to be submitted for approval to higher levels of authority within the Issuer, up to the Board committee. The approval process involves the credit management office, the Group Credit Committee ("**GCC**") and the Board Credit Committee depending on the threshold levels of the loans. In addition, any loan that exceeds mandatory elements of the applicable credit policy must be approved by the Board.

In considering whether to extend credit to a potential borrower, the Group performs an internal credit analysis and evaluation based on a number of factors and sources of information. Potential corporate borrowers are typically required to submit business or project plans, financial statements, cash flow projections and other pertinent documents to substantiate repayment capacity. The Group will conduct due diligence investigations, bankruptcy searches, analyse and evaluate the business, financial statements, credit and management risks. Where appropriate, site visits and meetings with the customer will also be conducted. For retail borrowers, the Group will review information regarding the customer's salary, address, employment history, credit history and other factors. Loan applications are also subject to credit checks, which include BNM's central credit reference information system, credit reference agencies, bankers, suppliers, and anti-money laundering and counter-financing of terrorism requirements.

In addition, the Group's internal credit and research departments are responsible for compiling information on general economic activities and developments as well as determining risk profiles of particular industries and business sectors. As part of the investigation process, the Issuer will also obtain third party appraisals of the value of any security offered. As a further check and control mechanism, the Group's Credit Audit Department also conducts an independent post-approval review of large credits, clean exposures, new relationships and borrowers in high risk sectors to ensure that credits approved by the Group have been properly appraised and evaluated and are in conformity with prevailing credit policies, credit guidelines, discretionary lending authority and internal and external guidelines.

After credit is extended, each loan is reviewed at least annually to monitor the creditworthiness and financial conditions of the particular borrower. Specific loans may be reviewed more frequently under pre-determined circumstances. Such circumstances may arise if, for instance, the Group believes heightened risks exist, or the borrower has defaulted on obligations to suppliers or other financial institutions or the borrower is facing cash flow or other difficulties.

In order to ensure credit quality, the Group has an internal credit grading system that rates loans in different categories based on credit grading models (for corporate or non-individual borrowers) and credit scoring models (for large volume of exposures that are managed on a portfolio basis such as programme lending financing). The credit grading models are used to risk rate the credit worthiness of a corporate or non-individual borrower based on its quantitative aspect (financial strength) and qualitative aspects (such as management effectiveness and industry environment). Different rating models will be applied depending on the borrower's assets and sales volume in order to create further risk differentiation.

The Group maintains separate credit analysis and loan processing, credit extension and review functions, each of which is performed by different personnel within the Group.

The Group has implemented systems for identifying potential problematic loans which require appropriate remedial and/or preventive actions to be taken. These systems help to identify borrowers which not in default but are exhibiting early distress patterns or are already in the early stages of delinquency. For these borrowers, the Group's watchlist department and credit management department will work closely with the relevant account relationship manager to determine the root cause of the problem and thereafter implement measures to help avoid a default or remedy or mitigate the delinquency. This may result in rescheduling, restructuring or an "exit relationship" strategy being applied.

Impaired Loans

Impairment policy for loans, advances and financing

The MFRS 9 impairment model requires the recognition of Expected Credit Loss ("**ECL**") for all financial assets, except for financial assets classified or designated as FVTPL and equity securities classified under FVOCI, which are not subject to impairment assessment. Off-balance sheet items that are subject to ECL include financial guarantees and undrawn loan/financing commitments.

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

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

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

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

(ii) *Stage 2: Lifetime ECL — not credit impaired*

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

(iii) *Stage 3: Lifetime ECL — credit impaired*

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

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

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date.

Profile of Impaired Loans

The Issuer

Impaired loans, advances and financing by economic sector

The following table shows a breakdown of impaired loans, advances and financing by economic sector of the Issuer as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	**2019**	**2020**	**2020**
	RM'000	**RM'000**	**RM'000**	**U.S.$'000**
Agriculture, hunting, forestry and fishing	42,726	39,635	40,740	10,152
Mining and quarrying	1,467	4,778	4,518	1,126
Manufacturing	337,886	392,742	296,285	73,831
Electricity, gas and water	32,175	267,404	253,821	63,250
Construction	221,789	222,660	286,425	71,374
Wholesale and retail trade and restaurant and hotel	268,985	241,942	205,386	51,180
Transport, storage and communication	445,785	408,896	336,673	83,896
Finance, insurance, real estate and business services	331,107	195,084	214,185	53,373
Education, health and others	6,143	23,000	2,324	579
Household sector	862,454	821,157	710,475	177,043
Others	4,689	6,483	3,565	888
	2,555,206	**2,623,781**	**2,354,397**	**586,692**

Impaired loans, advances and financing by purpose

The following table shows a breakdown of impaired loans, advances and financing by purpose of the Issuer as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Purchase of securities	73,368	25,534	25,048	6,242
Purchase of transport vehicles	42,040	22,676	14,979	3,733
Purchase of landed property:				
- Residential	594,205	560,655	454,832	113,340
- Non-residential	242,075	273,914	273,214	68,082
Purchase of property, plant and equipment other than land and building	40,840	78,999	24,187	6,027
Personal use	167,697	168,579	183,944	45,837
Credit card	25,439	25,852	23,619	5,885
Purchase of consumer durables	590	853	885	220
Construction	76,422	92,915	70,838	17,652
Working capital	1,271,112	1,301,656	1,191,595	296,934
Other purposes	21,418	72,148	91,256	22,740
	2,555,206	**2,623,781**	**2,354,397**	**586,692**

The Group

Impaired loans, advances and financing by economic sector

The following table shows a breakdown of impaired loans, advances and financing by economic sector of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Agriculture, hunting, forestry and fishing	67,839	60,515	49,306	12,287
Mining and quarrying	202,393	205,586	196,348	48,928
Manufacturing	478,806	505,152	405,332	101,005
Electricity, gas and water	89,747	288,619	258,065	64,307
Construction	305,692	272,855	334,416	83,333
Wholesale and retail trade and restaurant and hotel	359,494	311,918	311,533	77,631
Transport, storage and communication	455,837	422,749	351,259	87,530
Finance, insurance, real estate and business services	362,056	222,659	248,228	61,856
Education, health and others	17,924	32,962	11,878	2,960
Household sector	1,109,278	1,124,457	988,055	246,214
Others	34,488	31,703	26,862	6,694
	3,483,554	**3,479,175**	**3,181,282**	**792,745**

Impaired loans, advances and financing by purpose

The following table shows a breakdown of impaired loans, advances and financing by purpose of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Purchase of securities	93,512	49,214	35,392	8,819
Purchase of transport vehicles	100,701	75,345	66,693	16,619
Purchase of landed property:				
- Residential	767,217	775,570	648,636	161,634
- Non-residential	315,270	350,674	379,793	94,641
Purchase of property, plant and equipment other than land and building	48,853	86,651	28,109	7,004
Personal use	173,526	178,882	191,429	47,702
Credit card	29,074	29,456	27,229	6,785
Purchase of consumer durables	590	853	885	221
Construction	95,637	119,083	97,811	24,374
Working capital	1,789,234	1,691,412	1,557,327	388,071
Other purposes	69,940	122,035	147,978	36,875
	3,483,554	**3,479,175**	**3,181,282**	**792,745**

Financial Assets/Investments Portfolio

Financial assets at FVTPL

The Issuer

As at 31 December 2020, the financial assets at FVTPL constituted 1.2 per cent. of the Issuer's total assets which compares with 1.4 per cent. for the financial year ended 31 December 2019. The Issuer's financial assets at FVTPL comprised mainly Malaysian Government Investment Issues (64.5 per cent.) and Malaysian Government Securities (28.7 per cent.).

The following table summarises financial assets at FVTPL by security type of the Issuer as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Mandatory measured at fair value				
Money market instruments:				
Malaysian Government Securities	745,056	491,029	656,342	163,554
Malaysian Government Treasury Bills	24,411	—	—	—
Malaysian Government Investment Issues	539,672	1,399,379	1,474,888	367,527
Bank Negara Malaysia Monetary Notes	24,873	—	—	—
Singapore Housing Development Board	—	30,383	—	—
Singapore Government Securities	—	16,922	—	—
Quoted Securities:				
In Malaysia				
Corporate bond/Sukuk	3,179	3,324	3,482	868
Outside Malaysia				
Shares, exchange traded funds and warrants	5,294	3,337	3,400	847
Unquoted Securities:				
In Malaysia				
Corporate bond/Sukuk	277,460	254,807	51,370	12,801
Commercial paper	—	119,813	36	9
Outside Malaysia				
Corporate bond/Sukuk	271,826	211,294	95,783	23,868
	1,891,771	**2,530,288**	**2,285,301**	**569,474**

The Group

As at 31 December 2020, the financial assets at FVTPL constituted 1.6 per cent. of the Group's total assets which compares with 1.8 per cent. for the financial year ended 31 December 2019. The Group's financial assets at FVTPL comprised mainly Malaysian Government Investment Issues (35.5 per cent.), unit trusts in Malaysia (unquoted securities) (22.9 per cent.), and Malaysian Government Securities (14.7 per cent.).

The following table summarises financial assets at FVTPL by security type of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Mandatory measured at fair value				
Money market instruments:				
Malaysian Government Securities	745,056	491,029	656,342	163,554
Malaysian Government Treasury Bills	24,411	—	—	—
Malaysian Government Investment Issues	813,898	1,606,524	1,582,566	394,360
Bank Negara Malaysia Monetary Notes	24,873	—	—	—
Singapore Housing Development Board	—	30,383	—	—
Singapore Government Securities	—	16,922	—	—
Quoted Securities:				
In Malaysia				
Shares, exchanged traded funds and warrants	111,544	23,716	209,443	52,191
Unit trusts	67,553	65,906	69,450	17,306
Corporate bond/Sukuk	13,704	3,324	3,482	868
Outside Malaysia				
Shares, exchanged traded funds and warrants	227,837	282,457	236,084	58,830
Unquoted Securities:				
In Malaysia				
Corporate bond/Sukuk	277,460	254,807	52,781	13,153
Commercial paper	—	119,813	36	9
Unit trusts	785,212	1,024,555	1,022,686	254,843
Outside Malaysia				
Corporate bond/Sukuk	271,826	211,294	95,783	23,868
Private equity funds	437,275	492,717	533,453	132,931
	3,800,649	**4,623,447**	**4,462,106**	**1,111,913**

Financial assets at FVOCI

The Issuer

As at 31 December 2020, the financial assets at FVOCI constituted 18.3 per cent. of the Issuer's total assets. The Issuer's financial assets at FVOCI comprised mainly corporate bond/Sukuk in Malaysia (unquoted securities) (44.8 per cent.) for the financial year ended 31 December 2020.

The following table summarises financial assets at FVOCI by security type of the Issuer as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
At fair value				
Debt instruments	26,946,919	33,279,961	35,158,058	8,761,041
Equity instruments	637,457	654,311	711,582	177,319
	27,584,376	**33,934,272**	**35,869,640**	**8,938,360**
Debt instruments				
Money market instruments:				
Malaysian Government Securities	2,914,403	2,338,619	1,768,796	440,767
Malaysian Government Investment Issues	3,235,390	4,618,503	6,391,365	1,592,665
Cagamas bonds	307,617	158,135	91,926	22,907
Negotiable Instruments of Deposits	903,443	500,980	—	—
Other Foreign Government Investment Issues	20,633	50,473	54,580	13,601
Sukuk Perumahan Kerajaan	49,939	—	—	—
Singapore Government Securities	1,199,663	1,125,612	866,267	215,865
Thailand Government Securities	429,548	581,245	654,851	163,182
Singapore Central Bank Bills	1,007,629	1,858,251	2,247,864	560,145
Thailand Central Bank Bonds	—	62,491	86,290	21,503
Singapore Housing Development Board	722,998	677,603	723,066	180,181
Unquoted Securities:				
In Malaysia				
Corporate bond/Sukuk	10,915,972	15,115,781	16,065,523	4,003,370
Perpetual notes/Sukuk	102,750	102,651	51,155	12,747
Prasarana bonds	1,163,546	2,150,023	2,647,119	659,636
Outside Malaysia				
Corporate bond/Sukuk	3,973,388	3,939,594	3,509,256	874,472
	26,946,919	**33,279,961**	**35,158,058**	**8,761,041**
Equity instruments				
Unquoted Securities:				
In Malaysia				
Shares	637,456	654,310	711,580	177,319
Outside Malaysia				
Shares	1	1	2	—
	637,457	**654,311**	**711,582**	**177,319**

Movement in allowance for credit losses recognised in FVOCI reserves:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Balance as at the beginning of the financial year	53,165	50,278	41,865	10,432
Allowance written back during the financial year	(10,753)	(2,921)	(3,685)	(918)
Purchases and origination	45,869	7,851	5,884	1,466
Derecognition and disposal	(36,516)	(13,671)	(8,170)	(2,036)
Exchange differences	(1,487)	328	(37)	(9)
Balance as at the end of the financial year	**50,278**	**41,865**	**35,857**	**8,935**

The Group

As at 31 December 2020, the financial assets at FVOCI constituted 15.8 per cent. of the Group's total assets. The Group's financial assets at FVOCI comprised mainly corporate bond/Sukuk in Malaysia (unquoted securities) (48.1 per cent.) for the financial year ended 31 December 2020.

The following table summarises financial assets at FVOCI by security type of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
At fair value				
Debt instruments	31,900,621	39,109,505	42,148,529	10,502,998
Equity instruments	677,212	695,799	754,730	188,071
	32,577,833	**39,805,304**	**42,903,259**	**10,691,069**
Debt instruments				
Money market instruments:				
Malaysian Government Securities	3,043,129	2,471,928	1,906,961	475,196
Malaysian Government Investment Issues	4,317,009	6,111,157	8,126,745	2,025,104
Cagamas bonds	317,761	168,360	102,082	25,438
Khazanah bonds	52,942	45,910	48,408	12,063
Negotiable Instruments of Deposits	1,102,277	650,517	397,744	99,114
Other Foreign Government Investment Issues	20,633	50,473	54,580	13,601
Sukuk Perumahan Kerajaan	119,853	71,596	73,100	18,216
Singapore Government Securities	1,199,663	1,125,612	866,267	215,865
Thailand Government Securities	429,548	581,245	654,851	163,182
Singapore Central Bank Bills	1,007,629	1,858,251	2,247,864	560,146
Thailand Central Bank Bonds	—	62,491	86,290	21,503
Singapore Housing Development Board	722,998	677,603	723,066	180,181
Unquoted Securities:				
In Malaysia				
Corporate bond/Sukuk	14,276,552	18,990,597	20,626,872	5,140,013
Perpetual notes/Sukuk	102,750	102,651	51,155	12,747
Prasarana bonds	1,189,007	2,175,940	2,673,288	666,157
Outside Malaysia				
Corporate bond/Sukuk	3,998,870	3,965,174	3,509,256	874,472
	31,900,621	**39,109,505**	**42,148,529**	**10,502,998**
Equity instruments				
Quoted Securities:				
In Malaysia				
Shares	514	—	—	—
Outside Malaysia				
Shares	2,082	2,418	1,922	479
Unquoted Securities:				
In Malaysia				
Shares	674,218	692,963	752,403	187,491
Outside Malaysia				
Shares	398	418	405	101
	677,212	**695,799**	**754,730**	**188,071**

Movement in allowance for credit losses recognised in FVOCI reserves:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Balance as at the beginning of the financial year	58,922	56,283	44,264	11,030
Allowance written back during the financial year	(11,038)	(5,065)	(3,833)	(955)
Purchases and origination	47,630	8,125	6,810	1,697
Derecognition and disposal	(37,757)	(15,407)	(9,341)	(2,328)
Exchange differences	(1,474)	328	(37)	(9)
Balance as at the end of the financial year	**56,283**	**44,264**	**37,863**	**9,435**

Financial investments at amortised costs

The Issuer

As at 31 December 2020, the financial investments at amortised costs constituted 5.2 per cent. of the Issuer's total assets. The Issuer's financial investments at amortised costs comprised mainly corporate bond/Sukuk in Malaysia (unquoted securities) (62.9 per cent.) and Malaysian Government Investment Issues (20.2 per cent.) for the financial year ended 31 December 2020.

The following table summarises financial investments at amortised costs by security type of the Issuer as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
At amortised cost				
Money market instruments:				
Malaysian Government Securities	100,602	100,698	334,463	83,345
Malaysian Government Investment Issues	3,142,579	2,651,130	2,058,384	512,929
Cagamas bonds	934,517	237,412	477,050	118,876
Khazanah bonds	75,672	79,180	39,958	9,957
Wakala Global Sukuk	21,620	21,211	20,666	5,150
Sukuk Perumahan Kerajaan	101,066	101,020	100,983	25,164
Other Foreign Government Treasury Bills	212,636	272,494	577,258	143,847
Sukuk (Brunei) Incorporation	39,425	30,400	30,411	7,578
Unquoted Securities:				
In Malaysia				
Corporate bond/Sukuk	5,647,529	6,164,844	6,413,420	1,598,161
Corporate loan stocks	860	—	—	—
Prasarana bonds	208,371	272,894	432,329	107,732
	10,484,877	**9,931,283**	**10,484,922**	**2,612,739**
Allowance for credit losses	(256,226)	(228,481)	(288,929)	(71,998)
	10,228,651	**9,702,802**	**10,195,993**	**2,540,741**

Movement in allowance for credit losses:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Balance as at the beginning of the financial year	269,150	256,226	228,481	56,935
Allowance (written back)/made during the financial year	(10,211)	(26,371)	60,524	15,082
Purchases and origination	10,929	3,249	2,028	505
Derecognition	(13,805)	(4,539)	(1,969)	(491)
Exchange differences	163	(84)	(135)	(33)
Balance as at the end of the financial year	**256,226**	**228,481**	**288,929**	**71,998**

The Group

As at 31 December 2020, the financial assets at amortised cost constituted 5.9 per cent. of the Group's total assets. The Group's financial assets at amortised cost comprised mainly corporate bond/Sukuk in Malaysia (unquoted securities) (69.9 per cent.) and Malaysian Government Investment Issues (17.6 per cent.) for the financial year ended 31 December 2020.

The following table summarises financial assets at amortised cost by security type of the Group as at 31 December 2018, 31 December 2019 and 31 December 2020:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
At amortised cost				
Money market instruments:				
Malaysian Government Securities	100,602	100,698	427,341	106,489
Malaysian Government Investment Issues	3,705,897	3,182,753	2,816,735	701,903
Cagamas bonds	1,152,842	237,412	477,050	118,876
Khazanah bonds	110,467	186,108	198,175	49,383
Wakala Global Sukuk	30,246	29,682	28,928	7,209
Sukuk Perumahan Kerajaan	111,065	111,034	111,014	27,664
Other Foreign Government Treasury Bills	212,636	272,494	577,258	143,847
Sukuk (Brunei) Incorporation	39,425	30,400	30,411	7,578
Unquoted Securities:				
In Malaysia				
Corporate bond/Sukuk	8,667,354	10,041,472	11,181,082	2,786,215
Corporate loan stocks	27,023	25,853	25,853	6,442
Prasarana bonds	274,065	343,732	503,129	125,375
	14,431,622	**14,561,638**	**16,376,976**	**4,080,981**
Allowance for credit losses	(341,347)	(312,229)	(371,709)	(92,626)
	14,090,275	**14,249,409**	**16,005,267**	**3,988,355**

Movement in allowance for credit losses:

	As at 31 December			
	2018	2019	2020	2020
	RM'000	RM'000	RM'000	U.S.$'000
Balance as at the beginning of the financial year	352,444	341,347	312,229	77,804
Allowance (written back)/made during the financial year	(9,093)	(29,582)	59,508	14,829
Purchases and origination	14,981	7,211	6,058	1,510
Derecognition	(17,167)	(6,660)	(5,942)	(1,481)
Exchange differences	182	(87)	(144)	(36)
Balance as at the end of the financial year	**341,347**	**312,229**	**371,709**	**92,626**

Risk Management

Introduction

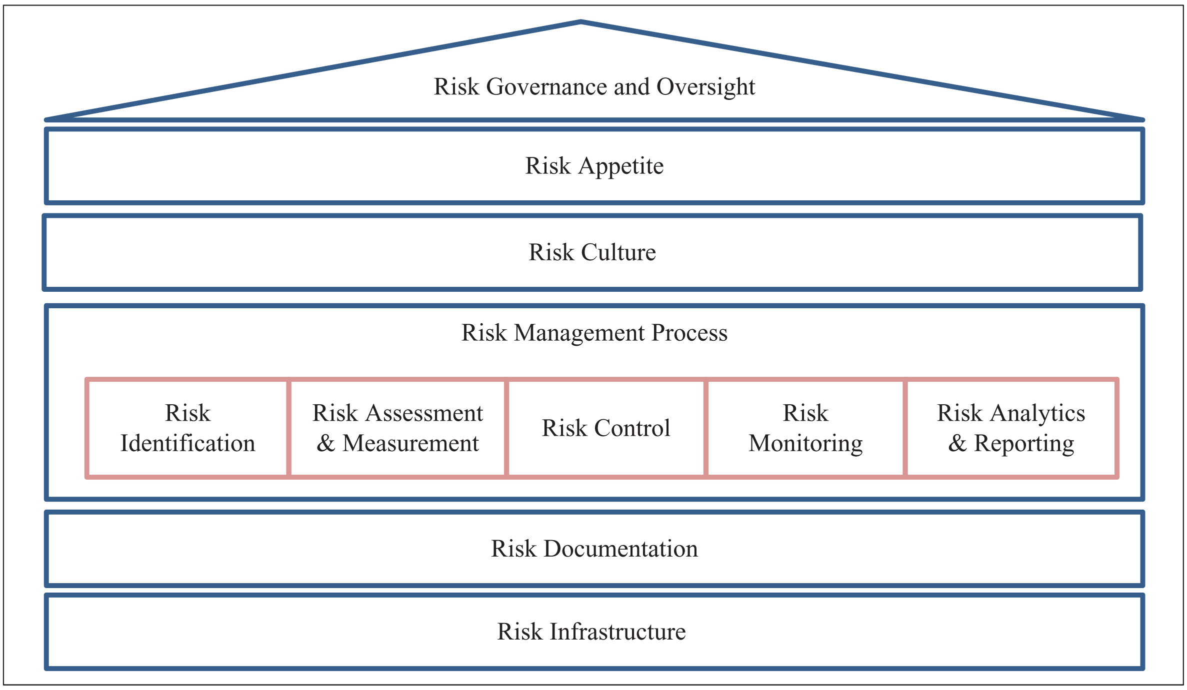
The risk management process within the Group seeks to identify, measure, monitor and control risks so that risk exposures are adequately managed and that the expected returns adequately compensate the risks. Effective risk management is a central part of the Group's business activities as it is fundamental to the Group's ability to drive sustainable growth and shareholder value while maintaining its competitive advantage.

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

(i) 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.

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

The following diagram sets out an overview of the Group's Risk Management Framework:



Risk Governance and Oversight

The Board sits at the apex of the risk governance structure and is ultimately responsible for the Group's/respective entities' risk management strategy, appetite, framework and oversight of risk management activities.

In order to manage the businesses and risks across all subsidiaries in an integrated manner, Group level committees are established to ensure consistency in practices. However, the Group maintains entity-specific committees to allow for greater flexibility and agility in managing specific regulatory and business requirements. Each Board Risk Committee which reports directly to the respective Boards provides oversight and assists the respective Boards to review the Group's overall risk management philosophy, frameworks, policies and models, and risks relevant and unique to its business.

The responsibility for the supervision of the day-to-day management of enterprise risks and capital risks is delegated to the Group Capital and Risk Committee which comprises senior management of the Group and reports to the relevant board committees and the Group Management Committee whilst the Group Asset and Liability Committee ("**Group ALCO**") oversees market risk, liquidity risk and balance sheet management.

Risk Appetite

The Board sets the risk appetite and tolerance level that are consistent with the Group and each entity's overall business objectives and desired risk profile. It describes the types and level of risks the Group is prepared to accept in delivering its business strategies, and reports through various metrics that enable the Group to manage capital resources and shareholders' expectations.

The alignment of the Group's business strategy with its risk strategy, and vice-versa 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 Culture

The Group subscribes to the principle of 'Risk and Compliance is Everyone's Responsibility' and risk management is managed via a model which comprises three lines of defence. Business and functional units of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risk.

A brief overview of the three lines of defence under the Group's risk management model is as set out below:

First Line Business/Functional Level	• Responsible for managing day-to-day risks and compliance issues • Business Risk and Compliance Officer to assist business/ functional unit in day-to-day risks and compliance matters
Second Line Group Risk and Credit Management and Group Compliance	• Responsible for oversight, establishing governance and providing support to business/functional unit on risk and compliance matters
Third Line Group Internal Audit	• Provide independent assurance to the Board that risk and compliance management functions effectively as designed

Risk Management Process

The risk management process identifies, assesses and measures, controls, monitors and reports/analyses risk. This ensures that risk exposures are adequately managed and that the expected return compensates for the risk taken.

- Identification: The identification and analysis of the existing and potential risks is a continuing process, in order to facilitate proactive and timely identification of risk within the Group's business operations. This ensures that risks can be managed and controlled within the risk appetite of the Group and relevant entity.

- Assessment and Measurement: Risks are measured, assessed and aggregated using comprehensive qualitative and quantitative risk measurement methodologies, and the process also serves as an important tool as it provides an assessment of capital adequacy and solvency.

- Controlling: Risks identified during the risk identification process must be adequately managed and mitigated to control the risk of loss. This also serves to ensure risk exposures are managed within the Group's or entity's risk appetite.

- Monitoring: Effective monitoring process ensures that the Group is aware of the condition of its exposures vis-à-vis its approved risk appetite and to facilitate early identification of potential problems on a timely basis by using continuous monitoring of risk exposures, and risk control and mitigation measures.

- Analytics and Reporting: Risk analysis and reports prepared at business-level, entity-level and consolidated-level are regularly escalated to the senior management and relevant Board of the Group's entities to ensure that the risks identified remain within the established appetite and to support an informed decision-making process.

In addition, risk management seeks to ensure that risk decisions are consistent with strategic business objectives and within the risk appetite.

Risk Documentation

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

Risk Infrastructure

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

Credit Risk

Credit risk is the risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the Group's lending/financing, trade finance and its placement, underwritings, investment, hedging and trading activities from both on- and off-balance sheet transactions. Credit risk does not happen in isolation as certain risk events (e.g. fluctuation of interest rate, FX and etc) may give rise to both market and credit risks.

Credit risk management is conducted in a holistic manner. Credit underwriting standards are articulated in an approved Group credit policy which is developed for the assurance of asset quality that is in line with the Group's risk appetite. Industry best practices are instilled in the continual updating of the Group's credit policy, including independent assessment of credit proposals, assignment of ratings and adoption of multi-tiered delegated lending authorities spanning from individuals to credit approving committees.

GCC is responsible for ensuring adherence to the Board-approved credit risk appetite as well as the effectiveness of credit risk management. It is the senior management committee empowered to approve or reject all financial investments, counterparty credit and lending/financing up to a defined threshold limits.

The Group Investment Underwriting Committee ("**GIUC**") deliberates, approves and rejects stockbroking/ equities/futures business related proposals such as equity underwriting, equity derivatives and structured products, and share margin financing.

The main functions of the Board Credit Committee are (i) affirming, vetoing or imposing more stringent conditions on credits of the Group which are duly approved by the GCC and/or GIUC, (ii) overseeing the management of impaired and high risk accounts, and (iii) approving credit transactions to connected parties up to the defined threshold limits. The Board Credit Committee also endorses policy loans/financing and loans/ financing required by BNM to be referred to the respective Boards of the Group's entities for approval.

The Group also ensures that internal processes and credit underwriting standards are adhered to before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being evaluated by Group Credit Management or an equivalent team prior to submission to the relevant committees for approval. With the exception of credit applications for consumer and approved products under programme lending/financing which can be approved by business units' supervisors, all other credit facilities are subject to independent assessment by a team of dedicated and experienced credit evaluators. For proper checks and controls, joint approval is required for all discretionary lending between business and independent credit underwriters. Loans/financing which are beyond the delegated lending authority limits and prohibited credits will be escalated to the relevant committees for approval.

Internal credit rating models are an integral part of the Group's credit risk management, decision-making process, and regulatory capital calculations. The credit grading models for corporate (or non-individual) obligors are used to risk rate the creditworthiness of the corporate obligors/guarantors/ debt issuers based on their financial standing (such as gearing, expenses and profit) and qualitative aspects (such as management effectiveness and industry environment). The credit scoring models are for large volume of exposures that are managed on a portfolio basis, which includes programme lending/financing for retail small- and medium-sized enterprises. These models are developed through statistical modelling and applied onto the portfolio accordingly.

Analysis of any single large exposure and group exposures are conducted regularly and lending/financing units undertake regular account updates, monitoring and management of these exposures. In addition, the Group also continuously update lending or financing guidelines based on periodic reviews of sector risk factors and economic outlooks.

Credit reviews and ratings are conducted on the credit exposures at least annually. Specific loans may be reviewed more frequently under appropriate circumstances. Such circumstances may arise if, for instance, the Group believes that heightened risk exists in a particular industry, or the borrower has defaulted on obligations to suppliers or other financial institutions or is facing cash flow or other difficulties.

Regular risk reporting is made to the senior management, respective committees and the Board. These reports include various credit risk aspects such as portfolio quality, expected losses and concentration risk exposures by business portfolio. Such reporting allows senior management to identify adverse credit trends, take prompt corrective actions and ensure appropriate risk-adjusted decision-making. The Group also conducts regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

Group Internal Audit conducts independent post-approval reviews on a sampling basis to ensure that the quality of credit appraisals and approval standards are in accordance with the credit underwriting standards and financing policies established by the Group's management and relevant laws and regulations.

Market Risk

Market risk is the risk of loss arising from adverse movements in market drivers, such as interest and profit rates, credit spreads, equity prices, currency exchange rates and commodity prices. Accordingly, market risk comprises:

- the interest/profit rate and equity risks pertaining to financial instruments in the trading book; and
- foreign exchange risk and commodities risk in the trading and banking books.

Group ALCO performs a critical role in the oversight of the management of market risk and supports the respective risk committees 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 Group's market risk strategy, market risk management structure and the policies and measurement techniques to be implemented.

The Group Market Risk Management Department within Group Risk Management is the centralised function to support senior management to operationalise the processes and methods which ensure adequate risk control and oversight are in place. The Group applies risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include value-at-risk, sensitivity analysis and stress testing. For effective control of operations, defined management action triggers and risk limits are established and actively monitored. Stress testing is rigorously applied in ascertaining the susceptibility of and the extent to which the Group's financials and earnings are affected by prospective changes in market interest rates, profit rates, key risk drivers or scenarios.

Interest/Profit 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 rates. The risk may arise from the mismatches in the timing of re-pricing of assets and liabilities from both on- and off-balance sheet positions in the banking book, changes in slope and shape of the yield curve, basis risk and optionality risk.

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 in accordance with prevailing regulatory standards. 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.

Group ALCO supports the respective risk committees in establishing policies, strategies and limits for the management of balance sheet risk exposure. The Group Asset and Liability Management ("**Group ALM**") within Group Risk Management supports 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 exposure is to manage the net interest income and economic value of equity, as well as to ensure that interest rate risk exposures are maintained within defined risk tolerances.

In order to ensure balance between profitability from banking activities and minimising risk to earnings and capital from changes in interest rates, interest rate risk to earnings and economic value of equity are monitored against established Management Action Triggers ("**MATs**"), risk appetite metrics 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 banking book. 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.

Liquidity Risk

Liquidity risk is the risk of the Group being unable to maintain sufficient liquidity to meet its financial commitments and obligations when they fall due and transact at a reasonable cost. Liquidity risk may arise from the inability to manage unplanned decreases or changes in funding sources.

Group ALCO provides the oversight for management of liquidity risks and, among others, is responsible for establishing strategies that assist in controlling and reducing any potential exposure to liquidity risk. Group ALCO is supported by Group ALM at the working level. Group ALM monitors liquidity risk limits and MATs and reports to Group ALCO the liquidity risk profile of the Group on a 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.

Triggers and limits are determined based on the Group's risk appetite and are measured by conventional risk quantification methodologies such as regulatory LCR requirements. The Group maintains adequate High Quality Liquid Assets ("**HQLA**") to maintain its LCR requirements, and is well above the regulatory requirement for both LCR and NSFR. Liquidity preservation is also augmented by the Group's practice of maintaining appropriate amounts of HQLA as additional buffers against times of extreme market systemic risks and stress, as well as the Group's implementation of policies and practices in relation to contingency funding plan and operations, including liquidity crisis management.

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 information technology, legal and Shariah non-compliance risk but excludes strategic and reputational risk.

One of the Group's primary safeguards against operational risk is its implementation of an internal control system based on the principle of dual control checks and balances, segregation of duties, independent checks and verification processes, and a segmented system access control and authorisation process. These controls are documented through a set of policies and procedures at the respective business and operation level. Each business and support unit within the Group is responsible for understanding the operational risks inherent in its products, activities, processes and systems.

The Group Operational Risk Management Department within Group Risk Management has the functional responsibility for the development of operational risk policy, framework and methodologies, and for providing guidance and information to the SBUs on operational risk areas. Its function also includes generating a broader understanding and awareness of operational risk issues at all levels in the Group. It also ensures that operational risk from new products, processes and systems is adequately identified, managed and mitigated. The respective SBUs are primarily responsible for managing operational risk on a day-to-day basis. Some of the control tools used include risk and control self-assessment, key control testing, key risk indicators, operational risk scenario analysis, and incident and loss management.

The Group's Operational Risk Management Framework comprises a wide range of activities and elements, broadly classified as follows:

- *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* — This is aligned with the principle and requirement that the front-line business and support units of the Group are, by nature of their direct involvement in interfacing with customers and in operating the business, responsible for managing operational risk and acting as the first line of defence against operational losses.

- *Monitoring and Intervention* — This is where the principal head office central risk management function actively manage operational non-compliances and incidents, as well as undertake recovery actions, including business continuity measures in cases of incidences causing disruption to business activities.

Risk mitigation tools and techniques 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 include strengthening internal controls and processes, business continuity management, outsourcing and insurance/Takaful management.

Regular operational risk reporting is made to the senior management, the respective committees and the Board, on various operational risk aspects including emerging operational risks, significant operational loss and Shariah non-compliance events. Such reporting enables senior management to be informed and direct its efforts on the identified adverse operational lapses, carry out corrective measures promptly, and to ensure appropriate risk mitigation decision-making and action plans are performed.

Reputational Risk

Reputational risk is the risk that negative publicity regarding the conduct of 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. Reputational risk in the Group is managed and controlled through codes of conduct, governance practices and risk management practices, policies, procedures and training.

The Group has developed and implemented a reputational risk management framework. The key elements for management of reputational risk include:

- Practice good corporate governance and a culture of integrity to promote execution and achievement of corporate strategies and business objective.

- Manage reputational risk within a very low risk appetite with zero-tolerance for internal fraud and regulatory non-compliance incidences that affect the Group's reputation.

- Adopt sound risk management practices that include the practice of building "reputation capital" and earning the goodwill of key stakeholders.

- Maintain proper mechanisms to monitor and escalate material lapses/breaches of internal and regulatory policies/guidelines that may place the Group's reputation at risk.

- Maintain proper channels of communication in dealing with internal and external stakeholders.

Shariah Non-Compliance Risk

Shariah non-compliance risk is the risk of legal or regulatory sanctions, financial loss or non-financial implications including reputational damage, which RHB may suffer arising from failure to comply with the rulings of the Shariah Advisory Council ("**SAC**") of local regulatory bodies (such as the SAC of the BNM for Malaysia operations), standards on Shariah matters issued by the local regulator, or decisions or advice of the Shariah committee/adviser appointed by respective RHB entities.

A Shariah framework has been developed with the objective of governing the entire Shariah compliance process within the Group's Islamic banking operations, and to:

- ensure that the planning, development, and implementation of the Group's Islamic banking products, services and conduct of business are in accordance with Shariah principles;
- ensure that the Group's Islamic banking operations do not contravene any Shariah principles and related regulations; and
- act as a guide to the Group's expectations of all personnel engaged in the Group's activities to ensure that all of the Group's Islamic banking business and operations are based on Shariah principles, practices and prudence.

The Shariah Committee of RHB Islamic ("**SCR**") was established under BNM's Shariah Governance Framework. The main duties and responsibilities of SCR are to advise the Board on Shariah matters in relation to the Group's Islamic banking business and operations, to endorse Shariah compliance manuals, to endorse and validate relevant documents as well as to provide written Shariah opinions on new products and RHB Islamic's financial statements. The other entities within the Group without an internal Shariah committee established have given the mandate to the SCR to advise on the Shariah matters, which are ultimately governed by the respective entities' board of directors.

The head of the Shariah Division reports functionally to the SCR and administratively to the Managing Director of RHB Islamic. On a functional basis, RHB Islamic is supported by the Shariah Advisory Division, Group Shariah Risk Management, Group Shariah Business Compliance and Shariah Audit.

Any incidences of Shariah non-compliance are reported to the relevant committees, the Board of RHB Islamic and BNM. Remedial actions may include the immediate termination of the Shariah non-compliant products or services and de-recognition of Shariah non-compliant income.

Capital Management and Basel

The Group's 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 to ensure that the Group's business and operations are in line with its risk appetite. It also calls for the Group to ensure that adequate capital resources are available to support business growth, investment opportunities as well as adverse situations and to meet regulatory capital requirements.

The Group's capital management objective is translated into capital targets that are consistent with the need to support business growth in line with strategic plans and risk appetite. Through the Internal Capital Adequacy Assessment Process ("**ICAAP**"), the Group assesses its forecast capital supply and demand which is determined by the following:

- material risk types where capital is deemed to be an appropriate risk mitigation method;
- capital targets; and
- the use of forward three-year planning.

The Group and its subsidiaries manages capital using a consistent capital management framework and process. The capital management framework guides the establishment of capital strategy for the Group and its entities, as well as highlights the internal analytical capabilities required and the functions that support the capital management framework within the Group.

Supported by monitoring and reporting capabilities, the Boards and senior management of the Group's entities are kept informed and updated of the Group's capital utilisation and capital position which is generated by the Group's information system and processes.

Stress Testing

The Group conducts stress testing to assess the financial strength and impact to the Group's solvency, profitability and liquidity under a set of hypothetical stress scenarios, as well as to help the Group understand the risk profile and risk drivers for its capital and contingency planning.

Stress testing is conducted at least twice yearly, and additional stress tests may be carried out whenever required. The stress scenarios are regularly reviewed and enhanced to ensure they remain relevant to the nature of the Group's business.

Basel II Implementation

The Group places great importance on the International Convergence of Capital Measurement and Capital Standards: A Revised Framework (commonly referred to as Basel II) and views it as a Group-wide initiative in meeting international best practices and the local adoption of such practices in its area of operations.

For the purpose of complying with regulatory requirements under Basel II Pillar I, the approaches adopted by the respective bank entities as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Bank	Internal rating-based approach	Standardised approach	Basic indicator approach
RHB Islamic	Internal rating-based approach	Standardised approach	Basic indicator approach
RHB Investment Bank	Standardised approach	Standardised approach	Basic indicator approach

The Group's ICAAP framework ensures 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 current and projected demand for capital, under existing and stressed conditions. For non-measurable risks, relevant framework and control mechanisms are implemented to mitigate and manage same.

The Group's relevant Pillar 3 disclosures are published in the annual report and available on the corporate website (www.rhbgroup.com).

Basel III Implementation

The Group maintains the capital ratios and Liquidity Coverage Ratio ("**LCR**") above the regulatory requirements as required under Basel III. Banking institutions are required to report the NSFR under the observation period effective from June 2015. In July 2019, BNM issued the final NSFR policy document (effective from 1 July 2020), requiring banking institutions to maintain a minimum NSFR of 100 per cent. at the consolidated level (i.e. in the case of the Issuer, the Group).

On 24 March 2020, BNM issued a letter on Additional Measures to Assist Borrowers/Customers Affected by the COVID-19 Outbreak which includes the relaxation on LCR and NSFR. Bank institutions are allowed to operate below the minimum LCR of 100 per cent. and the NSFR minimum requirement is lowered to 80 per cent., which will be restored to minimum 100 per cent. by 30 September 2021. Notwithstanding this, the Group's LCR and NSFR have been maintained at a level above 100 per cent.

Principal Shareholders

Share capital

The share capital of the Issuer as at 30 April 2021 is as follows:

Number of issued shares	4,010,045,621
Class of shares	Ordinary Shares
Voting rights	Voting rights are granted to holders of ordinary shares as stated in the Constitution of the Issuer

Shareholders

The substantial shareholders of the Issuer as at 30 April 2021 are as follows:

		No. of Shares			
No.	**Name of Substantial Shareholders**	**Direct**	**Per cent.**	**Indirect**	**Per cent.**
1.	Employees Provident Fund Board[1]	1,655,259,304	41.28	—	—
2.	OSK Holdings Berhad	406,171,518	10.13	—	—
3.	Tan Sri Ong Leong Huat @ Wong Joo Hwa	—	—	406,171,518[3]	10.13
4.	OSK Equity Holdings Sdn Bhd	—	—	406,171,518[3]	10.13
5.	Puan Sri Khor Chai Moi	29,997	0.00[2]	406,171,518[3]	10.13
6.	Kumpulan Wang Persaraan (Diperbadankan)	202,252,191	5.05	43,022,500	1.07

(1) The interest of the Employees Provident Fund Board is held through various fund managers.

(2) Negligible percentage.

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

Management

Board of Directors

The Board of the Issuer has collective responsibility for leadership and management of the Issuer and for promoting its success by directing and supervising its affairs.

The Board of the Issuer consists of ten directors. The Issuer has adopted a set of formal, considered and transparent procedures for the appointment of new directors. The appointment of each new director is discussed at the Board Nominating & Remuneration Committee before recommendation is made to the Board of the Issuer for consideration and approval. The appointment of directors is also subject to BNM's approval.

The aggregate emoluments, consisting of annual fees/salaries/allowances and benefits in kind of the Board of the Issuer for the financial year ended 31 December 2020 were RM8.51 million (U.S.$2.12 million).

The members of the Board of the Issuer as at 30 April 2021 are as follows:

Name	Designation
Tan Sri Ahmad Badri Mohd Zahir	Non-Independent Non-Executive Chairman
Tan Sri Ong Leong Huat @ Wong Joo Hwa	Non-Independent Non-Executive Director
Tan Sri Dr Rebecca Fatima Sta Maria	Senior Independent Non-Executive Director
Ong Ai Lin	Independent Non-Executive Director
Lim Cheng Teck	Independent Non-Executive Director
Sharifatu Laila Syed Ali	Independent Non-Executive Director
Dato' Mohamad Nasir Ab Latif	Non-Independent Non-Executive Director
Donald Joshua Jaganathan	Independent Non-Executive Director
Datuk Iain John Lo	Independent Non-Executive Director
Dato' Khairussaleh Ramli	Group Managing Director/Group Chief Executive Officer

Director's Profiles

The profiles of the members of the Board of the Issuer as at 30 April 2021 are as follows:

Tan Sri Ahmad Badri Mohd Zahir, Non-Independent Non-Executive Chairman

Tan Sri Ahmad Badri Mohd Zahir ("**Tan Sri Ahmad Badri**") was appointed as a Non-Independent Non-Executive Director/Deputy Chairman and formalised as Chairman of the Issuer on 16 November 2020 and 24 March 2021, respectively.

Tan Sri Ahmad Badri holds a Degree in Land and Property Management, MARA University of Technology and Master in Business Administration, University of Hull, United Kingdom.

Tan Sri Ahmad Badri started his career as a Senior Valuation Executive at C.H. Williams, Talhar & Wong Sdn Bhd prior to his appointment as the Assistant Secretary in the Finance Division of the Ministry of Finance in 1989 where he served for almost 30 years in various capacities, the most recent being the Secretary General of Treasury.

Tan Sri Ahmad Badri was appointed as the Chairman of the Employees Provident Fund on 1 May 2020. He has sat on the EPF Investment Panel since 2014 and is vastly experienced in the fields of strategic investment, loan management, financial market and actuarial science.

Tan Sri Ahmad Badri previously served on the boards of several companies, including Bank Negara Malaysia, Kumpulan Wang Persaraan (Diperbadankan), Permodalan Nasional Berhad and Tenaga Nasional Berhad.

Tan Sri Ahmad Badri's other directorships in public companies include Sime Darby Berhad.

Tan Sri Ong Leong Huat @ Wong Joo Hwa, Non-Independent Non-Executive Director

Tan Sri Ong Leong Huat @ Wong Joo Hwa ("**Tan Sri Ong**") was appointed as a Non-Independent Non-Executive Director of the Issuer on 20 November 2012. He also serves as a Member of the Board Credit Committee.

Tan Sri Ong holds a Capital Markets and Services Representative's licence issued by the Securities Commission of Malaysia under the Capital Markets and Services Act, 2007 for dealing in securities. Tan Sri Ong was a Director of MESDAQ (now known as ACE Market) from July 1999 to March 2002 and a member of the Capital Market Advisory Council appointed by the SC 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.

For over 17 years since 1969, Tan Sri Ong was attached to a leading financial institution where he last held the position of Senior General Manager. He was the Managing Director/Chief Executive Officer ("**CEO**") of OSK Investment Bank Berhad (now known as OSKIB Sdn Bhd) ("**OSKIB**") 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's other directorships in public companies include RHB Investment Bank, OSK Holdings Berhad (Executive Chairman), PJ Development Holdings Berhad (Executive Chairman), OSK Property Holdings Berhad (Executive Chairman) and KE-ZAN Holdings Berhad. He is also a trustee of OSK Foundation.

Tan Sri Dr Rebecca Fatima Sta Maria, Senior Independent Non-Executive Director

Tan Sri Dr Rebecca Fatima Sta Maria ("**Tan Sri Dr Rebecca**") was appointed as an Independent Non-Executive Director of the Issuer on 1 August 2016. She was subsequently re-designated as a Senior Independent Non-Executive Director of RHB Bank on 1 October 2018. She also serves as the Chairperson of the Board Nominating & Remuneration Committee.

Tan Sri Dr Rebecca holds a Bachelor of Arts (Honours) in English Literature from University of Malaya. She also holds a Diploma in Public Administration from National Institute of Public Administration ("**INTAN**"), M.S. in Counselling from Universiti Pertanian Malaysia (now known as Universiti Putra Malaysia) and a Ph.D from University of Georgia in Athens, USA.

Tan Sri Dr Rebecca was previously the Secretary General of the Ministry of International Trade and Industry ("**MITI**"). She began her career in the Administrative and Diplomatic Service in 1981 and served in various capacities in the then Ministry of Trade and Industry. In 1988, she was seconded to the ASEAN Plant Quarantine and Training Centre as its Chief Administration and Procurement Officer. She also served as the Senior Project Coordinator at the Leadership Centre, INTAN from 2000 to 2002. She also served at various divisions in MITI namely, Senior Director of the Investment Policy Division, Director of the Investment Policy and Manufacturing Related Services Division and Director of the Strategic Planning Division before she became the MITI Deputy Secretary General of Trade. She was then involved in handling trade related matters of MITI, including administering Malaysia's interests under bilateral and regional free trade agreements, as well as Malaysia's engagements in various international organisations such as ASEAN, APEC and WTO. After 35 years in civil service, serving six trade ministers and overseeing twelve trade pacts, she retired as the Secretary General of MITI in July 2016. She is currently the Executive Director of the Asia-Pacific Economic Cooperation (APEC) Secretariat based in Singapore.

Tan Sri Dr Rebecca's other directorships in public companies include Sunway Berhad, Hartalega Holdings Berhad, Eco World International Berhad and Institute for Democracy and Economic Affairs. She is also a trustee of MyKasih Foundation and Hartalega Foundation.

Ong Ai Lin, Independent Non-Executive Director

Ong Ai Lin ("**Ms Ong**") was appointed as an Independent Non-Executive Director of the Issuer on 1 July 2017. She also serves as the Chairperson of the Board Audit Committee and a Member of the Board Risk Committee.

She holds a Bachelor of Arts (Honours) in Economics from the University of Leeds, United Kingdom. She is an Associate of The Institute of Chartered Accountants in England & Wales and a Member of the Malaysian Institute of Accountants.

Ms Ong began her career with Deloitte Haskins & Sells in London in 1978, prior to joining PricewaterhouseCoopers ("**PwC**") in 1991 as Senior Manager. At PwC, she built the IT audit practice, an integral part of the firm's financial audit services. She was then appointed as Partner/Senior Executive Director of PwC in

1993 and was the Business Continuity Management and Information Security Practice Leader for PwC Malaysia. She is also the Past President of the Information Systems Audit and Control Association ("**ISACA**") — Malaysia Chapter.

Ms Ong has over 30 years of experience in providing Business Continuity Management, Governance Risk and Compliance, Information Security, Cyber Security, Technology Risk and Governance, and Data Privacy services in the United Kingdom, Singapore, Indonesia, Thailand, Vietnam, Philippines, Sri Lanka, Cambodia and Malaysia. Her extensive experience includes collaboration with regulators, government ministries and agencies, organisations in various sectors encompassing financial services, telecommunications and multimedia, energy, capital markets, transportation, aviation, manufacturing and trading, cyber security, provident fund and sovereign fund as well as non-governmental organisations.

Her knowledge and experience earned her the Best Certified Business Continuity Professional in Malaysia in their inaugural award in 2012 by Disaster Recovery Institute International. She was also awarded the Cybersecurity Lifetime Achievement Award in 2018 by CyberSecurity Malaysia.

Ms Ong's other directorships in public companies include RHB Islamic Bank Berhad, Tenaga Nasional Berhad, IHH Healthcare Berhad and FIDE FORUM.

Lim Cheng Teck, Independent Non-Executive Director

Lim Cheng Teck ("**Mr Lim**") was appointed as an Independent Non-Executive Director of RHB Bank Berhad on 28 November 2018. He also serves as a Member of the Board Credit Committee and Board Risk Committee.

He holds a Master of Business Administration from Brunel University, United Kingdom and a Bachelor of Arts from the National University of Singapore.

Mr Lim was the Regional Chief Executive Officer for ASEAN at Standard Chartered Bank. He first joined Standard Chartered Bank in 1988 and has held various roles within the bank's Corporate and Institutional Banking Division before being appointed as the Chief Operating Officer for Standard Chartered Bank (China) Ltd in 2005. In 2006, he was appointed as the Chief Executive Officer of Standard Chartered Bank (Singapore) Ltd. He returned to China in 2009 to take up the role of Chief Executive Officer and Executive Vice Chairman of Standard Chartered Bank (China) Ltd. He has served on the boards of several subsidiaries of Standard Chartered Bank, notably as (i) the Chairman of Standard Chartered Bank (Mauritius) Ltd, Standard Chartered Bank (Thailand) Ltd, and Standard Chartered Bank (Singapore) Ltd, (ii) the Deputy Chairman of Standard Chartered Bank (Malaysia) Ltd and (iii) the President Commissioner of PT Bank Permata, Indonesia. He has also served as a Non-Executive Director of Standard Chartered Bank (Taiwan) Ltd.

He has previously served as a Director on the Boards of Clifford Capital Pte Ltd and Singapore International Chamber of Commerce, a Governor of Singapore International Foundation and a Council Member of the Institute of Banking and Finance Singapore and Singapore National Employers Federation. Additionally, he was the Chairman of Overseas Financial Service Commission, China Chamber of Commerce, the Vice Chairman of the Association of Banks Singapore and a Member of the Monetary Authority of Singapore's Financial Centre Development Committee. Having served in the banking sector for over 28 years, Mr Lim retired from Standard Chartered Bank in April 2016 and continued as a senior advisor on a non-executive role until April 2017. Further, he had a short term as the Chief Executive Officer of Pontiac Land Group from March 2017 to May 2018.

Currently, he sits on the Advisory Board of Sim Kee Boon Institute of Financial Economics, Singapore Management University as well as the Boards of Minterest Holdings Pte Ltd and Bright Vision Community Hospital, Singapore.

Sharifatu Laila Syed Ali, Independent Non-Executive Director

Sharifatu Laila Syed Ali ("**Puan Sharifa**") was appointed as an Independent Non-Executive Director of RHB Bank on 15 March 2019.

Puan Sharifa graduated with a Bachelor of Science (Honours) from Universiti Kebangsaan Malaysia and holds a Master of Business Administration from University of Malaya. She is also a graduate of Harvard Business School's Advanced Management Programme.

Puan Sharifa has extensive experience in the field of investment management and portfolio investing, having served various premier institutions and government-linked investment funds for over 30 years. She played a key role in the setting up of Valuecap Sdn Bhd ("**Valuecap**"), a Government-led initiative, whose founding shareholders are Khazanah Nasional Berhad, Kumpulan Wang Amanah Pencen and Permodalan Nasional Berhad ("**PNB**"). Puan Sharifa began her career at PNB and subsequently moved on to hold various senior leadership positions at the Employees Provident Fund including Head of Treasury & Equity Markets, gaining broad exposure within the domestic and regional capital markets environment over a period of 15 years. Following a brief period as Head of Investments at the Pilgrims Fund, she was subsequently appointed the Chief Executive Officer of Valuecap in October 2002. She became Group Chief Executive Officer of Valuecap in 2015. Under her stewardship, the Group spearheaded the country's move into new frontiers within the domestic markets, including launching Malaysia's first Exchange Traded Fund (Ringgit and USD) and various Environmental, Social & Governance type funds.

Pursuant to her departure from Valuecap, she served as an Advisor to the Board of Directors of Valuecap for a short period and afterwhich, took on various roles in other Boards and Committees. She is also a Member of the Investment Committee of University of Malaya.

Puan Sharifa's other directorships in public companies include Minority Shareholders Watch Group and Bursa Malaysia Berhad.

Dato' Mohamad Nasir Ab Latif, Non-Independent Non-Executive Director

Dato' Mohamad Nasir Ab Latif ("**Dato' Mohamad Nasir**") was appointed as a Non-Independent Non-Executive Director of RHB Bank on 16 March 2020. He also serves as a Member of the Board Nominating & Remuneration Committee.

Dato' Mohamad Nasir graduated with a Bachelor's Degree in Social Science (Economics) from Universiti Sains Malaysia and subsequently obtained a Certified Diploma in Accounting and Finance from the Association of Chartered Certified Accountants. He also holds a Master of Science in Investment Analysis from the University of Stirling, United Kingdom.

Dato' Mohamad Nasir started his career with the Employees Provident Fund Board in 1982 and held several positions including State Enforcement Officer (1990 – 1995), Senior Research Officer, Manager and Senior Manager in the Investment and Economics Research Department (1995 – 2003) and General Manager of the International Equity Investment Department (July 2009 – 2013). He was appointed as Deputy Chief Executive Officer (Investment) in 2013 and retained this position until his retirement in December 2019.

He is currently the Chairman of the Investment Panel of Kumpulan Wang Persaraan (Diperbadankan).

Dato' Mohamad Nasir's other directorships in public companies include RHB Islamic Bank Berhad (Chairman), Malaysian Resources Corporation Berhad, PLUS Malaysia Berhad (Chairman), Yinson Holdings Berhad, United Plantations Berhad and Malaysia Airports Holdings Berhad.

Donald Joshua Jaganathan, Independent Non-Executive Director

Donald Joshua Jaganathan ("**Mr Donald**") was appointed as an Independent Non-Executive Director of RHB Bank on 17 August 2020. He also serves as the Chairman of the Board Risk Committee and a Member of the Board Audit Committee and Board Nominating & Remuneration Committee.

Mr Donald holds a Bachelor of Accounting (Hons) from the University of Malaya and is a Member of the Malaysian Institute of Accountants. He also holds a Master in Business Administration from the Cranfield School of Management, United Kingdom and is an alumnus of the Advanced Management Program, Harvard Business School.

He is a Fellow Chartered Banker and serves as a Council Member of the Asian Institute of Chartered Bankers and the Chairman of its Education Committee. He is also a member of the Board of Directors of the Asian Banking School and the Chairman of its Talent Development Committee. He also serves as the Chairman of the Board of Directors of the Finance Accreditation Agency Berhad.

Mr Donald spent approximately 36 years of his career with BNM, where he was promoted to the rank of Assistant Governor, with key responsibilities over the financial stability function, including oversight of BNM's Financial Stability Report. His work experience included leadership and management oversight over the supervision and regulation of the banking and insurance industry in Malaysia, training and development activities with the banking and insurance institutes. He also served as the Malaysian representative in international supervisory bodies, including the Basel Committee on Banking Supervision and the International Association of Insurance Supervisors.

He also held previous positions as the Chairman of the Board of Directors of Payments Network Malaysia Sdn Bhd, Chairman of the Board Executive Committee of the Malaysian Insurance Institute, Council Member of the Malaysian Institute of Accountants and Member of the Malaysian Financial Reporting Foundation.

Mr Donald's other directorships in public companies include RHB Insurance Berhad and Zurich Life Insurance Malaysia Berhad.

Datuk Iain John Lo, Independent Non-Executive Director

Datuk Iain John Lo ("**Datuk Iain**") was appointed as an Independent Non-Executive Director of RHB Bank on 15 September 2020. He also serves as a Member of the Board Nominating & Remuneration Committee and Board Audit Committee.

He holds a Bachelor of Science in Civil Engineering from the University of California, Los Angeles ("**UCLA**"). He also holds a Master of Science in Civil Engineering from UCLA.

Datuk Iain retired as the Country Chairman of Shell Malaysia Limited on 31 March 2021. He is a proven leader who has extensive experience and held a broad range of roles over the past 30 years in Shell's exploration and production, gas and downstream businesses both in Malaysia as well as abroad. Datuk Iain was the Chairman of Shell Refining Company Bhd until the company was sold in 2016.

He joined Sarawak Shell Berhad as a Field Engineer in 1990 before moving on to undertake various engineering, business development and corporate roles based in Malaysia, Singapore and Netherlands. His areas of responsibilities included governance of liquefied natural gas and chemical joint ventures in Malaysia, Middle East, China and Russia. He was appointed as a Board Director of Singapore's Economic Development Board from 2009 to 2012. Subsequently, he returned to Malaysia as Chairman and Managing Director of Sarawak Shell Berhad and Sabah Shell Petroleum. In 2017, Datuk Iain was appointed as Asia Pacific Commercial Vice President for Shell's exploration, production and gas businesses with accountability for regional acquisitions, divestments and new business development.

Datuk Iain's other directorships in public companies include RHB Investment Bank Berhad.

Dato' Khairussaleh Ramli, Group Managing Director/Group Chief Executive Officer

Dato' Khairussaleh Ramli ("**Dato' Khairussaleh**") was appointed as Managing Director of the Issuer and Deputy Group Managing Director of the Group on 13 December 2013. He was further appointed as Group Managing Director/Group Chief Executive Officer of the Group on 5 May 2015.

Dato' Khairussaleh holds a Bachelor of Science in Business Administration from Washington University, St. Louis and is a graduate of the Advanced Management Programme, Harvard Business School. He is also a Fellow Chartered Banker of the Asian Institute of Chartered Bankers.

Dato' Khairussaleh has more than 25 years of experience in the financial services and capital markets industry, where he has held senior positions in well-established regional financial institutions. He is also a Council member of The Association of Banks in Malaysia and Asian Institute of Chartered Bankers.

His knowledge and experience earned him the "Best CFO in Malaysia Award" in 2010 and 2011 from Finance Asia and the "Best CFO in Malaysia Award" in 2012 from Alpha Southeast Asia.

Dato' Khairussaleh is also a Non-Independent Non-Executive Director on the Board of Payments Network Malaysia Sdn Bhd and the Chairman/Trustee of RHB Foundation.

Senior Management

The management of the businesses and operations of the Group is overseen by the following senior management:

Name	Designation
Dato' Khairussaleh Ramli	Group Managing Director/Group Chief Executive Officer, RHB Banking Group Managing Director, RHB Bank
Dato' Adissadikin Bin Ali	Managing Director/Chief Executive Officer, RHB Islamic Head, Group Shariah Business
Jaimie Sia Zui Keng	Acting Chief Executive Officer, RHB Investment Bank Acting Head, Group Investment Banking
Syed Ahmad Taufik Albar	Head, Group International Business
Kong Shu Yin	Managing Director/Chief Executive Officer, RHB Insurance
Nik Rizal Kamil bin Tan Sri Nik Ibrahim Kamil	Group Chief Financial Officer
Norazzah Binti Sulaiman	Group Chief Communications Officer Chief Executive Officer, RHB Foundation
Jamaluddin Bakri	Group Human Resource Advisor
Chong Han Hwee	Group Chief Risk Officer
Chong Ming Liang	Group Chief Operations Officer
Siew Chan Cheong	Group Chief Strategy Officer
Rohan a/l Krishnalingam	Group Chief Digital & Technology Officer
Wendy Ting Wei Ling	Head, Group Corporate Banking
Jeffrey Ng Eow Oo	Head, Group Business and Transaction Banking
Rakesh Kaul	Head, Group Retail Banking
Tan Aun Aun	Group Chief Internal Auditor
Abdul Sani Bin Abdul Murad	Group Chief Marketing Officer
Fazlina Binti Mohamed Ghazalli	Group Chief Compliance Officer
Mohd Rashid Bin Mohamad	Group Treasurer

Board Committees

To enable the Board to devote more time for strategic and critical matters, the Board has delegated specific responsibilities to the following Board committees:

Board Nominating & Remuneration Committee

- All of its members are Non-Executive Directors of the Issuer and/or its subsidiaries.

- Its main objective is to support the Boards of the Group's entities in reviewing and assessing the appointment/re-appointment of directors, Board committee members, Group Shariah Committee and key senior management officers (which entails Group Managing Director, Chief Executive Officer/Managing Director who is the Direct Report of the Group Managing Director and any persons as may be decided by the Board Nominating & Remuneration Committee) as well as advising the Boards on the optimal size and mix of the Boards, Board Committees and Group Shariah Committees. The Board Nominating & Remuneration Committee also supports the Boards in providing oversight and direction on human resource matters and operations, and to recommend to the Boards for approval of the remuneration and human resource strategies.

Board Risk Committee

- All of its members are Non-Executive Directors of the Issuer and/or its subsidiaries.

- Its main objective is to provide oversight and governance of risks at the Group.

Board Audit Committee

- All of its members are Non-Executive Directors of the Issuer and/or its subsidiaries.

- Its main objective is to provide independent oversight of the financial reporting and internal control system and ensure checks and balances for entities within the Group.

Board Credit Committee

- All of its members are Non-Executive Directors of the Issuer and/or its subsidiaries.
- Its main objective is to affirm, veto or include additional conditions on all types of credits applications (including under stocks/futures broking) and all types of underwriting applications and renewals approved for amounts above the defined thresholds of the GCC and/or the Group Investment and Underwriting Committee, as well as to oversee the management of impaired loans/assets and monitor the recovery of impaired loans/assets and also to approve policy loan/financing and loans/financing required by BNM to be referred to the Board for approval.

The functions and terms of references of the Group Board committees are clearly defined and comply with the relevant governing laws, regulations and guidelines among others the Malaysian Code on Corporate Governance and BNM's Policy Documents on Corporate Governance for licensed institutions. The members of the Group Board committees comprise the directors of the Issuer and that of the operating entities within the Group to ensure a fair representation across the entities in pursuing the interests of the entities concerned.

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

Supervision and Regulation

The Issuer is regulated by BNM, which was established on 26 January 1959 pursuant to the Central Bank of Malaya Ordinance, 1958 (renamed the Central Bank of Malaysia Act, 1958, which was repealed by the Central Bank of Malaysia Act, 2009 on 25 November 2009) as the central bank of Malaysia. BNM is directly involved in the regulation and supervision of Malaysia's financial system. Its principal functions are to (i) formulate and implement monetary policies in Malaysia; (ii) issue currency in Malaysia; (iii) regulate and supervise financial institutions which are subject to the laws enforced by BNM; (iv) provide oversight over money and foreign exchange markets; (v) exercise oversight over payment systems; (vi) promote a sound, progressive and inclusive financial system; (vii) hold and manage the foreign reserves of Malaysia; (viii) promote an exchange rate regime consistent with the fundamentals of the economy; and (ix) act as financial adviser, banker and financial agent of the Government.

BNM and the Minister of Malaysia's Ministry of Finance ("**MOF**") have extensive powers under the FSA and the IFSA. The FSA is the principal statute that sets out the laws for, amongst others, the regulation and supervision of financial institutions in Malaysia and the IFSA is the principal statute that sets out the laws for, amongst others, the regulation and supervision of Islamic financial institutions in Malaysia. In addition to the FSA and the IFSA, Malaysian licensed banks and Islamic banks are subject to guidelines issued by BNM from time to time.

The following discussion sets out information with respect to some regulations of the banking industry in Malaysia:

Licensing and Limitation of Business Activities of Banks

Under the FSA, banking business, which is defined to include the business of deposit taking and provision of financing, can only be conducted by a public company which has obtained a licence from the MOF on the recommendation of BNM.

Similarly, under the IFSA, Islamic banking business, which is generally defined as banking business carried out in accordance with Shariah principles, can only be conducted by a public company which has obtained a licence from the MOF on the recommendation of BNM.

Banks are also subject to a number of other restrictions on the operation of their business. Amongst others, a bank may not: (i) pay any dividend on its shares except with the prior written approval of BNM or in accordance with specified BNM standards on prudential matters permitting the declaration of payments of any dividend; (ii) grant any credit facilities to any of its directors or officers except as permitted by prescribed regulation; (iii) except as permitted under the FSA, the IFSA (as the case may be) or by prescribed regulation, establish or acquire a subsidiary in or outside Malaysia or acquire or hold any material interest in any other corporation without the prior written approval of BNM; and (iv) establish or relocate an office (including a branch) in or outside Malaysia except with the prior written approval of BNM.

Statutory Reserves

BNM requires Malaysian banks to maintain a sum equivalent to the statutory reserve requirement ("**SRR**") in the form of non-interest bearing reserves with BNM. The SRR is currently set at 2.0 per cent. of eligible liabilities. On 20 January 2021, BNM announced the extension of the flexibility for banking institutions to use Malaysian Government Securities ("**MGS**") and Malaysian Government Investment Issues ("**MGII**") to meet the SRR compliance until 31 December 2022.

Capital Adequacy Requirements

BNM issued the Capital Adequacy Framework (Capital Components) and the Capital Adequacy Framework for Islamic Banks (Capital Components) on 9 December 2020 (collectively, the "**Frameworks**") which set out the capital adequacy requirements for conventional banks and Islamic banks, respectively. Conventional banks and Islamic banks are required to comply with the Frameworks.

The Frameworks specify that the following minimum capital adequacy ratios be maintained at all times:

(a) a CET-1 Capital to total risk-weighted assets ("**RWA**") ratio of 4.5 per cent.;

(b) a Tier-1 Capital to total RWA ratio of 6.0 per cent.; and

(c) a total capital to total RWA ratio of 8.0 per cent.

The total RWA is calculated as the sum of credit RWA, market RWA, operational RWA and large exposure risk requirements as determined in accordance with the Capital Adequacy Framework (Basel II — Risk-Weighted Assets) or the Capital Adequacy Framework for Islamic Banks (Risk Weighted Assets), as the case may be.

Higher Loss Absorbency Requirements

BNM's Domestic Systemically Important Banks Framework issued on 5 February 2020 aims to strengthen the resilience of the Malaysian banking system and address the following elements:

(a) regulatory requirements and policy measures that may be applicable to D-SIBs, such as the HLA requirement. The HLA requirement refers to the capital surcharge above the minimum regulatory requirement to increase a D-SIB's going-concern loss absorbency capacity and aims to reduce the probability of a D-SIB's failure by increasing its going-concern capital buffers;

(b) intensity of supervisory oversight by BNM; and

(c) macroprudential surveillance activities of BNM.

An indicator-based measurement approach ("**IBA**") will be adopted by BNM to identify D-SIBs. The assessment of systemic importance will also incorporate additional information via a supervisory overlay process. Under the IBA, a financial institution's systemic importance will be assessed in terms of the impact of its distress or failure on the domestic financial system and economy. Indicators are selected across three categories of systemic importance, namely – size, interconnectedness and substitutability.

The list of D-SIBs will be reviewed on an annual basis or as and when deemed necessary if there are major structural changes in the banking system.

A financial institution (except for a prescribed development financial institution) which has been designated as a D-SIB by BNM shall hold and maintain capital buffers which shall be above the minimum CET1 Capital Ratio, Tier 1 Capital Ratio, and Total Capital Ratio requirements, as well as other capital buffer requirements as set out in the Frameworks, to meet the HLA requirement at the consolidated level, in the form of CET1 Capital (as defined in the Frameworks) and in the manner set out below:

(a) The HLA requirement applicable to designated D-SIBs shall correspond to the financial institutions' bucket placement as below, unless otherwise specified by BNM.

Bucket	HLA requirement (as % of risk-weighted assets)
3 (empty)	2.0
2	1.0
1	0.5

(b) Where a financial institution is required to comply with the HLA requirement due to its designation as a D-SIB or a migration to a higher bucket for D-SIB (e.g. from Bucket 1 to Bucket 2), the HLA requirement shall become applicable to such financial institution within 12 months upon notification by BNM, unless otherwise specified by BNM.

(c) Where a financial institution is required to comply with a lower (or nil) HLA requirement than its current HLA requirement due to cessation of its D-SIB status or a migration to a lower bucket (e.g. Bucket 2 to Bucket 1), the revised HLA requirement shall become applicable to such financial institution immediately upon notification by BNM, unless otherwise specified by BNM.

BNM COVID-19 relief measures

On 25 March 2020, BNM announced several regulatory and supervisory measures to support efforts by banks to assist individuals, small and medium enterprises ("**SMEs**") and corporations to manage the impact of the COVID-19 outbreak:

(a) Banks will provide an automatic moratorium to individuals and SMEs for loan/financing repayments for a period of six months, effective 1 April 2020. The offer is applicable to performing loans, denominated in Ringgit, that are not in arrears for more than 90 days as at 1 April 2020. Corporates may choose to opt into the moratorium.

(b) To ensure sufficient liquidity in the domestic market, BNM is:

 (i) allowing banks to operate below the minimum liquidity coverage ratio ("**LCR**") requirement of 100 per cent.;

 (ii) allowing banks to drawdown the capital conservation buffer of 2.5 per cent.; and

 (iii) reducing the regulatory reserves held against expected losses to 0 per cent.

(c) Net Stable Funding Ratio ("**NSFR**") has been implemented effective 1 July 2020, at a lower level of 80 per cent., which is to be reverted to 100 per cent. from 30 September 2021. NSFR is a liquidity standard that seeks to measure the proportion of a bank's long-term assets that are funded by long-term stable funding, requiring banks to maintain a stable funding profile in relation to the composition of their assets and off-balance sheet activities.

Single Counterparty Exposure Limit

Pursuant to the Single Counterparty Exposure Limit guidelines and the Single Counterparty Exposure Limit for Islamic Banks guidelines issued by BNM which came into effect on 9 July 2014, banks are prohibited from extending credit facilities to a single counterparty (including the exposure to any group of persons connected to such single counterparty but excluding any exposure to, and any exposure explicitly guaranteed by, BNM or the Government) in excess of 25.0 per cent. of the total capital of the bank (total capital having the same meaning assigned to it in the relevant Framework), subject to the following exemptions:

(a) exposures of an overseas branch or subsidiary of a banking institution or an Islamic banking institution (as the case may be) to the sovereign government or central banks in the jurisdiction where it is located, where the exposure is denominated in local currency and held to meet regulatory requirements imposed by the central bank in that jurisdiction;

(b) exposures to a banking institution or an Islamic banking institution (as the case may be) licensed by BNM, or a development financial institution, arising from interbank money market transactions;

(c) exposures arising from granting of intra-day facilities; and

(d) exposures deducted in the calculation of a banking institution's total capital or an Islamic banking institution's total capital (as the case may be) as specified in regulatory adjustments of the relevant Frameworks such as investments in financial subsidiaries.

Lending to Connected Parties

On 16 July 2014, BNM revised the "Guidelines on Credit Transactions and Exposures with Connected Parties" and "Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks" (collectively the "**Connected Parties Guidelines**"), which took effect on 1 January 2008, to provide greater flexibility for licensed institutions, including banks, to extend credit and make investments in the ordinary course of business to/in connected parties which are of good credit standing, while ensuring that connected parties, who by virtue of their positions could potentially exert influence over the credit approval process, do not inappropriately derive more favourable terms and conditions than other loan customers. The Connected Parties Guidelines set out the broad parameters and conditions relating to the conduct of such transactions with connected parties to ensure an appropriate level of prudence. It also outlines the roles and responsibilities of the management and the board of the licensed institution.

Qualifications of Directors; Power to Remove Directors

Under the FSA and the IFSA, the appointment of directors, the chief executive officer ("**CEO**") and the chairman of a bank is subject to the prior written approval of BNM. A person is disqualified from being appointed or elected, or re-appointed or re-elected as a chairman of the Board, a director or a CEO of a bank if, for example, that person is an undischarged bankrupt; has suspended payments or has compounded with his creditors whether in or outside of Malaysia; a charge for a criminal offence relating to dishonesty or fraud under any written law or the law of any country, territory or place outside Malaysia, has been proven against that person; that person is prohibited from being a director of a company or in any way, whether directly or indirectly, be concerned or take part in the management of a company in Malaysia pursuant to a court order made under section 199 of the Malaysian Companies Act, 2016 and has not obtained any leave of the court under the same section; or under any law relating to prevention of crime, drug trafficking or immigration, an order of detention, supervision, or deportation has been made against that person or any form of restriction or supervision by bond or otherwise, has been imposed on that person. BNM may specify fit and proper requirements to be complied with by a chairman, director or CEO of a bank, which may include minimum criteria relating to probity, personal integrity and reputation, competency and capability, and financial integrity.

BNM expects banks to have in place effective corporate governance arrangements consistent with the long-term viability of the bank. BNM revised and issued its Guidelines on Corporate Governance on 3 August 2016 which supersede the Guidelines on Corporate Governance for Licensed Institutions previously issued on 19 June 2013. The Guidelines on Corporate Governance (subject to certain transitional arrangements set out below) came into effect on 3 August 2016 and set out strengthened expectations on directors' oversight responsibilities and the composition of the Board. Amongst others, the Guidelines on Corporate Governance provide that:

(1) the Board of a bank has overall responsibility for promoting sustainable growth and financial soundness, and for ensuring reasonable standards of fair dealing, without undue influence from any party;

(2) the Board and Board committees of a bank must be of a size that promotes effective deliberation, encourages the active participation of all directors and allows the work of the various board committees to be discharged without giving rise to an over-extension of directors that are required to serve on multiple Board committees;

(3) the Chairman of the Board must not be an executive, and must not have served as CEO of the bank in the past five years;

(4) the Board of a bank must have a majority of independent directors by 3 August 2021;

(5) there must not be more than one executive director on the Board of a bank unless BNM approves otherwise in writing;

(6) the terms of the appointment of a director must include provisions for the removal of a director who no longer meets the minimum requirements for his appointment, or has been assessed to be ineffective, errant or otherwise unsuited to carry out his responsibilities; and

(7) a director of a bank must not be an active politician.

BNM is also empowered under the FSA and the IFSA (as the case may be) to remove any director of a bank if BNM is of the opinion that the director of the bank no longer fulfils the fit and proper requirements specified under the FSA or the IFSA (as the case may be) and fails to cease holding such office or acting in such capacity or the director has failed to comply with or, by action or negligence, has contributed to the breach or contravention of any provision of the FSA or the IFSA (as the case may be), a direction issued by BNM or an enforceable undertaking accepted by BNM.

Interest Rate Regulation

On 12 December 2014, BNM issued a new Reference Rate Framework to replace the Base Lending Rate with the Base Rate as the main reference rate for new retail floating rate loans and financing facilities. With effect from

2 January 2015, the Base Rate is determined by the financial institutions' benchmark cost of funds and the SRR. Other components of loan pricing such as borrower credit risk, liquidity risk premium, operating costs and profit margin are reflected in a spread above the Base Rate. The Base Rate is used for new retail floating rate loans and the refinancing of existing loans extended from 2 January 2015. After the effective date, Base Lending Rate-based loans extended before 2015 continue to be referenced against the Base Lending Rate. However, when a financial institution makes any adjustments to the Base Rate, a corresponding adjustment to the Base Lending Rate is also made. As such, financial institutions are required to display both their Base Rate and Base Lending Rate at all branches and websites. BNM has since revised the Reference Rate Framework on 18 August 2016. The revision of the Reference Rate Framework in August 2016 outlines the reference rate framework for the pricing of retail floating rate loans/financing facilities. Amongst others, the revision of the Reference Rate Framework in August 2016 further mitigates Base Rate fluctuations by only allowing financial institutions to revise their respective Base Rate at quarterly intervals. Financial institutions are now required to disclose the benchmark cost of funds used to compute the Base Rate, factors that would result in movements of the Base Rate and to notify borrowers of a change in the benchmark cost of funds. It also requires the computation of the Base Rate to be based on the financial institutions' marginal cost of funds of the benchmark cost chosen. The marginal cost of funds refers to the incremental costs that would be incurred by the financial institutions to obtain new funding. This requirement is to ensure that the Base Rate is more sensitive to changes in policy rates, which in turn improves the transmission of monetary policy from overnight policy rate ("**OPR**") adjustments to lending rates on retail loans/financing facilities. Furthermore, financial institutions are also required to revise their respective Base Rate within seven working days of the OPR change.

Exchange Control Policy

Malaysia has historically maintained a liberal system of exchange controls. Prior to September 1998, the few exchange control rules that were in place were aimed at monitoring the settlement of payments and receipts for compilation of balance of payments statistics and to ensure that funds raised abroad were channelled to finance productive investments in Malaysia which either directly or indirectly generate foreign exchange.

On 1 September 1998, the Government introduced a series of selective exchange control measures. These measures were designed to eliminate the internationalisation of the Ringgit to contain speculation and to stabilise short-term capital flows. On 2 September 1998, the exchange rate was fixed at RM3.80 to U.S.$1.00. With effect from 22 July 2005, the exchange rate had been allowed to operate in a managed float by BNM with its value being determined by various economic factors. BNM will monitor the exchange rate against a currency basket.

With the coming into effect of the FSA and the IFSA, BNM has on 28 June 2013 revoked all previous exchange control notices and related circular letters and issued 7 Foreign Exchange Administration notices ("**FEA notices**") in exercise of the powers conferred to BNM under the FSA and IFSA. The FEA notices set out transactions permitted by BNM which are otherwise prohibited under the FSA and the IFSA. The FEA notices, which remains liberal, are prudential measures aimed at further developing the domestic financial market and enhancing competitiveness of the economy of Malaysia through the creation of a more supportive and facilitative environment for trade, business and investment activities. On 30 April 2020, BNM revoked the FEA notices and issued Foreign Exchange Notices ("**FE notices**") in exercise of the powers conferred to BNM under the FSA and IFSA. Similar to the FEA notices, the FE notices set out transactions permitted by BNM which are otherwise prohibited under the FSA and the IFSA. Malaysia continues to maintain liberal foreign exchange policies, which are part of broad prudential toolkits to maintain monetary and financial stability.

Priority Sector Lending Guidelines

Under BNM's guidelines on Lending/Financing to the Priority Sectors 2015-2016 (issued on 26 December 2014 and effective from 1 January 2015 to 31 December 2016, which was subsequently extended to 31 December 2018), banking institutions, including the Bank, are required to, amongst others, internally set and submit to BNM their lending/financing targets for the following sectors: (i) lending/financing to SMEs with at least 50 per cent. comprising Bumiputera SMEs; and (ii) lending/financing for affordable housing.

Under the guideline on lending/financing to SMEs, categorisation of SMEs as defined by SME Corp Malaysia, has been streamlined. SMEs now fall within one of two categories: (i) annual sales turnover not exceeding RM50 million, or not more than 200 full-time employees for the manufacturing and the manufacturing-related services sector; or (ii) annual sales turnover not exceeding RM20 million, or not more than 75 full-time employees for services and other sectors. The guidelines also identified the following SME sub-sectors for individual monitoring by BNM: (i) agriculture; and (ii) new growth areas, which includes (a) green technology; (b) biotechnology; and (c) innovative sector.

The agriculture subsector includes, amongst others activities, growing of crops, market gardening, horticulture, livestock farming, forestry and logging, and fishing operations. The green technology subsector covers SMEs that have obtained a valid "Green Project Financing Recommendation Certificate" from Malaysian Green Technology Corporation. The biotechnology subsector covers SMEs that have obtained a BioNexus status from the Malaysian Bioeconomy Development Corporation. The innovative subsector refers to (i) SMEs with intellectual property rights, which are registered with the Intellectual Property Corporation of Malaysia; (ii) SMEs that have obtained the 1-InnoCERT certification from SME Corporation Malaysia, and; (iii) SMEs in Information Communications and Technology that have obtained MSC-status from Multimedia Development Corporation.

The housing-related guidelines cover houses costing up to RM250,000 for Peninsular Malaysia and an additional 20.0 per cent. on the value of houses for the states of Sabah and Sarawak. Under the housing loan lending guideline, the maximum prescribed interest rate on housing loan lending is Base Rate plus 2.5 per cent. for commercial banking institutions and a maximum profit rate of 9 per cent. for Islamic banking institutions.

Powers of Enforcement

BNM has broad powers to enforce the FSA and the IFSA. In particular, where BNM is of the opinion that in respect of a bank, (i) the bank has breached or contravened any provision of the FSA, IFSA, the Central Bank of Malaysia Act, 2009 or any written law, even though there has been no prosecution or other action in respect of the breach or contravention; (ii) the bank has failed to comply with any direction under section 156 of the FSA or section 168 of the IFSA (as the case may be); (iii) the assets of the bank are not sufficient to give adequate protection to its depositors or creditors, as the case may be; (iv) the capital of the bank has reached a level or is eroding in a manner that may detrimentally affect its depositors, creditors or the public generally; (v) the bank has become or is likely to become insolvent or is likely to become unable to meet all or any of its obligations; or (vi) any other state of affairs exists in respect of the bank that may be materially prejudicial to the interests of the depositors or creditors of the bank, including where proceedings under a law relating to bankruptcy or insolvency have been commenced in Malaysia or elsewhere in respect of the holding company of the bank, including its financial holding company, BNM may (1) with the approval of the MOF assume control of the whole or part of the business, affairs or property of the bank and manage the whole or such part of its business and affairs, or appoint any person to do so on its behalf; (2) make a court application to appoint a receiver and manager to manage the whole or part of the business, the affairs or property of the bank; (3) with the approval of the MOF vest in a bridge institution or any other person, the whole or part of the business, assets or liabilities of the bank and BNM may provide the bridge institution with such financial assistance as BNM thinks appropriate; (4) with the approval of MOF provide financial assistance to another institution or any other person to purchase any shares, or the whole or any part of the business, assets or liabilities of the bank; or (5) recommend to the MOF and on such recommendation, the MOF may authorise BNM to file an application for the winding up of the bank.

BNM also has the power to issue a direction of compliance to a bank, its director, CEO or senior officer if BNM is of the opinion that the bank, its director, CEO or senior officer is, amongst others, committing or pursuing an unsafe act or unsound practice in conducting the business of the bank and/or has failed to manage its business or affairs in a manner that is consistent with sound risk management and good governance practices. If the bank, its director, CEO or senior officer fails to comply with any such direction of compliance, it will be an offence and upon conviction, shall be liable to imprisonment for a term not exceeding 10 years or to a fine not exceeding RM50 million or both.

Inspections by BNM

BNM is empowered to examine, without any prior notice, the business and affairs of a bank and its offices, related corporations and any agents of the bank in or outside Malaysia. For this purpose, BNM may also examine the directors, officers or controllers of such bank and its offices, related corporations and any agents of the bank, and shall have access to the bank's documents including documents of title to its assets, all securities held by it in respect of its customers' transactions and investments held by it, cash, premises, apparatus, equipment or machinery, and the bank shall produce to BNM all such documents or cash, as BNM may require within such time as BNM may specify.

Deposit Insurance

Deposit insurance is a system established by the Government to protect depositors against the loss of their deposits in the event a member institution is unable to meet its obligations to depositors. As an integral component of an effective financial safety net, a deposit insurance system enhances consumer protection by providing explicit protection to depositors.

In Malaysia, the deposit insurance system was brought into effect in September 2005 and is managed by PIDM. PIDM is an independent statutory body established under the 2005 Act.

Benefits to insurance depositors include:

- PIDM insures depositors holding insured deposits with member institutions;
- deposit insurance is automatic;
- there are no direct costs to depositors for deposit insurance protection; and
- should a member institution fail, PIDM will promptly reimburse depositors up to the limit of the deposit insurance coverage provided under the 2005 Act.

Benefits to the financial system include:

- PIDM promotes public confidence in Malaysia's financial system by protecting depositors against the loss of their deposits;
- PIDM reinforces and complements the existing regulatory and supervisory framework by providing incentives for sound risk management in the financial system;
- PIDM minimises costs to the financial system by finding least cost solutions to resolve failing member institutions; and
- PIDM contributes to the stability of the financial system by dealing with member institution failures expeditiously and reimbursing depositors as soon as possible.

With effect from 31 December 2010, the 2011 Act came into effect and replaced the 2005 Act. The 2011 Act was enacted to implement an enhanced financial consumer protection package, whereby, amongst others, the deposit insurance limit was increased to RM250,000 per depositor per member bank. In addition, under the 2011 Act, foreign currency deposits will now benefit from deposit insurance protection.

The enhanced financial consumer protection package also includes the expansion of PIDM's mandate to include the administration of the takaful and Insurance Benefits Protection System ("**TIPS**"). TIPS is an explicit, limited Government protection system which covers takaful and insurance benefits and will be administered broadly along the same approach as provided for in the current deposit insurance system.

Licensed insurance companies and registered takaful operators ("**insurer members**") will automatically become member institutions of PIDM. In addition, the 2011 Act includes powers for PIDM to intervene in or resolve troubled insurer members and ensure prompt payments to claimants under the policies or takaful certificates protected under TIPS.

The 2011 Act widens PIDM's mandate, roles and responsibilities, and provide it with a wider toolkit to fulfil its mandate to protect depositors in the event of a member institution failure.

Guidelines on Investor Protection

The Guidelines on Investor Protection, which took effect on 17 December 2010 and were jointly issued by BNM and the SC, sets out the requirements that must be complied with by financial institutions which are specified as "registered persons" in Part 1 of Schedule 4 pursuant to Section 76(1)(a) of the CMSA and their employees when carrying on permitted capital market activities. Registered persons must ensure that their employees who carry out permitted capital market activities on their behalf are "fit and proper" as well as maintain a register containing the names of such employees. The standard on "fit and proper" is met through compliance with (i) minimum "fit and proper" criteria, (ii) examination requirements, and (iii) continuing professional education requirements. A registered person shall also maintain adequate operational resources and efficient procedures necessary for the proper conduct of the permitted capital market activities at all times. Non-compliance of the Guidelines on Investor Protection may result in an action being instituted against the registered person or its employees by BNM or the SC.

Guidelines on Responsible Finance

On 18 November 2011, BNM introduced guidelines to financial institutions aimed at promoting prudent, responsible and transparent retail financing practices. BNM subsequently issued revised guidelines to financial institutions on 5 July 2013 ("**Guidelines on Responsible Finance**"). The Guidelines on Responsible Finance complement other measures that promote better protection for financial consumers and a sustainable credit market that contributes towards preserving financial and macro-economic stability.

The Guidelines on Responsible Finance require financial institutions to make assessments of a borrower's ability to afford financing facilities based on a prudent debt service ratio as inputs to their credit decisions. Financial service providers must make appropriate enquiries into a prospective borrower's income after statutory deductions for tax and contributions to the Employees Provident Fund and Social Organisation Security, and must consider all debt obligations, in assessing affordability. While this is consistent with the current practice of most financial institutions, the Guidelines on Responsible Finance facilitate a sharper focus and more consistent approaches across the industry to assessments of individual affordability. The Guidelines on Responsible Finance aim to ensure that the increasingly competitive conditions will not lead financial institutions to compromise prudent and responsible financing practices. The Guidelines on Responsible Finance also stipulate that the maximum tenor for vehicle financing applications should not exceed nine years.

Additionally, the Guidelines on Responsible Finance aim to encourage sound borrowing decisions by consumers through better engagements with financial institutions that will help consumers carefully consider their ability to service all their debt obligations without recourse to further debt or substantial hardship. Clear expectations are also placed on financial institutions to ensure that consumers are treated fairly in the sales, marketing and administration of financing facilities. Financial institutions are also required to at least provide consumers with specific information on, amongst others, the total repayment amount and total interest cost as well as the impact of an increase in the financing rate to ensure that consumers understand the full implications of a borrowing decision. BNM has since revised the Guidelines on Responsible Finance on 6 May 2019 to include new requirements on the repricing or revision of financing facilities that are in arrears (excluding credit card and hire purchase financing). The requirements include BNM's expectations on actions to be taken by a financial service provider if a financing facility is repriced or revised and the disclosures to be made to customers. BNM will continue its surveillance and supervisory activities to ensure that the requirements under the Guidelines on Responsible Finance are properly implemented.

Competition Act 2010

See the section titled "Considerations relating to the Malaysia banking industry — Competition" for a description of Malaysia competition laws.

Malaysian Economy

Smaller GDP decline in the first quarter of 2021

The Malaysian economy registered a smaller decline of 0.5 per cent. in the first quarter (4Q 2020: -3.4 per cent.). The growth performance was supported mainly by the improvement in domestic demand and robust exports performance, particularly for electrical and electronics ("**E&E**") products. Growth was also supported by the continued policy measures. The imposition of the second Movement Control Order ("**MCO 2.0**") and the continued closure of international borders and restrictions on inter-state travel, however, weighed on economic activity. Nevertheless, as restrictions were eased in February and March, economic activity gradually picked up. All economic sectors registered an improvement, particularly in the manufacturing sector. On the expenditure side, growth was driven by better private sector spending and strong growth in trade activity. On a quarter-on-quarter seasonally-adjusted basis, the economy registered a growth of 2.7 per cent. (4Q 2020: -1.5 per cent.).

Improvement in all economic sectors, led by manufacturing

In terms of sectoral performance, all economic sectors registered an improvement. The manufacturing sector expanded at a higher pace of 6.6 per cent. (4Q 2020: 3.0 per cent.), driven by the robust E&E production and continued recovery in the consumer-, primary- and construction-related clusters. The strong performance of the E&E subsectors reflected the higher global demand for semiconductors components, as reflected by the improvement in the World Semiconductor Trade Statistics. Despite the imposition of MCO 2.0, the consumer- and primary-related manufacturing also recorded higher growth, as most manufacturing sectors were allowed to operate while adhering to stringent standard operating procedures. Global concerns surrounding electronic-chip shortages on the automotive sector had only a limited impact on the strong domestic passenger car production due to the lower chip intensity of most mass market vehicles. In addition, the extension of Sales and Services Tax exemption for the purchase of motor vehicles until June 2021 also helped Malaysia's motor vehicle production.

The services sector recorded a smaller decline of 2.3 per cent. in the first quarter of 2021 (4Q 2020: -4.8 per cent.). This was due to the improvement in the consumer-related activities, supported by the relaxation of containment measures such as dine-ins and inter-district travel beginning from middle of February 2021. Nevertheless, the weakness in tourism activity continues to affect key subsectors such as accommodation as well as air travel under the transport and storage subsector. Meanwhile, growth in the finance and insurance subsector improved, attributed to higher fee income, stable loan and deposit growth, and higher net insurance premiums. The information and communication subsector continued to benefit from demand for data communication services following the adoption of remote working and learning arrangements.

The agriculture sector registered a positive growth of 0.4 per cent. (4Q 2020: -1.0 per cent.), driven mainly by expansion in livestock, other agriculture, forestry and logging subsectors. Growth in the oil palm subsector declined further as production was affected by floods in the earlier part of the quarter, while labour shortages continued to affect harvesting activities.

The mining sector contracted at a much slower pace of 5.0 per cent. (4Q 2020: -10.4 per cent.). Despite some facility closures for maintenance purposes during the quarter, both crude oil and natural gas production improved amid the gradual recovery in external demand and commencement of the PETRONAS Floating Liquefied Natural Gas Dua facility operations located in offshore East Malaysia.

The construction sector contracted by a smaller rate of 10.4 per cent. (4Q 2020: -13.9 per cent.). Activity was supported by the ramp up of construction works in commercial projects that are nearing completion and the continued implementation of small-scale projects. This resulted in a strong positive growth in the special trade subsector. However, activity in the residential, non-residential and civil engineering subsectors remained weak, affected by labour shortages and site shutdowns due to COVID-19 outbreaks. The implementation of MCO 2.0 also weighed on growth, as activity in construction sites that did not meet the conditions to operate were halted[1].

Smaller decline in domestic demand

Domestic demand recorded a smaller decline of 1.0 per cent. (4Q 2020: -4.5 per cent.) in the first quarter of 2021, weighed down by the contraction in private sector expenditure amid the imposition of MCO 2.0. However, the

[1] Activities that were allowed to operate during MCO 2.0 include critical maintenance and repair works, public infrastructure projects, and projects that provide worker accommodation onsite or Centralised Labour Quarters.

impact of MCO 2.0 was smaller given that most economic sectors were allowed to operate and with continued policy support for households and businesses. On the external front, robust external demand particularly for E&E products, contributed to a continued expansion in net exports.

Private consumption contracted by 1.5 per cent. during the quarter (4Q 2020: -3.5 per cent.). Although household spending was affected by the imposition of MCO 2.0, the impact was smaller compared to the MCO in the previous year amid relatively less restrictive containment measures. While wage and employment growth remain in contraction, the overall growth improved, as most businesses continued to operate, which lent support to household spending. Spending on online platforms also continued to increase, cushioning the impact of the drop of in-store spending, as reflected in the expansion of the index of online retail sales (1Q 2021: 22.8 per cent.; 4Q 2020: 30.4 per cent.). Furthermore, consumer expenditure remained supported by various stimulus measures including the EPF i-Sinar withdrawals, wage subsidies as well as the Targeted Repayment Assistance.

Public consumption improved to 5.9 per cent. (4Q 2020: 2.4 per cent.) amid a rebound in supplies and services spending, particularly by the Government. Growth was also supported by faster expansion in emoluments.

Smaller contraction in investment activity

Gross fixed capital formation registered a smaller contraction of 3.3 per cent. (4Q 2020: -11.8 per cent.), supported mainly by the recovery in capital spending from the private sector. By type of asset, investment in machinery and equipment expanded by 10.3 per cent. (4Q 2020: -9.0 per cent.), while investment in structures registered a smaller contraction of 10.4 per cent. (4Q 2020: -13.2 per cent.).

Private investment recorded its first positive growth since the fourth quarter of 2019 (1Q 2021: 1.3 per cent.; 4Q 2020: -6.6 per cent.). This was supported mainly by the increase in capital expenditure from new and ongoing investment projects, particularly in the services and manufacturing sectors.

Public investment registered a contraction of 18.6 per cent. (4Q 2020: -20.4 per cent.). While the Government fixed assets spending was higher, investment by public corporations contracted at a larger pace, particularly in the oil and gas and telecommunication subsectors.

Headline inflation turned positive during the quarter

Headline inflation, as measured by the annual percentage change in the Consumer Price Index ("**CPI**"), turned positive to 0.5 per cent. during the quarter (4Q 2020: -1.5 per cent.). This was due mainly to positive albeit low fuel inflation, as well as a lapse in the effect from the tiered electricity tariff rebate[2]. The positive fuel inflation was driven by the base effect from low domestic retail fuel prices last year. These were partly offset by lower inflation in other categories, in particular, rental and jewelleries.

Rental inflation remained low amid soft demand for rental properties, in addition to reduced numbers of prospective tenants amid continued domestic movement restrictions and international border closures. Meanwhile, the lower inflation for jewelleries reflected declining gold prices during the quarter. Following the lower inflation for rental and jewelleries, core inflation moderated to 0.7 per cent. during the quarter (4Q 2020: 0.8 per cent.).

In terms of the monthly trajectory, headline inflation was -0.2 per cent. in January 2021 and 0.1 per cent. in February 2021 as fuel prices remained lower than the corresponding period last year. By March, headline inflation was higher at 1.7 per cent. as fuel inflation increased, reflecting the base effect from low domestic retail fuel prices in March 2020.

Despite the positive headline inflation, upward pressures on prices were contained during the quarter, as the share of CPI items recording month-on-month price increases remained lower than average (1Q 2021 average: 40 per cent.; 2010 – 2019 average: 45 per cent.).

Gradual recovery in labour market conditions

Labour market conditions showed initial signs of recovery in line with the pick-up in economic activity, despite the temporary weakness caused by the imposition of MCO 2.0. The unemployment rate remained at 4.8 per cent.

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2 The tiered electricity tariff rebates were implemented under the Bantuan Prihatin Elektrik scheme from April to December 2020, with rebates ranging from 2 per cent. to 50 per cent. depending on monthly electricity consumption.

(4Q 2020: 4.8 per cent.). This reflected a marginal contraction in employment growth (-0.05 per cent.; 4Q 2020: -0.6 per cent.), and a greater expansion in the labour force (1.4 per cent.; 4Q 2020: 1.0 per cent.). Compared to the fourth quarter of 2020, data from the Social Security Organisation points to lower jobless claims from the Employment Insurance System ("**EIS**") (20,418 persons; 4Q 2020: 23,307 persons), amid a lower placement rate of employees into new jobs (33 per 100 people retrenched; 4Q 2020: 43 per 100 people retrenched)[3]. This reflected the lower retrenchments, and improvement in hiring activity in February and March (February 2021: 33 placements per 100 people retrenched; March 2021: 37 placements per 100 people retrenched), after indicators registered a slight deterioration between October 2020 and January 2021 (October 2020: 55; November 2020: 37; December 2020: 40; January 2021: 30) following the re-imposition of movement restrictions. Notably, the impact of the MCO 2.0 was more moderate compared to the first MCO and Conditional Movement Control Order in the second quarter of 2020, and the recovery trajectory remains intact.

Meanwhile, private sector wages registered a smaller decline in the first quarter (-2.2 per cent.; 4Q 2020: -3.4 per cent.), attributable to modest improvements in both services and manufacturing wages. In the services sector, wages declined at a more moderate pace (-3.1 per cent.; 4Q 2020: -4.6 per cent.), driven by smaller contractions in the transportation and storage, food and beverages, and professional services subsectors. In the manufacturing sector, wage growth declined at a slower rate of 0.6 per cent. (4Q 2020: -1.3 per cent.), driven by improvements in the export-oriented subsectors. The pace of recovery in wages reflect continued cautiousness among employers in expanding employment, due to continued uncertainty surrounding the recovery trajectory.

Improvement in trade activity amid higher external demand and domestic manufacturing activity

Gross exports grew at a faster pace of 18.2 per cent. (4Q 2020: 5.1 per cent.), driven by robust manufactured exports. Gross imports turned around to register a positive growth of 10.8 per cent. (4Q 2020: -4.5 per cent.), due to a broad-based improvement in all import categories. The trade surplus[4] amounted to RM58.6 billion (4Q 2020: RM59.9 billion).

Manufactured exports increased by 21.9 per cent. (4Q 2020: 7.6 per cent.), supported mainly by E&E exports (26.9 per cent., 4Q 2020: 13.8 per cent.). This was contributed by firm demand for semiconductors for work from home equipment and medical devices. Commodities exports registered a smaller contraction (-5.4 per cent., 4Q 2020: -7.8 per cent.) due mainly to improvement in Liquefied Natural Gas prices.

Capital imports rebounded during the quarter (32.7 per cent.; 4Q 2020: -15.0 per cent.), supported primarily by higher imports of telecommunications equipment and machinery for manufacturing. Intermediate imports turned around to record a positive growth of 4.6 per cent. (4Q 2020: -7.2 per cent.), due to higher imports of industrial supplies, in line with the continued expansion in domestic manufacturing activity.

Lower current account surplus

The current account of the balance of payments registered a surplus of RM12.3 billion or 3.3 per cent. of GDP during the quarter (4Q 2020: RM18.6 billion or 4.9 per cent. of GDP). The lower surplus was on account of the smaller goods surplus and the higher deficit in the services and secondary income account.

The goods surplus narrowed to RM36.6 billion (4Q 2020: RM42.6 billion) as the improvement in imports outpaced that of exports, in line with the recovery in domestic demand and trade activity. The services account recorded a higher deficit (-RM15.0 billion; 4Q 2020: -RM14.0 billion) due to higher imports of transport and construction services.

The primary income account registered a smaller deficit of RM5.7 billion (4Q 2020: -RM7.2 billion). This mainly reflected the higher investment income accrued to Malaysians from investments abroad.

The secondary income account recorded a larger deficit of RM3.6 billion (4Q 2020: -RM2.7 billion) reflecting higher outward remittances by foreign workers.

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3 Job losses are proxied by the number of people who apply for the EIS benefits following loss of employment, while the placement rate refers to the number of people placed in new jobs under the EIS programme for every 100 persons retrenched. Thus, the placement rate is indicative of the pace of hiring, relative to retrenchment activity.

4 The goods and trade surpluses differ because goods for processing, storage and distribution (with no change in ownership) are excluded from the goods account. This is as per the 6th Edition of the Balance of Payments and International Investment Position Manual by the International Monetary Fund ("**IMF**").

Financial account registered a net inflow supported by inflows in all major accounts

The financial account recorded a net inflow of RM16.0 billion (4Q 2020: -RM10.2 billion), reflecting inflows in all major accounts. The direct investment account registered a continued net inflow of RM1.4 billion (4Q 2020: +RM1.6 billion), supported by higher net inflows in foreign direct investment of RM9.1 billion (4Q 2020: +RM6.8 billion). This was driven by larger reinvestment of earnings (+RM4.1 billion; 4Q 2020: -RM1.9 billion) and sustained equity injections into Malaysia (+RM4.4 billion; 4Q 2020: +RM4.3 billion). These inflows were channelled primarily into the services and manufacturing sectors. Direct investment abroad recorded higher net outflows of RM7.8 billion in the first quarter (4Q 2020: -RM5.2 billion). These investments were channelled mainly into the services and mining sectors.

The portfolio investment account recorded a small net inflow of RM0.4 billion (4Q 2020: -RM7.1 billion), on account of higher net inflows of non-resident ("**NR**") portfolio investments (+RM14.6 billion; 4Q 2020: +RM12.8 billion) and lower residents' portfolio investments abroad (-RM14.2 billion; 4Q 2020: -RM19.9 billion). Higher net NR portfolio investment inflows reflected larger inflows into domestic debt securities (+RM16.9 billion; 4Q 2020: +RM14.1 billion), particularly the Government bonds. This more than offset the higher liquidation of domestic equity securities (-RM2.3 billion; 4Q 2020: -RM1.3 billion). More moderate residents' portfolio investments abroad were driven by lower institutional investors' acquisitions of equity securities.

The other investment account turned around to register a significant net inflow of RM13.9 billion (4Q 2020: -RM3.7 billion). This was due primarily to higher interbank borrowings by the domestic banking system. Net errors and omissions amounted to -RM10.9 billion during the quarter, or -2.2 per cent. of total trade.

External debt remained manageable

Malaysia's external debt amounted to RM1,039.7 billion, or 73.2 per cent. of GDP as at end-March 2021 (end-December 2020: RM958.1 billion or 67.6 per cent. of GDP). The increase mainly reflected higher interbank borrowings and exchange rate valuation effects following the weaker Ringgit against selected major and regional foreign currencies during the period. There was also an increase in NR holdings of Government domestic debt securities. These largely offset net repayment of bonds and notes, loans and intragroup loans during the quarter.

The country's external debt remained manageable, given its favourable currency and maturity profiles. Ringgit-denominated external debt amounted to RM348.9 billion and accounted for 33.6 per cent. of total external debt (end-December 2020: 33.9 per cent.). It was largely in the form of NR holdings of domestic debt securities (67.8 per cent. share of Ringgit-denominated external debt) and Ringgit deposits (17.1 per cent. share) in resident banking institutions. These liabilities were not affected by fluctuations in the Ringgit exchange rate.

Foreign currency ("**FCY**") external debt accounted for the remaining RM690.8 billion, or 66.4 per cent. of total external debt. 48.2 per cent. of FCY-denominated external debt were by the corporate sector, and are mainly subject to prudential and hedging requirements. Long-term bonds and notes issued offshore stood at RM173.8 billion, accounting for 25.2 per cent. of total FCY-denominated external debt. These were mainly held by nonfinancial corporates and channelled primarily to finance asset acquisitions abroad. Intragroup loans, which accounted for 13.8 per cent. of FCY-denominated external debt, were generally on flexible and concessionary terms.

Interbank borrowings and FCY deposits in the domestic banking system accounted for 38.7 per cent. of FCY-denominated external debt. The increase in interbank borrowings during the quarter was largely driven by higher intragroup transactions by banks in the Labuan International Business and Financial Centre. Part of these borrowings were subsequently placed with NR clients, a reflection of their 'out-out' transactions, with the remaining amount mainly used to fund lending and investment activities locally. Risks associated with these exposures are assessed to be low due to their 'back-to-back' nature i.e., the amount, tenure and currency of the funding received from related entities typically match that of the transaction with the ultimate beneficiary of such funds. Domestic banking groups also saw a net increase of interbank borrowings, primarily reflecting their centralised liquidity management practices. Overall, three-quarters of interbank borrowings were in the form of intragroup borrowings from related parties located abroad, which are generally more stable, thereby limiting rollover risks faced by banks. Meanwhile, foreign-currency risk, as measured in terms of the net open position of FCY-denominated exposures[5], remained low at 4.6 per cent. of banks' total capital (end-December 2020: 5.3 per cent.).

5 Refers to the aggregated sum of the net short or long foreign currency positions for all currencies across banks.

In terms of maturity, 58.4 per cent. of total external debt has medium- to long-term tenure (end-December: 61.7 per cent.), suggesting low rollover risks. The increase in interbank borrowings resulted in higher short-term external debt, which accounted for 41.6 per cent. of external debt (end-December 2020: 38.4 per cent.). Of note 76.3 per cent. of the interbank borrowings were intragroup borrowings (40.2 per cent. of short-term external debt), which were generally stable and on concessionary terms. About another 12.5 per cent. were accounted for by trade credits, largely backed by export earnings and are self-liquidating. As at 30 April 2021, international reserves stood at USD110.8 billion, sufficient to finance 8.7 months of retained imports, and is 1.1 times the short-term external debt.

Reserves are not the only means for banks and corporations to meet their external obligations. The progressive liberalisation of foreign exchange administration rules has resulted in greater decentralisation of reserves. In particular, banks and corporates hold three-quarters of Malaysia's external assets (as at end-March 2021: RM1.6 trillion). These external assets can be drawn upon to meet banks' and corporates' external debt obligations (RM785.1 billion), without creating a claim on international reserves. The adequate level of international reserves, together with the availability of substantial foreign currency and external assets by banks and corporations, and a flexible exchange rate, will continue to serve as important buffers against potential external shocks.

(Source: Quarterly Bulletin for 1st Quarter of 2021 — Developments in the Malaysian Economy, Bank Negara Malaysia)

Overview of the Malaysian Banking Industry

Economic Outlook 2021 — Monetary and Financial Developments

Overview

The financial sector remains sound

Monetary and financial conditions have been resilient throughout the COVID-19 pandemic period and supportive of economic recovery. Monetary operations will be supported by vibrant money and foreign exchange markets as well as intermediation activities. The banking sector is expected to remain robust and orderly, underpinned by ample liquidity and strong capital buffers. The capital market will continue to be resilient, driven by well-developed infrastructure and instruments. Nevertheless, concerns over the momentum of global economic recovery due to the pandemic, continued US-China trade tensions, weak commodity prices, and volatile global financial markets may affect financial and capital market performance.

Monetary Developments

Monetary policy mitigates the impact of the pandemic

Monetary policy cushioned the adverse effects of measures implemented to contain the spread of COVID-19 virus on the economy. The policy also provided additional stimulus to sustain the pace of economic recovery. The OPR was reduced successively by 125 bps during the first seven months of 2020 to a historic low of 1.75 per cent. Similarly, the SRR was reduced by 100 bps from 3.00 per cent. to 2.00 per cent. Banking institutions were also given the flexibility to use MGS and MGII to fully meet SRR compliance. The measures were implemented to ensure sufficient liquidity and to support the orderly functioning of the domestic financial market.

The interest rate in the banking system was lowered in line with the OPR adjustment since January 2020. In the first seven months of 2020, the average lending rate and weighted base rate of commercial banks were reduced consecutively to 3.70 per cent. and 2.43 per cent., respectively. During the same period, the average interest rate on savings deposit of commercial banks was lowered to 0.48 per cent. while fixed deposits of 1-month to 12-month maturities moderated to between 1.53 per cent. and 1.79 per cent.

With accommodative monetary policy, monetary aggregates expanded rapidly during the first seven months of 2020. Money supply rose by 15.7 per cent. to RM497.2 billion, supported by higher currency in circulation and demand deposits which increased by 18.5 per cent. and 14.9 per cent., respectively. Similarly, Broad Money expanded by 6.1 per cent. to RM2,029.7 billion, mainly due to higher net claims on the Government and extension of credit to the private sector, primarily through securities. The money supply is expected to expand further backed by higher demand for loans and securities by the private sector.

Performance of Ringgit

Periods of volatility in the exchange rate

In January 2020, the Ringgit appreciated against the US dollar mainly due to non-resident portfolio inflows. This was supported by improved investors' risk sentiment attributed to positive development in the US-China trade negotiation. However, in February and March, the local note, along with regional currencies, faced significant depreciation against the US dollar. The downward trend of the Ringgit was contributed by geopolitical uncertainties, declining commodity prices and rapid escalation of the COVID-19 pandemic.

From the second quarter onwards, recovery in global investor sentiments amid monetary and fiscal stimulus measures deployed to combat the pandemic led the Ringgit to appreciate by 3.5 per cent. against the US dollar, in line with the appreciation of regional currencies. As at end-September, the Ringgit recorded a depreciation of 1.6 per cent. against the US dollar. Going forward, the expected recovery in the global and domestic economy will provide some support for the Ringgit. However, lingering uncertainties over the COVID-19 pandemic, global political and policy environment could lead to periods of heightened exchange rate volatility.

Banking Sector Performance

Resilient banking sector

The capitalisation of the banking sector remained strong, supported by the accumulation of high-quality loss-absorbing instruments. As at end-July 2020, excess total capital buffer[1] remained high at RM121.6 billion. The banking sector remained well-capitalised with Common Equity Tier 1 Capital, Tier 1 Capital and Total Capital Ratios at 14.6 per cent., 15.1 per cent. and 18.3 per cent., respectively. The ratios are well above the Basel III minimum regulatory levels of 4.5 per cent., 6 per cent. and 8 per cent., of risk-weighted assets.

The pre-tax profit of the banking sector fell by 11.7 per cent. to RM20.5 billion in the first seven months of 2020. Despite the challenging environment, domestic banks remain strong, supported by orderly financial markets and sustained confidence in the banking sector. As a result, returns on assets and equity continued to be stable at 1.2 per cent. and 10.5 per cent., respectively.

The loan quality and liquidity of the banking sector also remain sound. As at end-July 2020, the net impaired loans ratio and loan loss coverage ratio (including regulatory reserves) remained healthy at 0.91 per cent. and 121 per cent., respectively. Similarly, the LCR was at 152 per cent., well above the 100 per cent. minimum requirement. Notwithstanding uncertainties and heightened risks from global financial markets following the fallout from the COVID-19 pandemic and ongoing geopolitical tensions, the banking sector liquidity remains sufficient and stable in the near term.

Lending activities slowed down, reflecting cautious sentiment on the global and domestic growth outlook. In the first seven months of 2020, loan approvals and disbursements fell by 22 per cent. and 7.3 per cent. to RM185.5 billion and RM657.1 billion, respectively. This was mainly due to financial institutions taking precautionary measures to approve new loans following restricted economic activities. However, total loans outstanding expanded by 4.5 per cent. to RM1,806.1 billion as at end-July 2020.

Loan approvals to businesses decreased by 12.5 per cent. to RM80.7 billion as at end-July 2020. Total disbursements to businesses fell by 4.3 per cent. to RM430.7 billion, representing 65.5 per cent. of total loans disbursed. The bulk of loans were channelled into manufacturing (22.2 per cent. of total loans), wholesale and retail trade, restaurants and hotels (19.4 per cent. of total loans) as well as construction (6.6 per cent. of total loans) sectors. At the same time, total loans outstanding to the business sector increased by 4 per cent. to RM633.3 billion, accounting for 35.2 per cent. of total loans outstanding.

Household borrowings slowed down with loan approvals declining by 30 per cent. to RM88.9 billion. Loans disbursed to households also declined by 16.3 per cent. to RM165.3 billion, mainly for consumption credit (13.1 per cent. of total loans), purchase of residential properties (6.3 per cent. of total loans) and securities (2.7 per cent. of total loans). As at end-July 2020, total household loans outstanding rose by 4.4 per cent. amounting to RM1,024 billion, which accounts for 56.8 per cent. of total loans outstanding in the banking sector.

The overall household debt increased by 4 per cent. to RM1,265.9 billion, accounting for 87.5 per cent. of GDP as at end-June 2020. The increase was mainly due to the sharp contraction in GDP during the first half of the year. The bulk of the debt comprises of loans for the purchase of residential properties (55.9 per cent.), followed by personal use (14.2 per cent.) and passenger cars (12.3 per cent.). Total household assets were valued at RM2,751.9 billion with growth in household financial assets continuing to outpace that of debt. Although household debt has risen, it is expected to remain manageable, supported by programmes to rein in the debt level and measures enacted to cushion the impact of the COVID-19 pandemic on the economy.

Capital Market Performance

Fundraising activities to recover

Gross funds raised in the capital market declined by 14.4 per cent. to RM143.7 billion during the first seven months of 2020. The lacklustre performance was due to lower fundraising activity in the private sector, which fell significantly by 48.6 per cent. to RM45.8 billion. Gross funds raised by the private sector through the domestic equity market declined from RM5 billion to RM0.3 billion. The sharp decline was due to cautious investors' sentiment during the lockdown period.

[1] Excess total capital buffer refers to the total capital above the banks' regulatory minima, which also includes the capital conservation buffer (2.5 per cent. of risk-weighted assets) and bank-specific higher minimum requirements.

During the same period, funds raised through new corporate bond issuances also fell by 45.9 per cent. to RM45.6 billion. The bulk of issuances were medium-term notes, accounting for 92.1 per cent. of total corporate bonds. The majority of funds were raised by finance, insurance, real estate, and business services sector, accounting for 72 per cent. of new corporate bond issuances. The funds were mainly allocated for infrastructure projects, working capital and business activities. On the back of global economic uncertainties and rising geopolitical risks, fundraising in the domestic capital market remains promising buoyed by ongoing and resumption of strategic projects.

Gross funds raised by the public sector increased further by 24.5 per cent. to RM97.9 billion during the first seven months of 2020. The expansion was contributed by strong demand for Government papers to support the various stimulus packages. The issuance of MGS rose to RM50 billion, while MGII expanded to RM47.9 billion. During the same period, foreign holdings of MGS and MGII stood at 38.2 per cent. and 5.8 per cent., respectively. The holding portfolios indicate that Malaysia's debt market remains attractive to institutional and foreign investors, attributed to its deep, liquid and investor-friendly nature.

During the first seven months of 2020, MGS and corporate bond yields were broadly on a declining trend across all tenures. The lower MGS yields were influenced by the easing of domestic monetary stance given the slower-than-expected economic growth. Yields on MGS 1-year, 3-year, 5-year, and 10-year declined within the range of 76 and 119 bps. Yields for the corporate bond on the 5-year AAA-rated, AA-rated and A-rated securities also fell between 75 and 77 bps.

At the beginning of the year, the FTSE Bursa Malaysia Kuala Lumpur Composite Index ("**FBM KLCI**") and other regional indices fell into bearish territory. The local bourse was dragged down below 1,600 points in the second week of January 2020, following the rising geopolitical tensions between the US and Iran. Despite the improvement in the US and China trade deal on 15 January 2020, the FBM KLCI along with major and regional bourses remained on a softer note.

The FBM KLCI was subdued on the back of global economic uncertainties, rising geopolitical tensions, low commodity prices and the spread of the COVID-19 pandemic, which dampened investors' risk appetite. Furthermore, the enforcement of the MCO beginning 18 March 2020 led to panic selling in the equities market. The MCO tapered investors' risk appetite, resulting in the local bourse to hit its decade-low of 1,219.72 points on 19 March 2020.

Nevertheless, the subsequent relaxation of lockdown measures and gradual resumption of economic activities supported the recovery of the local bourse. The FBM KLCI rebounded to 1,575.27 points on 10 June 2020 in tandem with regional markets' optimism amid the upward performance of the Wall Street. In addition, the improvement of the local index was also attributed to the launching of the various stimulus packages announced by the Government to mitigate the impact of COVID-19 pandemic on the economy.

The FBM KLCI started to decline again to 1,488.14 points on 26 June 2020. This was due to the announcements by the U.S. Federal Reserve, IMF and World Bank on downside risks to global and domestic growth following mounting concerns over the second wave of COVID-19 pandemic. However, the local bourse elevated to reach 1,504.82 points in end-September 2020 upon investors' positive sentiment towards the Government's effort to contain the pandemic despite fresh lockdowns by several countries.

There has been a significant improvement in trading activities in the first nine months of 2020. Total volume and total market transacted value rose by 162.2 per cent. to 1,272 billion units and 90 per cent. to RM749 billion, respectively. Market velocity was sustained at 62.4 per cent., while market volatility at 36.3 per cent. Foreign holdings based on market capitalisation in the local bourse remained stable at 12.6 per cent. as at end-September 2020. Nevertheless, the market capitalisation declined by 2.1 per cent. to RM1,638.7 billion as at end-September 2020. The domestic equity market is expected to regain traction following investors' optimistic outlook on the pace of global market recovery and domestic economic growth supported by various strategic projects.

Islamic Banking and Capital Market Performance

Islamic banking and capital market to persevere

The Islamic banking industry expanded with total assets valued at RM1,038.2 billion[2] and market share at 33 per cent. as at end-July 2020. Meanwhile, the total Islamic financing outstanding increased further by 10 per cent. to

[2] Includes Development Financial Institutions.

RM787.8 billion. The growth is primarily contributed by household sector financing, which increased by 8.7 per cent. to RM490.9 billion, mainly for the purchase of residential properties. Islamic financing is expected to expand further supported by the recovery in economic activity and continuous promotion of Shariah-compliant products.

The Islamic Capital Market ("**ICM**") continues to thrive with Malaysia being among the largest issuer of Sukuk and Islamic equity in the world. As at end-July 2020, the domestic size of ICM was valued at RM2.2 trillion, accounting for 66.2 per cent. of RM3.3 trillion of Malaysia's total capital market size. Meanwhile, Sukuk issuances amounted to RM130.8 billion or 60.2 per cent. of total bonds issuances. Sukuk outstanding was valued at RM986.9 billion or 62.6 per cent. of total bonds outstanding. While Malaysia continued to account for the largest share of global Sukuk outstanding at 45.6 per cent. as at end-June 2020, the turmoil in the global market has affected the performance of the ICM. This was reflected in the subdued performance of corporate Sukuk issuances during the initial MCO period. Nevertheless, the reopening of almost all economic sectors in the middle of the year led to the improvement in corporate Sukuk performance.

Bursa Malaysia continued to promote Shariah-compliant securities products. As at end-July 2020, a total of 716 or 76.8 per cent. of the 932 listed companies was Shariah-compliant. The market capitalisation of Shariah-compliant securities stood at RM1.18 trillion or 69.5 per cent. of the total market capitalisation.

Despite the challenging economic climate, the prospect for ICM remains promising. The demand for Shariah-compliant products is expected to be stronger in the future, supported by its appeal to a broader group of investors. The ongoing promotion of Shariah-compliant products and digitalisation of services will provide the impetus for the country to position itself as a prominent international centre for Islamic financial services.

Conclusion

Monetary policy will continue to support economic recovery. The economy is anticipated to improve during the second half of the year and register a sharp turn-around in 2021. The positive outlook will be backed by favourable global growth projection along with a revival in domestic economic activities. In turn, this will bode well for financial market performance. However, the resurgence of COVID-19 cases, geopolitical tensions and weak commodity prices may pose downside risks to the encouraging outlook. In this regard, various initiatives are being undertaken to ensure the financial market continues to be resilient. These initiatives include promoting green financing instruments, supporting financial platforms driven by digital technology, enhancing knowledge and awareness among investors, and fostering greater collaboration with market players at domestic and international levels.

(Source: Chapter 4: Monetary and Financial Developments, Economic Outlook 2021, Ministry of Finance, Malaysia)

Monetary and Financial Developments and BNM's Policy Considerations in the First Quarter of 2021

Domestic financial markets were affected by external and domestic factors

In the first quarter of 2021, conditions in the domestic financial markets were affected by both external and domestic developments. On the external front, the rise in long-term US Treasury yields during this period led to shifts in international portfolio flows, resulting in financial asset price adjustments globally.

The surge in US Treasury yields, driven mainly by expectations for higher inflation in anticipation of a faster economic recovery in the US, led to the steepening of government bond yield curves in other advanced and emerging market economies. Furthermore, the improved US economic outlook and higher treasury yields supported the rebalancing of portfolio investments towards US financial assets and contributed to a strengthening of the US dollar. As a result, there was a broad-based weakening of regional currencies against the US dollar, including the Ringgit.

Consequently, domestic bond yields rose in tandem with yield movements in regional markets and US Treasury securities. In particular, 10-year MGS yields increased to its peak in mid-March before declining towards the end of the month as volatility in US Treasury yields subsided. The domestic bond market was further supported by the positive news on Malaysia's retention in the FTSE World Government Bond Index. Overall, the government bond market continued to record inflows as non-resident holdings increased to 25.0 per cent. of outstanding government bonds (4Q 2020: 24.2 per cent.). For the quarter, the 3-year, 5-year and 10-year MGS yields increased by 24.4, 54.1 and 61.9 basis points, respectively, while the Ringgit depreciated against the US dollar by 3.5 per cent., in line with the movements of regional currencies.

The decline in the domestic equity market was due mainly to developments surrounding COVID-19 cases, and the re-imposition of containment measures domestically, which posed concerns on the corporate earnings outlook. As at end-March, the FBM KLCI declined by 3.3 per cent. to close at 1,573.5 points (end-December: 1,627.2 points).

Nominal interest rates remained broadly stable during the quarter

Nominal interest rates in the wholesale and retail markets were stable throughout the quarter. The benchmark 3-month KLIBOR remained unchanged at 1.94 per cent. (4Q 2020: 1.94 per cent.), while in the retail market, the weighted average base rate was also unchanged at 2.43 per cent. (4Q 2020: 2.43 per cent.). More broadly, the weighted average lending rate on outstanding loans declined to 3.93 per cent. (4Q 2020: 3.99 per cent.), following the maturity of fixed-rate loans with higher rates.

Nominal fixed deposit ("**FD**") rates were also stable during the quarter, across tenures of 1 month to 12 months. However, real 3-month and 12-month FD rates[3] turned negative given expectations of higher inflation. This was due, in part, to the base effect from the low and negative inflation last year.

Banking system liquidity remained sufficient to facilitate financial intermediation

Banking system liquidity remained sufficient at both the institutional and system-wide levels to facilitate financial intermediation activity. The level of surplus liquidity placed with BNM increased by RM7.2 billion, reflecting the net inflows during the quarter. At the institutional level, almost all banks maintained surplus liquidity positions with BNM as at end-March 2021.

Continued growth in net financing during the quarter

In first quarter of 2021, net financing expanded by 4.7 per cent. on an annual basis (4Q 2020: 4.4 per cent.), contributed by the higher outstanding loan[4] growth (4.3 per cent., 4Q 2020: 3.7 per cent.), while outstanding corporate bond[5] growth moderated slightly during the quarter (5.9 per cent.; 4Q 2020: 6.5 per cent.).

Both business loan disbursements and repayments remained above their historical average levels, due mainly to loans for working capital purposes[6] (Disbursements: RM195.9 billion, 2017 – 2019 quarterly average: RM158.7 billion; Repayments: RM187.7 billion, 2017-19 quarterly average: RM157.8 billion). Meanwhile, total demand for business loans moderated slightly (RM73.9 billion, 4Q 2020: RM77.5 billion) while approval rates remained relatively stable during the quarter.

For the household segments, outstanding loans recorded an annual growth of 6.0 per cent. (4Q 2020: 5.4 per cent.) as disbursements growth outpaced that of repayments. Loans for the purchase of residential properties and passenger cars continued to be the main drivers of household loan expansion (contribution to growth: 5.5 percentage points). In addition, the demand for household loans remained forthcoming (RM139.8 billion; 2017 – 2019 quarterly average: RM119.2 billion), amid the accommodative monetary policy environment and various stimulus measures.

The OPR remains accommodative

At the January and March 2021 Monetary Policy Committee ("**MPC**") meetings, and most recently also at the May 2021 MPC meeting, the MPC maintained the OPR at 1.75 per cent.

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[3] The measurement of inflation in the computation of real deposit rates has been updated to the average expected inflation (based on data from Consensus Economics) over the next 12 months, rather than using the concurrent headline inflation. This measure is intended to reflect inflation expectations, which is the more relevant indicator for saving decisions. This measure is approximated by an average of the forecasts for the current and next calendar year weighted by their share in the forecasting horizon of 12 months ahead, which is comparable to the use of fixed-horizon forecasts in the literature, including Dovern et al. (2012) and Siklos (2013).

[4] Loans from the banking system and development financial institutions (DFIs).

[5] Excludes issuances by Cagamas and non-residents.

[6] Classification of business loans by purpose is only available for the banking system.

The MPC assessed that global economic recovery continues to strengthen, particularly in the major economies, supported by improvements in manufacturing and trade activity, although the pace may vary across countries. The ongoing roll-out of vaccination programmes and sizeable fiscal stimulus measures in the United States as well as policy support in other major economies will further facilitate an improvement in domestic demand. However, a re-tightening of containment measures to curb COVID-19 resurgences could disrupt the recovery trajectory in some economies. Recent financial market volatility has somewhat receded, and financial conditions remain supportive of growth. The balance of risks to the growth outlook remains tilted to the downside, due mainly to uncertainty over the path of the pandemic as well as potential risks of heightened financial market volatility.

For Malaysia, latest indicators point to better-than-expected improvements in economic activity in the first quarter. While the recent re-imposition of containment measures in select locations will affect economic activity in the short term, the impact will be less severe as almost all economic sectors are allowed to operate. The growth trajectory is projected to improve, driven by the stronger recovery in global demand and increased public and private sector expenditure amid continued support from policy measures. The progress of the domestic COVID-19 vaccine programme will also lift sentiments and contribute towards the recovery in economic activity. The growth outlook, however, remains subject to downside risks, stemming mainly from ongoing uncertainties in developments related to the pandemic, and potential challenges that might affect the vaccine roll-out both globally and domestically.

Headline inflation in 2021 is projected to average higher between 2.5 per cent. and 4.0 per cent., primarily due to the cost-push factor of higher global oil prices. In terms of trajectory, headline inflation is anticipated to temporarily spike in the second quarter of 2021, due particularly to the lower base from the low domestic retail fuel prices in the corresponding quarter of 2020. However, this will be transitory as headline inflation is projected to moderate thereafter as this base effect dissipates. Underlying inflation, as measured by core inflation, is expected to remain subdued, averaging between 0.5 per cent. and 1.5 per cent. for the year, amid continued spare capacity in the economy. The outlook, however, is subject to global oil and commodity price developments.

The MPC considers the stance of monetary policy to be appropriate and accommodative. Given the uncertainties surrounding the pandemic, the stance of monetary policy going forward will continue to be determined by new data and information, and their implications on the overall outlook for inflation and domestic growth. BNM remains committed to utilise its policy levers as appropriate to foster enabling conditions for a sustainable economic recovery.

(Source: Quarterly Bulletin for 1st Quarter of 2021 — Monetary and Financial Developments and BNM's Policy Considerations, Bank Negara Malaysia)

Financial Stability Review for Second Half of 2020

Overview

The COVID-19 pandemic continued to present significant challenges to global economic activity in the second half of 2020, although prospects for a firmer recovery in the global economy have improved in recent months. While the rapid roll-out of fiscal and monetary policy responses on an unprecedented scale helped to avert a deeper economic downturn, risks to financial stability remain elevated. Global financial conditions remain susceptible to bouts of heightened volatility, despite having eased significantly since March 2020. Credit risk remains a key risk for the global financial system going forward, as policymakers weigh the trade-off between sustaining short-term support and averting medium term macro-financial stability risks.

Domestically, significant efforts to strengthen the resilience of the Malaysian financial system over the years have afforded banks the capacity to help households and businesses through this difficult period by deferring loan repayments. Despite the unprecedented scale of debt assistance provided, banks have also continued to extend new financing in an environment of heightened credit risks. So far, this underlying strength of banks is enabling them to play an important countercyclical role to support the economy, both in the initial and subsequent recovery phases of this crisis. Insurers and takaful operators, backed by healthy financial buffers, have also been able to extend financial relief to affected policyholders to preserve their coverage. In the domestic financial markets, conditions stabilised over the second half of 2020, amid a reversal of non-resident bond outflows, a sharp increase in retail investor participation in the equity market, and sustained demand by domestic institutional investors.

While the second half of 2020 saw some improvements in the operating environment for businesses, recovery has remained uneven across different business sectors. Improvements observed were mainly in sectors that have returned to near-full operational capacity such as manufacturing. Meanwhile, companies in more severely affected industries such as hotels and restaurants have experienced further depletion of their financial buffers amid a persistent decline in revenue. SMEs, in particular, were significantly affected given more limited financial buffers and narrower profit margins. Repayment assistance, along with support measures introduced by the Government and BNM, have helped businesses to sustain financing repayments and contained any notable increase in defaults. While defaults are expected to rise from current levels, loan repayment data suggests that most firms are able to service their debt as business activities resume. The easing of containment measures, vaccine roll-out and more targeted policy support going forward are expected to further support debt-servicing capacity and mitigate any material increase in defaults.

For households, financial asset growth continued to outpace that of debt, indicating that in aggregate, households have managed to increase their financial wealth during this period. Nonetheless, lower income segments remain stretched financially. These borrowers are likely to face continued challenges in 2021 given an uneven recovery in the labour market. Similar to businesses, repayment assistance programmes and support measures are helping to ease cashflows of financially-stretched households. However, a sustained recovery in income will be key to maintain their debt-servicing capacity over the longer term. Outside this segment of household borrowers, most households are in reasonably good shape, with repayment levels by households in the banking system reaching over 90 per cent. of levels seen prior to the automatic moratorium.

In the Malaysian property market, housing market activity saw a slight rebound in the third quarter of the year amid the low interest rate environment and ongoing measures to support demand. Average housing transaction values rose for a second consecutive quarter, lending support to house prices. Softer market conditions have also prompted supply shifts towards more affordable housing segments, a welcome adjustment in reducing the demand-supply mismatches weighing on housing affordability. This also helps to mitigate risks of future disorderly price corrections. The non-residential property segment, however, continued to face considerable challenges. The hotel segment remains severely affected by travel restrictions, while the recovery in footfall in shopping malls also faced headwinds from lingering concerns over the resurgence of COVID-19. Some businesses have started downsizing office space amid the prevalence of flexible working arrangements, weighing on occupancy and rental growth of office space. Taken together, risks of potential losses to financial institutions from prospects of weaker debt-servicing ability and valuations in the non-residential property market are judged to have increased due to COVID-19. Nonetheless, banks have built up adequate provisions against potential credit losses, which are expected to remain manageable given the low and declining share of bank exposures to segments of the property market exhibiting higher risks.

Overall credit costs of banks remained at an elevated level as banks continued to build up provisions in anticipation of higher credit losses. The various measures introduced since the onset of the crisis, including repayment assistance programmes by banks, targeted financing schemes and government relief programmes, have helped to stave off more severe scarring effects on the economy and the subsequent spillovers to the financial system. Nonetheless, banks face considerable challenges in assessing loan performance, in part due to reduced visibility around the debt-servicing capacity of borrowers, particularly those that remain under loan moratoriums.

While downward pressure on earnings is likely to persist going into 2021, the impact is expected to be less severe than in 2020 partly owing to the frontloading of provisions by banks. Improvements in the domestic and global economy, coupled with continued support measures and the operational capacity of banks to engage and assist borrowers in distress, will further help sustain debt serviceability and support bank earnings. In the insurance and takaful sector, the impact of temporary relief measures and recent floods on the profitability of insurers and takaful operators has also remained limited to date. Going forward, the low interest rate environment will continue to pose challenges for life insurers and family takaful operators, while general insurers may face prospects of rising reinsurance costs following pandemic-related and natural catastrophe losses.

Overall, the financial system remains in a strong position to continue supporting the economic recovery, with strong capitalisation levels to absorb any potential losses and ample liquidity to facilitate financial intermediation activity. BNM’s updated stress tests affirm the resilience of the financial system, with the banking system and insurance sector expected to maintain capital ratios above the regulatory minimum even under simulated scenarios of significantly weaker economic conditions. Financial institutions also remain operationally resilient and will continue to take steps to further strengthen their crisis response arrangements in light of operational challenges presented by the pandemic. This in turn will provide greater assurance of their ability to maintain critical operations and increase the speed with which financial institutions are able to adapt to changing operating conditions going forward.

Coping with COVID-19: Key Developments in the Second Half of 2020

Market Risk

Domestic financial market conditions remained orderly despite continued bouts of volatility

Despite the resurgence in COVID-19 infections and the tightening of movement control restrictions globally towards the end of 2020, global financial market conditions in the second half of 2020 had improved compared to the early part of the pandemic. This improvement was supported by the massive monetary stimulus across many countries, progress in the development and deployment of vaccines, and prospects for a better-than-expected recovery, which collectively bolstered investor risk appetite. Domestically, periods of higher market stress[7] were observed in the first two months of 2021 as investors reacted to the re-introduction of the MCO, the Government's declaration of a state of emergency and rising global and domestic bond yields. Nonetheless, stress levels remained well below those observed in March to April 2020. The downgrade of Malaysia's sovereign rating by Fitch Ratings in December had limited impact on financial markets, as conditions in the foreign exchange, bond, equity and money markets remained orderly.

The domestic equity market sustained a broad-based recovery since March 2020 before paring some of these gains in the first two months of 2021 amid bouts of heightened volatility and non-resident outflows. Non-resident outflows persisted, amounting to RM10 billion (USD2.4 billion) from July 2020 to February 2021. Nevertheless, the impact of this has been muted given continued strong participation of domestic institutional and retail investors. In particular, the participation of retail investors in the domestic equity market has risen significantly to account for 37 per cent. of total value traded in February 2021 (2020: 34 per cent.; 3-year average: 19 per cent.), exceeding that of domestic institutional investors (February 2021: 27 per cent.; 2020: 30 per cent.; 3-year average: 41 per cent.). With interest rates at a historical low level, retail investor activity is expected to be sustained in the near term as investors seek higher returns. Risks to banks from this activity, however, is assessed to be limited given that it is not driven by borrowings. Further, household loans to purchase quoted shares remain small at 0.5 per cent. of total banking system loans (5-year average: 0.5 per cent.), with borrowers largely coming from the higher-income group who typically have larger financial buffers to withstand potential price shocks. Loans to stockbroking and fund management firms also remain negligible at 0.05 per cent. of total banking system loans. Domestic institutional investors continued to provide countercyclical support during periods of outflows in the second half of 2020 as some entities increased net equity purchases to take advantage of the market correction after the retail investor-driven rally subsided temporarily.

The domestic bond market recorded net non-resident inflows amounting to RM33.5 billion (USD8.1 billion) in the July 2020 to February 2021 period, amid improved risk sentiment on emerging markets and expectations of prolonged low interest rates in advanced economies. The share of non-resident holdings in the government bond market increased from 21 per cent. in April 2020 to 24.7 per cent. as at end-February 2021 (5-year average: 26 per cent.). Notwithstanding higher non-resident purchases, yields on 10-year MGS increased by 44 basis points (bps) to 3.09 per cent. as at end-February 2021 (end-December 2020: 2.65 per cent.), following higher expected government bond issuances in 2021 and rising US Treasury ("**UST**") yields. The persistent increase in UST yields in the first two months of 2021 was mainly driven by expectations of higher growth and inflation amidst support from additional stimulus and the vaccine roll-out. This subsequently led to a steepening of government bond yield curves globally, including for the MGS where spreads between 3- and 10-year MGS yields increased to about 100 bps (5-year average: 55 bps). Despite this increase, the MGS-UST yield differential narrowed due to larger increases in UST yields. In the corporate bond market, credit spreads for 10-year

7 The Financial Market Stress Index ("**FMSI**") is a tool BNM uses to gauge the level of stress in domestic financial markets and drivers of market stress. It has been enhanced recently to improve its robustness and sensitivity as an early warning indicator. Of note, enhancements include (i) the inclusion of new price indicators which allows for more accurate differentiation between market rallies and slumps, (ii) the removal of the sub index for financial institutions, and (iii) the adoption of exponentially weighted moving average which places greater weightage on recent observations of volatility and liquidity indicators to improve the timeliness of the FMSI in capturing stress events.

AAA-rated papers normalised to around 57 bps (average between July 2020 and February 2021) after a temporary rise to 105 bps in April 2020. Coupled with actions by firms to shore up liquidity, the more favourable fund raising conditions have led to a recovery in gross corporate bond issuances, which amounted to RM65.5 billion in the second half of 2020 (1H 2020: RM38.6 billion).

The higher government bond supply in 2021 and persistent increase in UST yields could place upward pressure on domestic bond yields, thus increasing risks of mark-to-market losses and raising costs of funding for financial institutions, businesses and the Government. Given the active risk management and hedging strategies of financial institutions, any impact from heightened market volatility is expected to remain at manageable levels and will not pose a threat to the resilience of individual institutions. The higher yield environment is also not expected to have any significant impact on banks' cost of funds given their low reliance on market-based funding instruments (19.3 per cent. of total banking system funding). Further, Malaysia's deep and liquid market and diverse investor base are expected to alleviate some of the pressure on bond yields and preserve orderly market conditions, thus providing continued support to market confidence and financial intermediation. Amid improved risk sentiment, MGS remain relatively attractive and continue to offer positive real yields and total returns to investors. This is expected to sustain overall demand for government bonds and mitigate the impact on yields from the anticipated diversion of some liquidity held by domestic institutional investors to support government relief measures.

Going forward, domestic factors, such as the management of the pandemic and political developments, will continue to weigh significantly on investor sentiment and portfolio allocations as economic recovery progresses amid the global roll-out of vaccines.

Credit Risk

Overall business sector remains resilient despite operational disruptions, but several sectors face challenging outlook

The second half of 2020 saw some recovery in the operating environment for businesses, as movement restrictions gradually eased in most parts of the country. Compared to the halt in economic activity across most business sectors in the first half of 2020, the containment measures implemented in the second half were less restrictive and more targeted. The recovery nevertheless has been uneven across different business sectors. There have been sustained improvements in the manufacturing sector. Consumer-related sectors such as wholesale and retail trade, and hotels and restaurants, which accounted for 7.5 per cent. of total banking system loans, benefitted from relaxations in domestic movement restrictions in the second half of 2020, but experienced a relatively slower recovery amid continued weakness in consumer sentiment. Business closures and retrenchments in tourism-related industries[8] increased, as some firms in these segments incurred heavy losses and faced prospects of prolonged weakness in demand. Exposures in these industries remained small at 2.5 per cent. of total banking system loans. In the oil and gas sector,[9] while oil prices have increased amid continued volatility in oil demand, a full recovery of the sector's activity to pre-pandemic levels remains dependent on the pace of global economic recovery.

The financial performance of businesses[10] has been affected by these developments, compelling many to undertake operational and financial adjustments. Amid declining profitability, listed corporates responded to cashflow stresses by reducing expenses and increasing holdings of liquid buffers, with the median cash-to-short-term debt ratio ("**CASTD**")[11] rising to 1.1 times (2Q 2020: 1 time). There was also some deleveraging observed among firms, notably in the manufacturing and most services sub-sectors. As a result, the median interest coverage ratio ("**ICR**")[12] improved to 4.1 times (2Q 2020: 3.9 times). The share of firms-at-risk[13] moderated slightly to 31.8 per cent. of listed corporates, but remains at an elevated level (2Q 2020: 32.9 per cent.; 5-year

8 The tourism-related sector includes companies in the following services sectors: airlines, land transport, hotels and restaurants, entertainment and theme parks, medical tourism, and travel agents.

9 Accounted for 0.3 per cent. of total banking system loans.

10 The assessment on financial performance of listed corporates is as at the end of third quarter of 2020. On 17 February 2021, the Securities Commission Malaysia and Bursa Malaysia Berhad announced additional temporary relief measures, including an automatic one-month extension to issue quarterly and annual reports for companies in the Main and ACE Markets, as well as semi-annual and annual audited financial statements for companies in the LEAP Market, which were initially due on 28 February, 31 March, and 30 April 2021, respectively.

11 Prudent threshold for CASTD is one time.

12 Prudent threshold for ICR is two times.

13 Firms-at-risk are defined as listed non-financial corporates with ICR below the prudent threshold of two times.

average: 21.7 per cent.). These improvements, however, masked the uneven impact of the crisis on different business sectors. Companies in more severely hit industries have seen financial buffers depleting amid sharp contractions in revenue. In the hotels and restaurants segment[14] for example, the median CASTD and ICR have declined significantly since the onset of the crisis, to 0.5 times and 0.3 times (4Q 2019: 0.7 times and 2.5 times), respectively. Companies in these sectors, and those entering the crisis from a highly leveraged position are more likely to face defaults and insolvencies if economic conditions remain weaker for longer.

While the impact of the health crisis has been felt across the business sector, SMEs were disproportionately impacted given their limited financial buffers and generally narrower profit margins. Surveys conducted throughout 2020 revealed that SMEs were less optimistic on survival prospects for their businesses through a prolonged pandemic, and were more constrained in their ability to re-engineer their businesses compared to larger firms (due to pre-existing limitations in financial and human capital and slower adoption of new technologies). Banks and development financial institutions have continued to provide repayment assistance to SMEs to weather protracted challenges in the economic environment. This was further augmented by the considerable support from the Government and BNM, including targeted financing facilities and funds to alleviate cashflow constraints as well as facilitate capital investments in automation and digitalisation. Together with the gradual resumption of economic activities in the second half of 2020, these measures helped SMEs sustain financing repayments, with aggregate repayments by SMEs on existing and new loans returning to near pre-pandemic levels by the end of the automatic loan moratorium in September 2020. Additional relief measures introduced in the 2021 Budget, and PERMAI and PEMERKASA assistance packages are also expected to provide further support to SMEs going forward.

Business loan[15] growth moderated in the second half of 2020 (0.9 per cent.; 1H 2020: 3.9 per cent.) as firms remained cautious of increasing their leverage amid the uneven recovery in business conditions. Banks also remained somewhat cautious in meeting demand for new credit in some borrower segments amid an uncertain macroeconomic outlook and lower visibility on debt-servicing capacity due to loan deferment programmes. In contrast, net non-financial corporate bond issuances have risen compared to the first half of 2020, as stronger large corporates took advantage of cheaper funding rates following successive OPR cuts to refinance debt and build cash buffers. Non-financial corporate sector external debt increased by 5.1 per cent., driven by additional borrowings by manufacturers in the renewable energy and E&E sectors, which remain relatively insulated from operational disruptions posed by the reinstatement of movement restrictions in the second half of 2020. Among SMEs, which collectively account for 15.8 per cent. of total banking system loans, demand for financing remained relatively firm, with close to 162,000 loan applications received by banks in the second half of 2020 compared to an average of 123,500 in the same period between 2017 and 2019. However, amounts borrowed by SMEs were notably lower, with the average size of new working capital loan applications among SMEs up to 40 per cent. lower than prior to the onset of the pandemic. Overall, non-financial corporate debt-to-GDP ratio rose to 110 per cent., attributable mainly to the weaker GDP in 2020.

To assist businesses through this challenging period, financing support remains available to eligible and viable businesses through schemes such as the Danajamin PRIHATIN Guarantee Scheme ("**DPGS**"), and credit guarantees by Credit Guarantee Corporation Malaysia Berhad and Syarikat Jaminan Pembiayaan Perniagaan Berhad. BNM has also allocated funds to manage the impact on industries hardest hit by the containment measures, via the PENJANA Tourism Financing and Targeted Relief and Recovery Facility, as well as to facilitate innovation and capital investments through the High Tech Facility – National Investment Aspirations. These funds, along with the Special Relief Facility which was allocated in the first half of the year, have augmented bank credit flows to businesses in an environment of higher risk aversion.

The repayment assistance extended by banks has so far contained any notable increase in defaults, with the overall business loan impairment ratio at 2.6 per cent. Downgrades in domestically-rated corporate bonds and Sukuk were also limited (2020: 7; 2019: 7), reflecting the relatively stronger financials[16] of corporates that tap the domestic bond market.

However, leading indicators from banks are pointing to expectations of continued weakness in business conditions in the period ahead. The share of business loans with increased credit risks[17] reported by banks increased further as of December 2020 (15.7 per cent.; June 2020: 14.1 per cent.) particularly for firms in sectors

[14] Accounted for 1.1 per cent. of total banking system loans.

[15] Refers to both loans and financing, unless otherwise stated.

[16] Over 90 per cent. of outstanding rated bonds are rated AA and above, signalling strong ability to service payments on a timely basis.

[17] Classified as Stage 2 loans under the Malaysian Financial Reporting Standard 9 (MFRS 9).

highly exposed to the pandemic. Businesses under repayment assistance plans have also increased, driven by SMEs after the end of the automatic loan moratorium, although the share of total business loan accounts remained modest (9.7 per cent. as of December 2020). This indicates that the majority of borrowers are able to keep up with their loan repayments as their businesses recover. While the bulk of firms benefitting from repayment assistance are SMEs (accounting for 90 per cent. of total loan accounts approved for rescheduling and restructuring ("**R&R**")), a sizeable share of non-SMEs operating within COVID-19-affected sectors have also sought R&R to manage their obligations. In value terms, total business loans under repayment assistance accounted for 17 per cent. of total business loans.

The resurgence of COVID-19 cases in early 2021 has temporarily set some businesses back, with firms in certain sectors revising earlier expectations of an improvement in operating conditions in 2021. While the outlook for these sectors is expected to remain highly challenging, the recent easing of containment measures, vaccine roll-out, and continued repayment assistance support from banks are expected to temper any material increase in risky loans. Improvements in the global and domestic economy should further support debt-servicing capacity, amid more targeted policy support going forward. Banks remain well-buffered against an expected increase in credit losses from the business sector, supported by pre-emptive provisions built up in 2020. See "— Financial Institution Soundness and Resilience".

The overall household sector has remained resilient throughout the crisis, but some segments are experiencing increased financial stress

The growth in household debt[18] normalised to preCOVID-19 levels in the second half of 2020 as the country emerged from stringent movement control restrictions. Growth was mainly driven by car and housing loans, which expanded by 6.1 per cent. and 7.4 per cent. (June 2020: -0.7 per cent. and 7.2 per cent.), respectively, lifted by the strong response to the sales and service tax (SST)[19] incentives for the purchase of cars and various home ownership incentives. Personal financing also registered higher annual growth of 7.1 per cent. (June 2020: 4.4 per cent.), partly due to the suspension of repayments during the automatic loan moratorium period. On aggregate, the household debt-to-GDP ratio rose to 93.3 per cent. mainly due to GDP remaining below pre-crisis levels. A concern over high household debt is that it may lead to a rapid deleveraging by households in the aftermath of a crisis, thus dampening or derailing economic recovery. There has not been significant evidence of this, with new banking system disbursements to households reaching 112 per cent. of their corresponding levels in the same period last year.[20] These disbursements have been mainly extended to middle- and high-income borrowers (71 per cent.) who can still afford to take on more loans. Among lower-income borrowers, measures over the years to encourage more responsible borrowing behaviour have partly mitigated more adverse impacts on their finances. Lending continued to be underpinned by sound underwriting standards, with stable overall median debt service ratios for outstanding and newly-approved loans of 35 per cent. and 43 per cent., respectively.

Recent shocks underscore the importance of households accumulating financial buffers during good times. These buffers allow households to tide over periods of economic displacement, thereby alleviating the impact to consumption and debt serviceability. For the vast majority of household borrowers, financial buffers remain broadly intact. Financial asset growth continued to outpace that of debt, driven by sustained deposit growth and a recovery in unit trust and equity holdings. This indicates that in aggregate, households have still managed to grow their financial wealth during this period. Consistent with these trends, in the second half of 2020, repayments by households in the banking system have reached 93 per cent. of levels observed in the corresponding period of the previous year,[21] indicating most have resumed repayments.

However, as highlighted by BNM in past publications, those earning less than RM3,000 monthly remain stretched financially, with low financial buffers and substantially higher leverage[22]. Borrowers earning less than RM5,000 monthly also appear to be showing some signs of financial stress as observed from the profile of households seeking repayment assistance. These borrowers are likely to face continued challenges in 2021 given an uneven recovery in the labour market. However, banks remain resilient against risks from the household sector, even under scenarios of assumed higher unemployment and underemployment affecting more household borrowers. See "— Financial Institution Soundness and Resilience".

[18] Extended by both banks and non-bank financial institutions.

[19] Effective 15 June 2020 until 30 June 2021.

[20] Excludes credit cards. This statistic compares total disbursements in the second half of 2020 to total disbursements in the second half of 2019.

[21] Excludes credit cards.

[22] Measured as a ratio of outstanding debt to annual income.

Repayment assistance programmes by banks and government relief measures continued to provide support to households in distress, easing their cashflow constraints as they recover from income shocks and staving off more severe damage to both the financial system and the economy. The ability of banks to offer assistance to households at this unprecedented scale is enabled by their prudent build-up of buffers during good times. Following the end of the automatic moratorium on loan repayments, banks continue to offer more targeted assistance to those in need. As of December 2020, household loans covered under a repayment assistance plan[23] amounted to 8.9 per cent. of total household loan accounts, or 11.1 per cent. of total outstanding household loan exposures. Of these accounts, 59 per cent. were under a loan moratorium, of which 54 per cent. were made up by borrowers earning less than RM5,000 monthly. While repayment assistance is helping to temporarily support the debt-servicing capacity of borrowers, a recovery in income alongside a more entrenched resumption of economic activities will be key for financially-stretched borrowers to maintain their debt-servicing capacity over the longer term.

With Targeted Repayment Assistance measures that have remained in place, household impairments and delinquencies in the banking system only marginally increased after the end of the blanket auto-moratorium. Banks have continued to actively engage borrowers, particularly those in the lower-income groups and in more-affected employment sectors, such as hotels, restaurants, transportation, and construction, to provide repayment assistance aligned with borrowers' financial circumstances. Notwithstanding this, the share of household loans in Stage 2 has increased to 7.3 per cent. (June 2020: 5.6 per cent.), reflecting increased credit risks among household borrowers. Household asset quality is still expected to see some deterioration throughout 2021, but the credit losses materialising are projected to be within banks' buffers.

Risks in the property market remained elevated

Activity in the housing market rebounded after hitting a historical low in the second quarter of 2020. Transaction volumes grew at a pace comparable to the average quarterly growth seen before the COVID-19 pandemic. This reflected the positive response to measures introduced by the Government to support demand such as the Home Ownership Campaign and stamp duty exemptions. The low interest rate environment also encouraged purchases for both own occupancy and investment purposes. Demand for financing correspondingly rose in line with market activity, with housing loan application growth picking up across most price segments except for houses priced below RM300,000. Meanwhile, average transaction values recorded a second consecutive quarter of positive annual growth as market activity was more concentrated in the mid-to higher-priced segments, mainly in the secondary market, where buyers are more likely to be those whose incomes have been less affected by the pandemic. This continued to support the growth in average house prices, as measured by the Malaysian House Price Index, although prices increased at a more moderate pace during the third quarter of 2020.

Unsold houses remain at an elevated level, driven by serviced apartments, small office home office units, and houses priced above RM500,000 in less popular locations. Softer housing market conditions are prompting developers to adjust supply towards more affordable housing segments. While overall launches declined significantly across all price segments in the first three quarters of 2020 (24,853 units; 1Q-3Q 2019: 60,955), the decline has been notably sharper for properties priced above RM500,000. As a result, the share of newly-launched properties in this segment fell to 20.5 per cent. of overall new launches (1Q-3Q 2019: 31.8 per cent.). This is a welcomed adjustment and will help reduce demand-supply mismatches that had worsened housing affordability and increased risks of price corrections in the past. These adjustments also do not appear to have induced a more broad-based decline in house prices in the secondary market, with average transaction prices continuing to rise, as noted earlier, owing to firm demand.

Among household borrowers, household investors[24] in the property market are more likely to be influenced by price declines, given their relatively higher incentive to default should they fall into a negative equity position and experience a loss of rental income. Household investors account for about one-fifth of overall banking system loans, but largely comprise higher-income earners (those earning above RM5,000 per month) who typically have stronger debt-servicing capacity. Risks to banks remain well-contained, with the current impairment ratio and share of borrowers in negative equity for household investors at only 0.9 per cent. and 1.3 per cent., respectively. The average loan-to-value ratio of outstanding housing loans remained below 60 per cent., substantially mitigating the risk of more borrowers falling into negative equity as well as limiting the potential losses to banks.

[23] Either in the form of a loan repayment moratorium or reduced instalment terms. Figures are based on repayment assistance applications that were approved by banks and subsequently accepted by customers.

[24] A household investor is defined as an individual borrower with a non-residential property loan or more than one property loan (both residential and non-residential properties are considered in this assessment).

The non-residential property segment continued to face considerable challenges. Average hotel occupancies have improved from the all-time low of 11 per cent. during the MCO, but remained well below pre-COVID-19 occupancy levels, as interstate travel restrictions were reinstated in October 2020 for some states. The outlook for the hospitality industry remains highly dependent on the stringency and duration of interstate and international border restrictions. Restrictions on international travel could take some time to ease despite the roll-out of vaccination programmes globally. Market conditions for hotels are likely to remain modest throughout 2021 amid intense competition for a smaller pool of travellers, higher operational costs due to the imposition of standard operating procedures, and slow recovery in travel demand.

Shopping malls have fared a little better, with some recovery in footfalls especially towards the end of 2020. However, some of the shifts observed in consumer behaviour towards online purchases are likely to persist and will continue to partly weigh on demand for retail space amid pre-existing excess supply. Similarly, some businesses have also begun downsizing office space and sub-leasing unused space as work from home arrangements remain largely in place. Vacancy rates and market rentals in these segments have deteriorated further, with some landlords already reducing their asking rents by up to 15 per cent.[25] Adjustments to incoming supply of office and retail space were also observed as some developers deferred the completion date of their projects. So far, the deferred projects have had only a limited impact on overall supply of office and retail space as they account for a relatively small share (12.5 per cent. and 9 per cent., respectively) of incoming supply. The planned incoming supply of office and retail space in the Klang Valley over at least the next three years remains large, equivalent to 23 per cent. and 58 per cent. of the existing stock, respectively. Amid the prevailing oversupply and challenging business conditions, rental and occupancy rates for office and retail space are expected to remain depressed in the period ahead. Taken together, risks of potential losses to financial institutions from prospects of weaker debt-servicing ability and valuations as a result of depressed conditions in the non-residential property market are judged to have increased from the impact of COVID-19.

While the property sector remains a significant contributor (52 per cent.) to banks' total loans, exposures to the more vulnerable property segments remain low and have declined further in the second half of 2020. The bulk of these exposures also continue to be performing. Nonetheless, a deterioration in the servicing of property construction loans and loans to purchase non-residential property has been observed in the second half of 2020. Banks have built up adequate provisions against potential credit losses in these segments. See "— Financial Institution Soundness and Resilience".

Operational Risk

Financial institutions remained operationally resilient despite challenges

The pandemic has continued to test the operational resilience and business continuity frameworks of financial institutions, with the resurgence of infection risks and an extended period of remote working arrangements now built into baseline scenarios for the foreseeable future. Adaptations made to business continuity plans ("**BCPs**") since the first MCO in March 2020 have enabled financial institutions to remain operationally resilient without any major operational, information technology ("**IT**") and cyber disruptions, thus ensuring the continued provision of essential financial services to the public.

Notwithstanding this, financial institutions are continuing to review and update their BCPs and disaster recovery plans ("**DRPs**"). This aims to provide greater assurance of their ability to maintain critical operations and increase the speed with which business operations are able to adapt to changing conditions in the event of a prolonged full-scale lockdown at critical premises, sudden unavailability of key third-party service providers, and major breakdowns in IT infrastructure supporting remote working arrangements. These enhanced BCPs and DRPs will reinforce financial institutions' capacity to anticipate, prepare for, and adapt to future shocks.

Despite the pandemic coinciding with the technology refresh cycle of key operating platforms used in the banking industry, financial institutions have generally been able to keep to their committed plans for the implementation of critical IT projects. While temporary delays have been unavoidable in some cases due to prolonged movement restrictions, adjustments to implementation timelines have not been material. The industry remains committed to completing these technology refresh projects in a timely manner, given the importance of strictly observing IT lifecycle management policies for high-risk systems reaching end-of-life to reduce operational risks. With the increasing prevalence of mobile and internet banking since the MCO, banking

25 Source: Jones Lang Wootton

institutions are also reviewing plans to expedite the migration to alternative authentication methods for internet banking transactions. This will serve to avoid potential disruptions to online transactions by putting in place back-up solutions to the onetime password to allow for the safe use of alternative forms of multi-factor authentication.

Total operational risk losses among financial institutions in the second half of 2020 remained stable and insignificant, similar to previous years. Losses from the materialisation of operational risk events amounted to 0.5 per cent. and 0.04 per cent. of total profit before tax of banking institutions (including development financial institutions) and insurance and takaful operators, respectively. BNM and financial institutions remain vigilant against heightened risks, particularly from extended remote working arrangements which have required financial institutions to enable staff to access critical information and systems remotely, either on a business-as-usual or exceptional basis to support business continuity.

Malaysia's payment systems continued to operate smoothly without major disruptions, with the large-value payment system, Real-time Electronic Transfer of Funds and Securities System ("**RENTAS**"),[26] and retail payment systems ("**RPS**") maintaining high system availability at above 99.9 per cent. Online payment transactions continued to increase, driven by e-commerce activity as consumers adjusted to movement restrictions, with a total of 1.1 billion transactions amounting to RM1.3 trillion conducted in RPS in the second half of 2020 (1H 2020: 0.8 billion transactions amounting to RM1 trillion). For RPS, a slightly higher number of incidents of isolated disruptions were reported in the second half of 2020 compared to the first half of the year. However, these were swiftly resolved and did not cause major disruptions, with contingency and recovery plans operating as expected. For RENTAS, the completion of technology refresh efforts since the first quarter of 2020 has further reduced potential risks of disruptions. As a result, the number of incidents that caused isolated disruptions to RENTAS declined by 32 per cent. in the second half of 2020, compared to the first half of 2020.

Both RENTAS and RPS operators have maintained split operations despite the lifting of movement restrictions following the first MCO in the first half of the year. These operators have also further enhanced their BCPs to incorporate remote access capabilities and security to enable more staff to work from home. Personnel were also identified and trained to increase the number of reserve staff available to readily take over critical operations if necessary. These payment system operators also continued to conduct planned business continuity exercises under the 'new normal' to test response and recovery measures in order to minimise service disruptions.

Financial Institution Soundness and Resilience

The Banking Sector

Banking system liquidity conditions remained supportive of financial intermediation activities amid sustained growth in deposits and improvement in loan repayments

Banks continued to record healthy liquidity positions throughout the second half of 2020, with the aggregate banking system Liquidity Coverage Ratio ("**LCR**") at 148.2 per cent. This was supported by the resumption in loan repayments by most household and SME borrowers since October following the end of the automatic moratorium on these loans, with overall repayments almost returning to levels prior to the automatic moratorium. Banking institutions' placements with BNM also increased significantly (+RM14.7 billion) as some banks shored up cash buffers in anticipation of potential withdrawals by the Government and/or non-bank financial institutions ("**NBFIs**") to support various relief measures. Banks' operations continued to be supported by stable funding sources, with the aggregate Net Stable Funding Ratio ("**NSFR**")[27] at 116 per cent. Growth in banking system deposits remained firm, above the 5-year compounded annual growth rate of 4 per cent., as households and businesses continued to hold precautionary cash buffers amid the challenging operating environment. Deposits from NBFIs also grew further, especially during the third quarter, as some of these institutions rebalanced their portfolios amid market developments and to accommodate the implementation of relief measures. Some banks have used the regulatory flexibilities accorded earlier by BNM, which enables them to draw down on liquidity buffers and correspondingly, lower their internal LCR and/or NSFR limits. This has helped to support earnings while enabling these banks to continue lending to the economy and facilitate repayment assistance to borrowers

[26] RENTAS is a real-time gross settlement system for interbank fund transfers, debt securities settlement and depository services for scripless debt securities.

[27] Banks' funding profile is assessed using the NSFR, replacing the loan-to-fund ("**LTF**") and loan-to-fund-and-equity ("**LTFE**") ratios which were previously developed as interim funding indicators prior to the NSFR implementation. The LTF and LTFE ratios stood at 82.5per cent. and 72 per cent., respectively, as at December 2020 (June 2020: 82 per cent. and 71.5 per cent.).

facing temporary financial difficulties. Banks that have reduced available liquidity buffers are expected to be able to restore these buffers with relative ease. All banks are also well-positioned to meet the minimum NSFR requirement of 100 per cent. by 30 September 2021.

Banks' reliance on external funding continued to be limited. During the second half of 2020, overall banking system external debt declined by RM48 billion, primarily due to maturing intragroup borrowings by banks in the Labuan International Business and Financial Centre ("**LIBFC**"). At the same time, lower demand for FCY financing domestically reduced banks' need for external FCY borrowings. The decline in external debt in the third quarter was partially offset by higher precautionary buffers accumulated by domestic banking groups ("**DBGs**") in the fourth quarter. This was in anticipation of a potential tightening in domestic USD liquidity conditions towards year end, particularly amid uncertainty ahead of the US Presidential election in November. Valuation effects following the stronger Ringgit against selected major and regional foreign currencies during the period further reduced the amount of external debt.

Risks from external debt exposures remained low. A large proportion (almost 60 per cent.) of external debt comprises intragroup placements and long-term debt securities that are generally more stable, thereby reducing withdrawal or rollover risks. 18 per cent. of external debt are also Ringgit-denominated, which are not subject to valuation changes from fluctuations in the exchange rate. Risks associated with cross-currency mismatches are contained, with the foreign exchange net open position remaining well within levels recorded in recent periods (December 2020: 5.3 per cent.; June 2020: 4.9 per cent.; 5-year average: 5.7 per cent.). Banks also continued to maintain sufficient FCY liquid assets to cover almost three times the level of FCY external debt-at-risk.[28]

Overall, banks' funding costs continued to be on a declining trend amid strong pass-through of the earlier OPR cuts and ample liquidity conditions. While funding conditions are expected to remain broadly favourable in the near term, adverse changes in global market sentiment could lead to capital outflows and drive funding costs higher. Chunky withdrawals by the Government and/or NBFIs to support the implementation of further relief measures, as well as sizeable deposit drawdowns by distressed individuals and businesses following the implementation of MCO 2.0, could also put pressure on the liquidity position of some banks. Despite these challenges, banks are expected to remain resilient on account of their sizeable liquidity buffers and sound liquidity risk management practices, as well as continued progress in accumulating stable sources of longer-term funding. The extension of the flexibility for banking institutions to use MGS and MGII to meet the SRR until 31 December 2022 will also augment liquidity in the banking system to support financial intermediation activity.

Weaker credit risk outlook and uncertain economic recovery prospects raised credit costs and weighed down earnings

The impact of the pandemic on bank impairment levels remained largely contained in the second half of 2020 due to repayment assistance programmes offered by banks to help household and business borrowers manage temporary cashflow constraints. Gross impairment ratio of the banking system edged slightly higher to 1.6 per cent. (June 2020: 1.4 per cent.; 2019 average: 1.5 per cent.) following the end of the blanket automatic moratorium, mainly driven by a slight increase in household impairments. However, with uncertainty around the ongoing pandemic and uneven economic recovery, the credit risk outlook remains challenging. The overall proportion of loans classified as Stage 2[29] under MFRS 9 rose to 10 per cent. of total banking system loans (June 2020: 8.4 per cent.), given expectations of rising impairments from households and a further deterioration in the financial performance of some businesses. In light of that, banks continued to build up provisions in anticipation of higher credit losses. On a year-on-year basis, provisions grew by 40.6 per cent. (June 2020: +9 per cent.). Higher overall provisions set aside by banks in the second half of 2020 (+RM6.1 billion to RM30.9 billion as at end-December 2020) reflected adjustments to banks' provisioning model parameters to account for the downside risks to domestic economic growth. In addition, around 40 per cent. of additional provisions for the year were from the application of management overlays by banks over and above the expected credit loss ("**ECL**") model provisions. This reflects continued challenges faced by banks in incorporating forward-looking information in the measurement of ECL given prevailing uncertainties in the economic recovery path, and reduced visibility on the debt-servicing capacity of borrowers under loan moratoriums.

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28 Banks' external 'debt-at-risk' comprises financial institutions' deposits, interbank borrowings and short-term loans from unrelated non-resident counterparties which are considered more susceptible to sudden withdrawal shocks.

29 Stage 2 loans refer to loans that have exhibited deterioration in credit risk, for which banks are required to set aside provisions based on lifetime expected credit losses.

Overall credit costs[30] remained at an elevated level, rising further to 78 bps for the full year of 2020 (June 2020: 57 bps; 5-year average: 15 bps). Correspondingly, banks' profit before tax fell the most since the Asian Financial Crisis (2020: -24.8 per cent.; 2H 2020: -31 per cent.), despite improvements in other sources of profits in the second half of the year. Net interest income recovered, supported by stabilising interest margins given the repricing of deposits from earlier OPR cuts. In addition, banks' trading and investment income was boosted by the sale of debt securities and fair value changes amid declining yields. Fee income also improved, mainly from equity brokerage and credit-related fees, amid a resumption in economic activity and higher retail participation in the equity market.

In line with weaker bank earnings throughout 2020, returns on equity and assets of the banking system declined to 9.2 per cent. and 1.1 per cent. (June 2020: 10 per cent. and 1.2 per cent.), respectively. Market valuations for listed banks, as measured by the median price-to-book and price-to-earnings ratios, however, improved towards the end of 2020 and into 2021, partly lifted by prospects of earnings support from pre-emptive provisions made by banks in 2020 and lower pressure on banks' interest margins moving forward. Notwithstanding this, the cautious credit risk outlook will continue to weigh on banks' profitability.

While downside pressure on earnings is likely to persist in the first half of 2021, the impact is expected to be less severe than that experienced in 2020. Banks are operationally better prepared to support borrowers affected by MCO 2.0 who are in need of temporary repayment assistance. The number of affected borrowers requiring assistance is also expected to be lower, with most household and SME borrowers resuming their loan repayments since the fourth quarter of 2020. The additional relief measures introduced by the Government under the 2021 Budget and fiscal stimulus packages will further help sustain debt serviceability. Credit costs are expected to begin normalising in the second half of 2021 following banks' pre-emptive provisioning in 2020.

The financial performance of the overseas operations of DBGs[31] remained subdued over the past year amid the COVID-19 pandemic and contraction in economic activities across most countries. Nevertheless, improvements in the performance of selected DBGs' overseas operations in Singapore (51 per cent. share of total overseas operations' assets) during the fourth quarter of 2020 lifted the overall average[32] return on equity ("**ROE**") to -2.2 per cent. (1H 2020: -4.2 per cent.). Operations in Singapore recorded lower losses (average ROE of -5.1 per cent.; 1H 2020: -14.5 per cent.),[33] mainly due to lower provisions compared to the first half of 2020, but remained under pressure amid lower earnings from interest-related activities. On the other hand, operations' in Indonesia and Thailand continued to record profits, albeit at a lower ROE of 8.7 per cent. and 2.3 per cent. (1H 2020: 11.9 per cent. and 5.3 per cent.), respectively due to higher impairment allowances. Meanwhile, operations in Hong Kong SAR were impacted by higher provisions by some DBGs for exposures to large corporates affected by the pandemic, as well as lower trading and investment income. Collectively, overall asset quality of the DBGs' overseas operations improved slightly, with the gross impaired loans ratio[34] at 3.9 per cent. (June 2020: 4.2 per cent.), supported by ongoing moratorium and debt relief measures.

Risks posed by the overseas operations of DBGs are assessed to be limited as exposures to sectors directly and indirectly affected by the pandemic are small relative to DBGs' total gross loans. Moreover, funding of DBGs' overseas operations, mainly from local currency deposits, remained stable. Although pressure on asset quality remains elevated given continued uncertainty on regional growth prospects, major overseas subsidiaries continue to maintain relatively high levels of capital, which serve to buffer against potential credit losses without having to draw on parental support. Based on stress tests conducted by DBGs on their overseas operations, all major foreign subsidiaries continued to maintain sufficient capital to withstand severe shocks associated with higher credit risks arising from the pandemic, weaker oil prices and a delayed recovery in global growth. Post-shock total capital ratios of these subsidiaries remained well above the regulatory minimum, ranging between 17 per cent. and 27 per cent.

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30 Refers to annualised year-to-date loan loss impairment and other provisions charged to the income statement over outstanding loans. Excludes loans from DBGs' overseas operations.

31 Refers to DBGs' overseas offices (branches and subsidiaries) operating outside of Malaysia and LIBFC. Cumulatively, DBGs have presence in 14 overseas jurisdictions, with major operations in Singapore, Indonesia, Thailand and Hong Kong SAR.

32 Average figures are weighted by asset size of operations of each DBG in respective jurisdictions.

33 Higher provisions made during the first half of the year were driven primarily by sizeable exposures to impaired borrowers from the oil and gas sector.

34 Ratio is weighted by asset size of operations of each DBG in respective jurisdictions.

The capitalisation of the banking system remains strong, bolstering banks' capacity to absorb potential shocks and support economic recovery

Despite lower profits during the period, banks continued to maintain strong capitalisation levels throughout the second half of 2020 (December 2020: 18.5 per cent.; 2019 average: 17.9 per cent.), with aggregate excess capital buffers[35] amounting to RM126.7 billion. Banks have sought to preserve their buffers in anticipation of higher credit losses going into 2021, by lowering dividends to shareholders, implementing dividend reinvestment programmes, and raising new equity. Some banks also issued Additional Tier 1 and Tier 2 capital instruments, replacing Tier 2 capital instruments that were being phased out as regulatory capital under the Basel III transitional arrangements. The stable capital buffers of banks have been maintained, as the ratio of risk-weighted assets to total assets returned to pre-COVID-19 levels (December 2020: 57.4 per cent.; March 2020: 56.5 per cent.; December 2019: 57.5 per cent.), indicating that banks continued to support credit flows to the economy.

Assessing the Resilience of Financial Institutions

Stress testing is an integral component of BNM's financial stability framework, used to assess and manage risks to financial stability. BNM typically performs a multi-year, top-down solvency stress test exercise in addition to regular supervisory stress tests. These exercises aim to assess the potential impact of financial and macroeconomic strains under two hypothetical adverse scenarios on the resilience of individual financial institutions and the broader financial system. The adverse scenarios are designed to capture extreme shocks that are plausible but have a low probability of occurring.

In the BNM Financial Stability Review for First Half 2020, the actual severe economic fallout from the COVID-19 pandemic prompted BNM to shift the focus of its top-down, scenario-based stress tests towards assessing the ability of banks to withstand the unfolding stress based on assumptions around a likely recovery path at the time. This was supplemented with additional sensitivity analyses performed under a bottom-up approach to provide more granular assessments of resilience based on the specific risk profile of individual banks. As reported, the stress tests[36] affirmed the resilience of banks.

The prospects of an economic recovery are clearer now than before, but considerable uncertainty remains. BNM's latest top-down macro solvency stress test therefore seeks to further stress the resilience of financial institutions in the event the economic recovery path turns out significantly weaker than anticipated. Two hypothetical adverse scenarios are applied, with the horizon of the test extended until the end of 2022. The first adverse scenario ("**AS1**") assumes a sharp economic downturn in the first quarter of 2021 of similar magnitude to the downturn experienced in the second quarter of 2020, before recovering at a gradual pace akin to a V-shape. Under this scenario, the initial recovery, driven by pent-up demand, is unevenly distributed across industries before gradually normalising across all sectors by 2022. Simultaneously, broad success with vaccination efforts in most countries results in global GDP returning to pre-pandemic levels by the third quarter of 2021, further bolstering domestic economic recovery. The second adverse scenario ("**AS2**") assumes a much sharper economic contraction in the first quarter of 2021 surpassing the deepest slump experienced in the crisis thus far. In AS2, the recovery is assumed to be sluggish and L-shaped, with GDP recording negative growth in 2021 and remaining below pre-pandemic levels even by end-2022. This scenario assumes an ineffective vaccine and a marginal contraction in global growth in 2021, which will adversely impact Malaysian exports, investment and consumption. Given extended lockdown restrictions, domestic demand suffers a prolonged slump, with labour market conditions continuing to worsen throughout 2021. Both AS1 and AS2 assume sovereign rating downgrades in 2021. The economic scenarios used in this stress test do not represent BNM's actual expectations for the trajectory of the economy, but rather, have been developed for the specific purpose of testing the ability of financial institutions to withstand more severe and prolonged economic shocks even as economic prospects are expected to continue to improve.

The latest banking system stress test broadly follows the enhanced methodology set out in the BNM Financial Stability Review for First Half 2020, with some key enhancements to selected assumptions. Notably, the test continues to assume no further repayment assistance to household borrowers after the first quarter of 2021. Any R&R of business loans is assumed to end after the second quarter of 2021.

35 Refers to capital held in excess of regulatory minimum, which includes the capital conservation buffer (2.5 per cent.) and bank-specific requirements.

36 Refer to the information boxes on 'Key Features of the Enhanced Macro Solvency Simulation for Banks', 'Forecasting Business Impairments: Two-pronged Approach', and 'Forecasting Households' Time to Default' in the BNM Financial Stability Review for First Half 2020 for further details.

Under the two adverse scenarios described earlier, banks may see overall impairments rise to 4.0 per cent. under AS1 and 5.4 per cent. under AS2 by end-2022, with businesses driving the larger share of new impairments in 2021 and households contributing the larger share in 2022. Despite the greater degree of economic stress assumed in this exercise, impairments by end-2021 are expected to be lower than the results in the previous exercise (AS1: 2.9 per cent., AS2: 3.3 per cent., previous: 4.1 per cent.). This is primarily due to conservative assumptions applied previously in translating economic shocks into business impairments, where it was assumed all maturing bullet repayments in identified vulnerable business sectors would default. This has been updated to reflect the significantly better turnout for repayments that were observed, while retaining a substantial degree of conservatism in the revised assumptions used under AS2.

In AS1, business impairments are driven by the default of both SMEs operating in vulnerable sectors and several non-SMEs. In AS2, higher impairments are mainly driven by SMEs as the prolonged weakness and sluggish recovery is expected to have a bigger impact on SMEs given their relatively thinner cash buffers and narrower profit margins. For household borrowers under both AS1 and AS2, low-income household borrowers form the largest share of those projected to default, consistent with their lower financial buffers. Middle-income borrowers, however, drive the largest share of household impairments in value terms commensurate with the larger loan amounts when compared to lower-income defaulters.

Credit costs under the stress scenarios are projected to amount to RM19.3 billion and RM26.2 billion (or 1 per cent. and 1.5 per cent. of total loans) for AS1 and AS2, respectively, over the two-year horizon. Banks are expected to be adequately buffered against potential credit losses, having already bolstered provisions significantly in 2020 based on banks' internal stress tests. Banks are also projected to experience lower net interest income due to higher funding costs following sovereign rating downgrades and weaker credit growth, although higher credit costs remain the main driver of the impact on banks' solvency positions. At the end of the stress test horizon, the banking system's capital ratio is projected to remain comfortably above the regulatory minimum, including the capital conservation buffers. Excess capital buffers are projected to decline by RM6.3 billion and RM9.8 billion under AS1 and AS2, respectively.

While the overall financial system is expected to remain resilient under both simulated adverse scenarios, heightened risk aversion by financial institutions given the uncertain and still-evolving pandemic situation could weigh on economic growth and recovery prospects. This in turn could increase risks to financial stability from more severe economic scarring. Such pro-cyclical behaviour could arise if banks are reluctant to draw down on their capital buffers despite the regulatory flexibilities accorded. The strong buffers of banks remain important to mitigate this risk. Other factors that would reduce the resulting impact from the adverse economic shocks assumed under the stress tests include:

- Proactive management actions by financial institutions to shore up buffers through earnings retention strategies, new capital issuances, or capital injections from parent institution(s);

- Continued initiatives from financial institutions to offer short-term repayment assistance to viable borrowers, which would serve to rehabilitate and maximise the long-term viability of loans that are otherwise projected to turn impaired in the short term;

- Cures and recoveries by banks after loans turn impaired; and

- Additional policy interventions by BNM, Government and/or other authorities to support the economy.

(Source: Financial Stability Review for Second Half of 2020, Bank Negara Malaysia)

Taxation

Malaysian Taxation

The description below is of a general nature and is only a summary of the law and practice currently applicable in Malaysia or other applicable jurisdictions. Prospective investors should consult their own professional advisers on the relevant taxation considerations applicable to the acquisition, holding and disposal of the Notes.

Withholding tax

Pursuant to Section 109(1) of the Income Tax Act 1967, where any person (the "**payer**") is liable to pay interest derived from Malaysia to any other person not known to the payer to be resident in Malaysia, other than interest attributable to a business carried on by such other person in Malaysia, the payer shall upon paying or crediting the interest (other than interest on an approved loan or interest of the kind referred to in paragraphs 33, 33A, 33B, 35 or 35A of Part I, Schedule 6) deduct therefrom tax at the rate applicable to such interest. Accordingly, interest derived from the Notes payable to non-residents is subject to a withholding tax of 15 per cent. However, since the Notes are issued by a person carrying on the business of banking in Malaysia and licensed under FSA, interest payable under the Notes to any person not resident in Malaysia is tax exempt under paragraph 33 of Schedule 6 of the Income Tax Act 1967.

Capital gains tax

There is no capital gains tax in Malaysia, except in relation to real property gains tax chargeable on the disposal of real property or shares of real property companies within specified periods after the date of purchase of real property. As the Notes are not considered chargeable assets for real property gains tax purposes, there is no tax imposed on capital gains derived from disposal of the Notes in Malaysia.

Gift or Inheritance Tax

There is neither gift nor inheritance tax in Malaysia.

Stamp duty

The Stamp Duty (Exemption) (No. 23) Order 2000 provides that all instruments relating to the issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase, debentures approved by the SC under Section 32 of the Securities Commission Act 1993 (now Section 212 of the CMSA) and the redemption or transfer of such debentures, are exempted from stamp duty.

Goods and services tax and sales and services tax

The rate of GST, a broad-based consumption tax which was implemented by the Government on 1 April 2015 to replace sales and services tax, was reduced to zero on 1 June 2018. Subsequently, pursuant to the Sales Tax Act 2018 and the Service Tax Act 2018, sales and services tax was reintroduced at the rate of 5 per cent. for sales, 6 per cent. for services and 10 per cent. for goods, in place of GST.

Non-Malaysian Taxation

FATCA Withholding

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986, as amended (the "**Code**") and applicable U.S Treasury regulations, commonly known as FATCA, generally impose 30 per cent. withholding on certain "withholdable payments" and, in the future, may impose such withholding on "foreign passthru payments," made by a "foreign financial institution" (each as defined in the Code) to persons that fail to meet certain certification, reporting, or related requirements. A number of jurisdictions (including Malaysia) have entered into, or have agreed in substance to, intergovernmental agreements with the United States to implement FATCA ("**IGAs**"), which modify the way in which FATCA applies in their jurisdictions. Under proposed U.S. Treasury regulations, any withholding on foreign passthru payments would apply to foreign passthru payments made on or after the date that is two years after the date final U.S. Treasury regulations defining foreign passthru payments are issued. Although these proposed U.S. Treasury regulations are not final, taxpayers generally may rely upon them until final U.S. Treasury regulations are issued. Holders should consult their own tax advisors regarding the potential impact of FATCA and any applicable IGAs to their investment in the Notes.

Subscription and Sale

Summary of Dealer Agreement in respect of Notes

Subject to the terms and on the conditions contained in an amended and restated dealer agreement dated 25 May 2021 (the "**Dealer Agreement**") between the Issuer, the Arranger and the Permanent Dealer, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealer. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not the Permanent Dealer. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arranger and Dealers for certain of their expenses incurred in connection with the establishment of the Programme and the Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Arranger and Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Each of the Arranger and the Dealers and their respective affiliates may engage in transactions with, and perform services for, the Issuer or its group companies or affiliates in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with the Issuer or its group companies or affiliates, for which they have received, and may in the future receive, compensation.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Each Dealer has agreed that it will not offer, sell or deliver any Notes within the United States, except as permitted by the Dealer Agreement. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations promulgated thereunder.

The Notes are being offered and sold outside the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular by any person outside the United States to any person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such person within the United States, is prohibited.

Prohibition of Sales to EEA Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(ii) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or

(iii) not a qualified investor as defined in the Prospectus Regulation; and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

United Kingdom

Prohibition of Sales to UK Retail Investors

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Notes which are the subject of the offering contemplated by this Offering Circular as completed by the Pricing Supplement in relation thereto to any retail investor in the UK. For the purposes of this provision:

(a) the expression "**retail investor**" means a person who is one (or more) of the following:

(i) a retail client as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA;

(ii) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or

(iii) not a qualified investor as defined in Article 2 of the UK Prospectus Regulation; and

(b) the expression "**offer**" includes the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes.

Other regulatory restrictions

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) in relation to any Notes which have a maturity of less than one year, (i) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (ii) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(b) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(c) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Malaysia

Each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) the issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase the Notes shall only be made directly or indirectly to persons to whom an offer or invitation to subscribe the Notes may be made and the Notes shall only be issued to persons falling within Part 1 of Schedule 6 or Section 229(1)(b) of the Capital Markets and Services Act 2007 of Malaysia, as amended from time to time (the "**CMSA**"), and Part 1 of Schedule 7 or Section 230(1)(b) of the CMSA, read together with Schedule 8 or Section 257(3) of the CMSA; and

(b) no circulation or distribution of any offering document or material relating to the Notes shall, directly or indirectly, be made to persons in Malaysia other than those to whom an offer or invitation to subscribe the Notes may be made and in the case of persons to whom the Notes are issued only to persons falling within Part 1 of Schedule 6 or Section 229(1)(b) of the CMSA and Part 1 of Schedule 7 or Section 230(1)(b) of the CMSA, read together with Schedule 8 or Section 257(3) of the CMSA.

Singapore

Each Dealer has acknowledged, and each further Dealer appointed under the Programme will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore as modified or amended from time to time including by any subsidiary legislation as may be applicable at the relevant time (together, the "**SFA**")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Notification under Section 309B(1)(c) of the SFA — In connection with Section 309B of the SFA and the CMP Regulations 2018, unless otherwise specified in the relevant Pricing Supplement before an offer of Notes, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309(A)(1) of the SFA), that the Notes are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except other than (i) to "professional investors" as defined in the Securities and Futures Ordinance (Cap. 571) (as amended) of Hong Kong ("**SFO**") and any rules made under the SFO; or (ii) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) (as amended) of Hong Kong (the "**C(WUMP)O**")or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or other document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

PRC

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in the PRC to any person to whom it is unlawful to make the offer or solicitation in the PRC. Accordingly, each Dealer has represented and agreed, and each further Dealer appointed under the Programme will be required to represent and agree, that neither it nor any of its affiliates has offered or sold or will offer or sell the Notes within the PRC by means of this Offering Circular or any other document.

The Issuer does not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in the PRC, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which would permit a public offering of any Notes or distribution of this document in the PRC. Accordingly, the Notes are not being offered or sold within the PRC by means of this Offering Circular or any other document. Neither this Offering Circular nor any advertisement or other offering material may be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

General

These selling restrictions may be supplemented or modified by the agreement of the Issuer and any Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular, any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed, and each further Dealer appointed under the Programme will be required to agree, that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular, any other offering material or any Pricing Supplement in all cases at its own expense.

Form of Pricing Supplement

Set out below is the form of Pricing Supplement which will be completed for each Tranche of Notes issued under the Programme.

[**MiFID II Product Governance / Professional Investors and ECPs Only Target Market** — Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is eligible counterparties and professional clients only, each as defined in Directive 2014/65/EU (as amended, "**MiFID II**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [Consider any negative target market.] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to MiFID II is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][1]

[**UK MiFIR Product Governance / Professional Investors and ECPs Only Target Market** — Solely for the purposes of [the/each] manufacturer's product approval process, the target market assessment in respect of the Notes has led to the conclusion that: (i) the target market for the Notes is only eligible counterparties, as defined in the FCA Handbook Conduct of Business Sourcebook ("**COBS**"), and professional clients, as defined in Article 2(1)(13A) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act of 2018 ("**EUWA**") (the "**UK MiFIR**"); and (ii) all channels for distribution of the Notes to eligible counterparties and professional clients are appropriate. [Consider any negative target market.] Any person subsequently offering, selling or recommending the Notes (a "**distributor**") should take into consideration the manufacturer['s/s'] target market assessment; however, a distributor subject to the FCA Handbook Product Intervention and Product Governance Sourcebook (the "**UK MiFIR Product Governance Rules**") is responsible for undertaking its own target market assessment in respect of the Notes (by either adopting or refining the manufacturer['s/s'] target market assessment) and determining appropriate distribution channels.][1]

Prohibition of Sales to EEA Retail Investors — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II; or (iii) not a qualified investor as defined in Regulation (EU) 2017/1129 (the "**Prospectus Regulation**"). Consequently no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

Prohibition of Sales to UK Retail Investors — The Notes are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom ("**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 ("**EUWA**"); (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (UK) (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA; or (iii) not a qualified investor as defined in Article 2 of the Prospectus Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK Prospectus Regulation**"). Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Notes or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Notes or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

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1 Applicable in the case where a "manufacturer" participates in the issuance. Delete this legend if there are none.

[**Notification under Section 309B(1)(C) of the Securities and Futures Act (Chapter 289) of Singapore** — In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (as modified or amended from time to time, the "**SFA**") and the Securities and Futures Act (Capital Market Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Notes are prescribed capital markets products (as defined in the CMP Regulations 2018) and are Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendation on Investment Products).]

Pricing Supplement dated [●]
RHB BANK BERHAD

Legal Entity Identifier (LEI): 549300ZHRPSV7QIUJT80

Issue of [Aggregate Nominal Amount of Tranche][Title of Notes]
under the U.S.$5,000,000,000 Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 25 May 2021 [and the supplemental [Offering Circular] dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 25 May 2021. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated 25 May 2021 and are attached hereto.]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.*]

1.	Issuer:		RHB Bank Berhad
2.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).		[●]
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount:		[●]
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
5.	(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] *(in the case of fungible issues only, if applicable)*]
	(ii)	[Net Proceeds:	[●] (*Required only for listed issues*)]
6.	(i)	Specified Denominations:	[●] *Notes [(including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the issuer in the United Kingdom or*

			whose issue otherwise constitutes contravention of S19 FSMA and] which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies). *If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for examples €1,000), insert the following:* *"€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No notes in definitive form will be issued with a denomination above [€199,000]".*
	(ii)	Calculation Amount:	[●]
7.	(i)	Issue Date:	[●]
	(ii)	Trade Date:	[●]
	(iii)	Interest Commencement Date:	[Specify/Issue date/Not Applicable]
8.	Tenure:		[Specify]
9.	Maturity Date:		*[specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year/None]* *Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to specify the Interest Payment Date falling in or nearest to the relevant month and year.*
10.	Interest Basis:		[[●] per cent. Fixed Rate] [from [●] to [●]] [[specify reference rate] +/- [●] per cent. Floating Rate] [from [●] to [●]] [Zero Coupon] [Other (*specify*)]
11.	Redemption/Payment Basis:		[Redemption at par] [Partly Paid] [Instalment] [Other (*specify*)]
12.	Change of Interest or Redemption/Payment Basis:		[*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
13.	Put/Call Options:		[Investor Put] [Issuer Call] [(*further particulars specified below*)]
14.	Status of the Notes:		Senior
15.	Listing and admission to trading:		[[●] (*specify*)*/None*]
16.	Method of distribution:		[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

17.	Fixed Rate Note Provisions:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]

	(ii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Centre(s) for the definition of "Relevant Business Day"*]/[*not adjusted*]
	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount *For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure, in the case of Renminbi denominated Fixed Rate Notes, to the nearest CNY0.01, CNY0.005 being rounded upwards or, in the case of Hong Kong dollar denominated Fixed Rate Notes, to the nearest HK$0.01, HK$0.005 being rounded upwards."*
	(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [●]
	(v)	Day Count Fraction:	[30/360/Actual/Actual(ICMA/ISDA)/other]
	(vi)	Determination Dates:	[●] in each year *(Insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA))*
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
18.	Floating Rate Note Provisions:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Interest Period(s):	[●]
	(ii)	Specified Interest Payment Dates:	[●]
	(iii)	Interest Period Date:	[●] *(Not applicable unless different from Interest Payment Date)*
	(iv)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details)*]
	(v)	Business Centre(s):	[●]
	(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/ other (*give details)*]
	(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]

	(viii)	Screen Rate Determination:	
		— Reference Rate:	[●]
		— Interest Determination Date(s):	[●]
		— Relevant Screen Page:	[●]
	(ix)	ISDA Determination:	
		— Floating Rate Option:	[●]
		— Designated Maturity:	[●]
		— Reset Date:	[●]
	(x)	Margin(s):	[+/-][●] per cent. per annum
	(xi)	Minimum Rate of Interest:	[●] per cent. per annum
	(xii)	Maximum Rate of Interest:	[●] per cent. per annum
	(xiii)	Day Count Fraction:	[●]
	(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
19.		Variable Rate Note Provisions:	[Applicable/Not Applicable]
			(If not applicable, delete the remaining sub-paragraphs of this paragraph)
	(i)	Interest Period:	[●]
	(ii)	Specified Interest Payment Dates:	[●]
	(iii)	Interest Period Date:	[●]
			(Not applicable unless different from Interest Payment Date)
	(iv)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
	(v)	Business Centre(s):	[●]
	(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/other *(give details)*]
	(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]
	(viii)	Screen Rate Determination:	
		— Reference Rate:	[●]
		— Interest Determination Date(s):	[●]
		— Relevant Screen Page:	[●]
	(ix)	ISDA Determination:	
		— Floating Rate Option:	[●]
		— Designated Maturity:	[●]
		— Reset Date:	[●]

	(x)	Margin(s):	[+/-][●] per cent. per annum
	(xi)	Minimum Rate of Interest:	[●] per cent. per annum
	(xii)	Maximum Rate of Interest:	[●] per cent. per annum
	(xiii)	Day Count Fraction:	[●]
	(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating the Fall Back Rate on Variable Rate Notes, if different from those set out in the Conditions:	[●]
20.	Zero Coupon Note Provisions:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Amortisation Yield:	[●] per cent. per annum
	(ii)	Any other formula/basis of determining amount payable:	[●]

PROVISIONS RELATING TO REDEMPTION

21.	Call Option:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note per Calculation Amount and specified denomination method, if any, of calculation of such amount(s):	[●]
	(iii)	If redeemable in part:	
		— Minimum Redemption Amount:	[●] per Calculation Amount
		— Maximum Redemption Amount:	[●] per Calculation Amount
	(iv)	Notice period:	[●]
22.	Put Option:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	(i)	Optional Redemption Date(s):	
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	Notice period:	[●]
23.	VRN Purchase Option:		[Applicable/Not Applicable] *(If not applicable, delete the remaining sub-paragraphs of this paragraph)*
	Purchase Option Period:		*[Specify maximum and minimum number of days for notice period]*
24.	Early Redemption Amount:		[●] per Calculation Amount
25.	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):		[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

26.	Form of Notes:	**Bearer Notes** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note] [Definitive Notes] (*N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.*) **Registered Notes:** [Global Certificate ([Currency] [●] nominal amount) registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg]
27.	Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 17(ii), 18(iii) and 19(iii) relate*]
28.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, *give details*]
29.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
30.	Details relating to Instalment Notes: amount of each instalment ("**Instalment Amount**"), date on which each payment is to be made ("**Instalment Date**"):	[Not Applicable/*give details*]
31.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions [annexed to this Pricing Supplement] apply]
32.	Consolidation provisions:	[Not Applicable/The provisions [annexed to this Pricing Supplement] apply]
33.	Other terms or special conditions:	[Not Applicable/*give details*]
34.	Ratings:	[Not Applicable/*give details*]
35.	Use of proceeds (if different from that as specified in the Offering Circular):	[Not Applicable/*give details*]

DISTRIBUTION

36.	(i) If syndicated, names of Managers:	[Not Applicable/*give name*]
	(ii) Stabilising Manager (if any):	[Not Applicable/*give name*]
37.	If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
38.	U.S. Selling Restrictions:	[Reg. S Compliance Category 1; TEFRA D/ TEFRA C/TEFRA not applicable]
39.	Additional selling restrictions:	[Not Applicable/*give name*]

OPERATIONAL INFORMATION

40.	ISIN Code:	[●]
41.	Common Code: [CMU Instrument number (if applicable)]:	[●]
42.	CUSIP:	[●]
43.	Any clearing system(s) other than Euroclear Bank SA/NV and Clearstream Banking S.A. and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
44.	Delivery:	Delivery [against/free of] payment
45.	Additional Paying Agent(s) (if any):	[●]
46.	Classification of Financial Instruments Code (CFI):	[[ ]/Not Applicable]
47.	Financial Instrument Short Name (FISN):	[[ ]/Not Applicable] (*If the CFI and/or FISN is not required, requested or available, it/they should be specified to be "Not Applicable".)*

GENERAL

48.	Governing Law:	English

[PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Singapore Exchange Securities Trading Limited of the Notes described herein pursuant to the U.S.$5,000,000,000 Euro Medium Term Note Programme of RHB Bank Berhad.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of
RHB BANK BERHAD

By: ______________________________
Duly authorised

Clearing and Settlement

The following is a summary of the rules and procedures of Euroclear, Clearstream, Luxembourg and the CMU currently in effect, as they relate to clearing and settlement of transactions involving the Notes. The rules and procedures of these systems are subject to change at any time.

The Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear and Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or an Alternative Clearing System as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Beneficial ownership in Notes will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

The aggregate holdings of book-entry interests in the Notes in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream, Luxembourg, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Notes, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interest in the Notes. The Paying Agent will be responsible for ensuring that payments received by it from the Issuer for holders of interests in the Notes holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be.

The Issuer will not impose any fees in respect of the Notes, however, holders of book entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream, Luxembourg.

The CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the services is open to all members of the Hong Kong Capital Markets Association, "authorised institutions" under the Banking Ordinance of Hong Kong and other domestic and overseas financial institutions at the discretion of the HKMA.

An investor holding an interest in the Notes through an account with either Euroclear or Clearstream, Luxembourg will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU.

Book-Entry Ownership

Bearer Notes

The Issuer has made applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or a sub-custodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of Euroclear and Clearstream, Luxembourg or the CMU. Each Global Note will have an International Securities Identification Number ("**ISIN**") and a Common Code or, if lodged with a sub-custodian for the CMU, will have a CMU Instrument Number.

Registered Notes

The Issuer has made applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate, each such Global Certificate will have an ISIN and a Common Code. Investors in Notes of such Series may hold their interests in a Global Certificate only through Euroclear or Clearstream, Luxembourg. The Issuer may also make application to the CMU for acceptance in its respective book-entry system in respect of the Notes to be represented by a Global Certificate. If lodged with a sub-custodian for the CMU, such Notes will have a CMU Instrument Number.

General Information

(1) Application has been made to the LFX for the listing of any Notes to be issued under the Programme which are agreed at the time of issue to be so listed on the LFX. Application has been made to the SGX-ST for permission to deal in, and for the quotation of, any Notes that may be issued under the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the SGX-ST. Such permission will be granted when such Notes have been admitted to the Official List of the SGX-ST. There can be no assurance that such listings will occur on or prior to the date of issue of such Notes or at all and/or SGX-ST for the listing of the Notes of any Series will be approved. The admission of any Notes to, the LFX and the Official List of the SGX-ST, is not to be taken as an indication of the merits of the Issuer, the Programme or such Notes. The SGX-ST and the LFX assume no responsibility for the accuracy of any of the statements made, opinions expressed or reports contained herein. The Notes will trade on the SGX-ST in a minimum board lot size of S$200,000 or its equivalent in other currencies so long as any of the Notes remain listed on the SGX-ST. For so long as any Notes are listed on the SGX-ST and the rules of SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore where such Notes (or Certificates in respect thereof) may be presented or surrendered for payment or redemption, in the event that any of the Global Notes or Global Certificates representing such Notes is exchanged for definitive Notes or definitive Certificates. In addition, in the event that any of the Global Notes or Global Certificates representing such Notes is exchanged for definitive Notes or definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes or Certificates, including details of the paying agent in Singapore.

(2) The Issuer has obtained all necessary consents, approvals and authorisations in Malaysia in connection with the establishment and update of the Programme. The establishment of the Programme and any updates thereto was authorised by the Board on 28 May 2014.

(3) Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2020 and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2020.

(4) Neither the Issuer nor any of its subsidiaries is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Offering Circular which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.

(5) There may be a potential conflict of interest situation as RHB Investment Bank is a wholly-owned subsidiary of the Issuer. The Board acknowledges and confirms that they are aware of the potential conflict of interest situation in relation to the appointment of RHB Investment Bank as the Principal Adviser, Arranger and Programme Dealer in respect of the Programme. Notwithstanding such potential conflict, the Board is agreeable to proceed with the appointment of RHB Investment Bank based on the present arrangement and terms, having considered the following factors:

(a) RHB Investment Bank is a licenced investment bank and its appointment as the Principal Adviser, Arranger and Programme Dealer in respect of the Programme is in its ordinary course of business and the roles of RHB Investment Bank will be governed by the relevant agreements, duties and documentation which will clearly set out the rights, duties and responsibilities of RHB Investment Bank in its capacity as the Principal Adviser, Arranger and Programme Dealer in respect of the Programme;

(b) the conduct of RHB Investment Bank is regulated strictly by its own internal controls and checks; and

(c) due diligence reviews pursuant to the Programme have been undertaken by the independent advisers (where applicable).

The Issuer believes that RHB Investment Bank's objectivity and independence in carrying out its roles and responsibilities as the Principal Adviser, Arranger and Programme Dealer in respect of the Programme have been and will be maintained at all times.

(6) Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under

the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

(7) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Issuer may also apply to have Notes accepted for clearance through the CMU. The CMU instrument number will be set out in the relevant Pricing Supplement. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Pricing Supplement.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of the CMU is 55th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. The address of any alternative clearing system will be specified in the applicable Pricing Supplement.

(8) As at the date of this Offering Circular, there were no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to noteholders in respect of the Notes being issued.

(9) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Pricing Supplement of each Tranche, based on the prevailing market conditions.

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

(10) For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Fiscal Agent (or provided by the Fiscal Agent via email in the event of an office closure) or the registered office of the Issuer:

(a) the Agency Agreement (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

(b) the Deed of Covenant;

(c) the Memorandum and Articles of Association of the Issuer;

(d) the audited financial statements of the Group and the Issuer for the financial year ended 31 December 2019, together with the audit report in respect thereof and the related notes thereto;

(e) the audited financial statements of the Group and the Issuer for the financial year ended 31 December 2020, together with the audit report in respect thereof and the related notes thereto;

(f) the most recently published annual report and audited annual financial statements of the Group and the Issuer, and any interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements;

(g) each Pricing Supplement (save that Pricing Supplement relating to an unlisted Series of Notes will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Notes and identity); and

(h) a copy of this Offering Circular together with any Supplemental Offering Circular or further Offering Circular.

(11) Copies of the most recently published annual report and audited annual financial statements of the Group and the Issuer, and any interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements, may be obtained, and copies of the Agency Agreement and the Deed of Covenant will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.

(12) PricewaterhouseCoopers PLT of Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral PO Box 10192, 50706 Kuala Lumpur, Malaysia have audited, and rendered unqualified audit reports on, the financial statements of the Group and the Issuer for the three financial years ended 31 December 2018, 31 December 2019 and 31 December 2020.

The Issuer's unconsolidated statement of financial position as at 31 December 2019 have been restated and included as a comparative in the Issuer's audited unconsolidated financial statements for the financial year ended 31 December 2020 due to the application of predecessor accounting arising from the Group's Business Transfer. See Note 57 to the Group's financial report for the financial year ended 31 December 2020 for further information. The restated comparative numbers may differ from the corresponding amounts previously reported in the Issuer's audited unconsolidated financial statements for the financial year ended 31 December 2019. The Group's Business Transfer did not affect the Issuer's unconsolidated income statement for the financial year ended 31 December 2019 and therefore it has not been restated in the Issuer's audited unconsolidated financial statements for the financial year ended 31 December 2020. Accordingly, the Issuer's unconsolidated statement of financial position as at 31 December 2019 and 2020 included in the Issuer's audited unconsolidated financial statements for the financial year ended 31 December 2020 is not comparable with the Issuer's unconsolidated statement of financial position reported in the Issuer's audited unconsolidated financial statements for previous financial years.

In 2020, the Group disposed of RHB Securities Singapore and in accordance with MFRS 5 'Non-current Assets Held for Sale and Discontinued Operations', the results of RHB Securities Singapore were excluded from the results of continuing operations and were presented as a single amount representing profit/(loss) from discontinued operation attributable to equity holders in the Group's consolidated income statement for the financial year ended 31 December 2020. See Note 57 to the Group's financial report for the financial year ended 31 December 2020 for further information. Reclassifications of comparative amounts was made in the Group's consolidated income statement for the financial year ended 31 December 2020 to conform to classifications used in that financial year and therefore, may differ from the corresponding amounts previously reported in the Group's audited consolidated financial statement for the financial year ended 31-December 2019. The disposal of RHB Securities Singapore did not affect the Group's consolidated statement of financial position as at 31 December 2019 and therefore it has not been restated in the Group's audited consolidated financial statements for the financial year ended 31 December 2020. Accordingly, the Group's consolidated income statement for the financial year ended 31 December 2019 and 2020 included in the Group's audited consolidated financial statements for the financial year ended 31 December 2020 is not comparable with the Group's consolidated income statement reported in the Group's audited consolidated financial statements for previous financial years.

See "Summary of Selected Financial Information" for further details.

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