



TOGETHER WE PROGRESS

ANNUAL REPORT 2014

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RHB's Aspirations



2007
2010
2014

By 2020

To be a Leading Multinational Financial Services Group

◆ **TOP 3 IN MALAYSIA/
TOP 8 IN ASEAN**
by size and performance

◆ **STRONG MARKET LEADERSHIP IN MALAYSIA**
across targeted products and segments

◆ **REGIONAL POWERHOUSE IN ASEAN+**
with 40% revenue contribution from international operations

◆ **NEXT GENERATION CUSTOMER CENTRIC BANK**
delivering innovative and personalised customer offerings

◆ **PROMINENT EMPLOYER OF CHOICE**
within the region



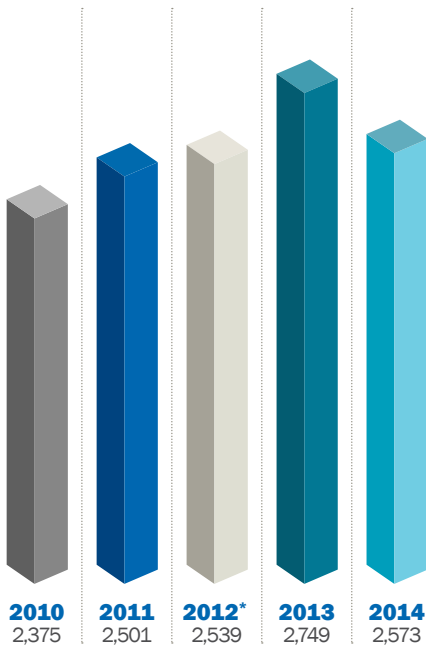
FIVE-YEAR GROUP FINANCIAL SUMMARY

RHB BANK GROUP	2014	2013	2012*	2011	2010
RESULTS (RM'million)					
Operating profit	2,573	2,749	2,539	2,501	2,375
Profit before taxation	2,455	2,339	2,399	2,310	1,901
STATEMENTS OF FINANCIAL POSITION (RM'million)					
Total assets	204,637	174,158	170,336	143,216	119,444
Gross loans, advances and financing	141,328	120,082	110,003	97,697	84,188
Total deposits	172,813	148,094	143,547	121,635	100,083
Paid-up capital	3,365	3,318	3,318	3,318	3,318
Total equity	15,435	13,412	12,037	10,731	9,153
ORDINARY DIVIDENDS (Paid)					
Gross dividend rate (%)	5.3	12.9	20.9	9.6	9.8
Net dividend (Paid) (RM'million)	175.0	408.0	520.0	237.9	244.1
The directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2014					
FINANCIAL RATIOS					
Net tangible assets backing per 50 sen ordinary share (sen)	212.7	185.2	164.5	144.9	121.2
Return on average shareholder's equity (%)	12.9	13.9	15.9	17.6	16.8
Earnings per 50 sen ordinary share (sen)	28.1	26.6	27.2	26.3	21.5

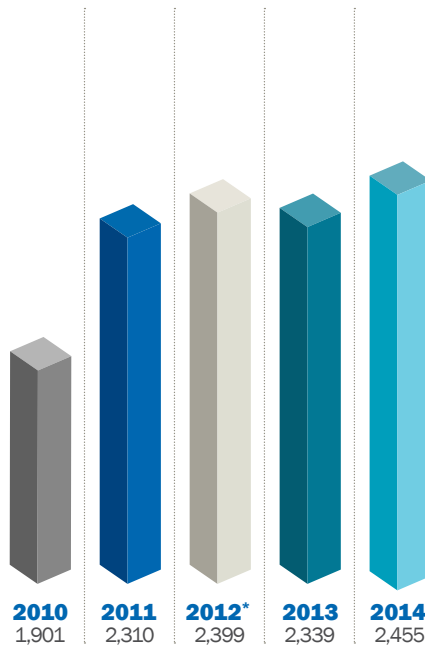
* Restated as a result of acquisition of RHBIBL and OSKL.

SUMMARY OF FIVE-YEAR GROUP GROWTH

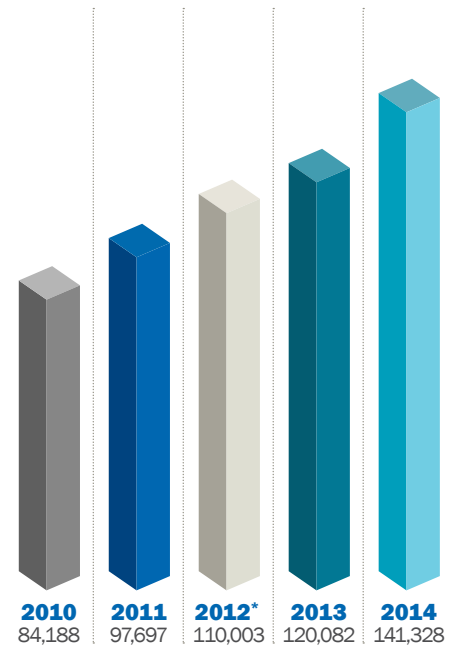
OPERATING PROFIT (RM'million)



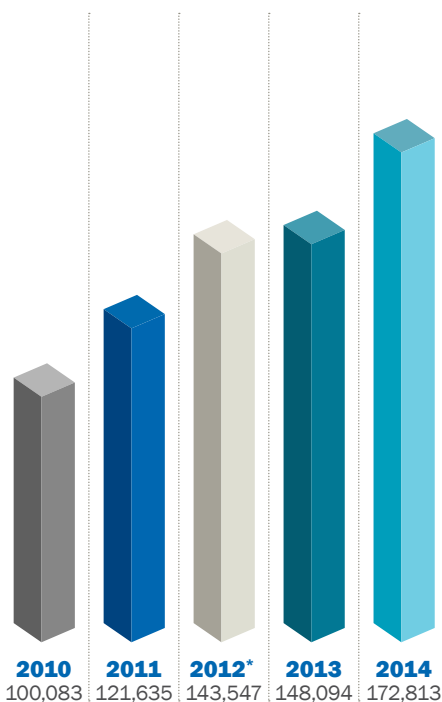
PROFIT BEFORE TAXATION (RM'million)



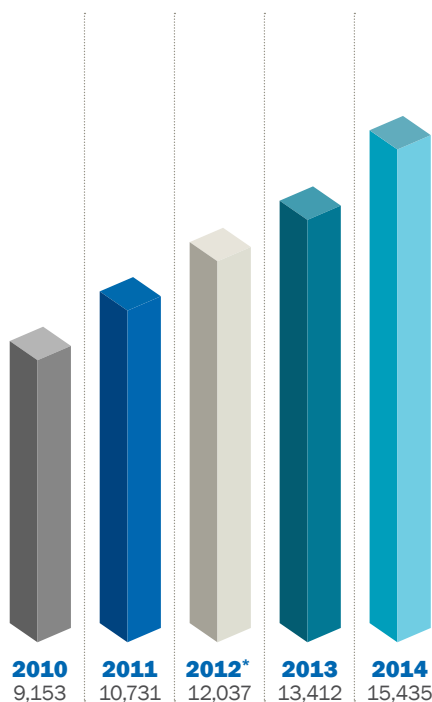
GROSS LOANS, ADVANCES & FINANCING (RM'million)



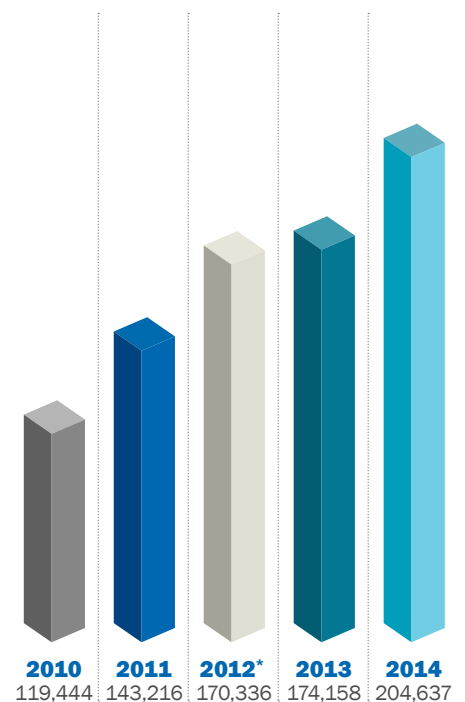
TOTAL DEPOSITS (RM'million)



TOTAL EQUITY (RM'million)



TOTAL ASSETS (RM'million)



* Restated as a result of acquisition of RHBIBL and OSKL.

CORPORATE INFORMATION

AS AT 25 FEBRUARY 2015

BOARD OF DIRECTORS

Tan Sri Azlan Zainol

Non-Independent Non-Executive Chairman

Tuan Haji Khairuddin Ahmad

Senior Independent Non-Executive Director

Ong Seng Pheow

Independent Non-Executive Director

Choong Tuck Oon

Independent Non-Executive Director

Abdul Aziz Peru Mohamed

Independent Non-Executive Director

Dato' Mohamed Khadar Merican

Independent Non-Executive Director

Tan Sri Ong Leong Huat @ Wong Joo Hwa

Non-Independent Non-Executive Director

Mohamed Ali Ismaeil Ali AlFahim

Non-Independent Non-Executive Director

Chin Yoong Kheong

Independent Non-Executive Director

Dato' Khairussaleh Ramli

Deputy Group Managing Director,
RHB Banking Group,
Managing Director, RHB Bank Berhad

BOARD AUDIT COMMITTEE#

Ong Seng Pheow

Chairman

Dato' Othman Jusoh

Datuk Seri Saw Choo Boon

Datuk Haji Faisal Siraj

BOARD CREDIT COMMITTEE#

Dato' Mohamed Khadar Merican

Chairman

Tuan Haji Khairuddin Ahmad

Abdul Aziz Peru Mohamed

Patrick Chin Yoke Chung

Tuan Haji Md Ja'far Abdul Carrim

BOARD TECHNOLOGY COMMITTEE#

Choong Tuck Oon

Chairman

Ong Seng Pheow

Dato' Mohd Ali Mohd Tahir

Charles Lew Foon Keong

Kellee Kam Chee Khiong

Dato' Khairussaleh Ramli

BOARD RISK COMMITTEE#

Tuan Haji Khairuddin Ahmad

Chairman

Patrick Chin Yoke Chung

Tuan Haji Md Ja'far Abdul Carrim

Choong Tuck Oon

Datuk Seri Saw Choo Boon

BOARD NOMINATING & REMUNERATION COMMITTEE#

Datuk Haji Faisal Siraj

Chairman

Datuk Seri Saw Choo Boon

Dato' Teo Chiang Liang

Choong Tuck Oon

Tuan Haji Md Ja'far Abdul Carrim

COMPANY SECRETARIES

Azman Shah Md Yaman

Ivy Chin So Ching

GROUP SENIOR MANAGEMENT

Kellee Kam Chee Khiong

Group Managing Director,
RHB Banking Group

Dato' Khairussaleh Ramli

Deputy Group Managing Director,
RHB Banking Group,
Managing Director, RHB Bank Berhad

Mike Chan Cheong Yuen

Managing Director,
RHB Investment Bank Berhad

Ibrahim Hassan

Managing Director,
RHB Islamic Bank Berhad

U Chen Hock

Head, Group Retail Banking

Yap Choi Foong

Group Chief Financial Officer

CORPORATE INFORMATION

AS AT 25 FEBRUARY 2015

Rohan Krishnalingam
Group Chief Operations Officer

Norazzah Sulaiman
Group Chief Governance Officer

Patrick Ho Kwong Hoong
Group Chief Risk Officer

Jamaluddin Bakri
Group Chief Human Resource Officer

Christopher Loh Meng Heng
Group Chief Strategy &
Transformation Officer

MANAGEMENT OF SUBSIDIARIES

RHB ISLAMIC BANK BERHAD
Ibrahim Hassan
Managing Director

RHB INDOCHINA BANK LIMITED
Lim Loong Seng
Country Head

**RHB OSK INDOCHINA SECURITIES
LIMITED**
Ding Ming Teik
Acting Chief Executive Officer

RHB BANK LAO LIMITED
Danny Ling Chii Hian
Country Head

RHB BANK (L) LIMITED
Toh Ay Leng
Head

OVERSEAS LOCATIONS

SINGAPORE

Jason Wong Hon Lurn
Country Head

THAILAND

Wong Kee Poh
Country Head

BRUNEI

Ng Moon Kwee
Country Head

VIETNAM

Wilson Cheah Hui Pin
Chief Representative

MYANMAR

Lim Loong Seng
Chief Representative

CAMBODIA

Lim Loong Seng
Country Head

LAO

Danny Ling Chii Hian
Country Head

REGISTERED OFFICE

Level 9, Tower One
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Tel : 603 - 9287 8888
Fax : 603 - 9280 2996

BUSINESS ADDRESS

Head Office
Towers Two & Three
RHB Centre
Jalan Tun Razak
50400 Kuala Lumpur
Malaysia
Tel : 603 - 9287 8888
Fax : 603 - 9287 9000 (General)
Swift : RHBBMYKL
Call Centre :
1-300-888-742
603 - 9206 8118
(Peninsular Malaysia - 24 hours)
082 - 276 118
(Sabah & Sarawak - 7 a.m. to 7 p.m.)

AUDITORS

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

Note:

The committee is shared with relevant subsidiaries of the Group.



RHB CAPITAL BERHAD

GROUP CORPORATE STRUCTURE

AS AT 25 FEBRUARY 2015



COMMERCIAL BANKING GROUP

◆ 100% RHB Bank Berhad

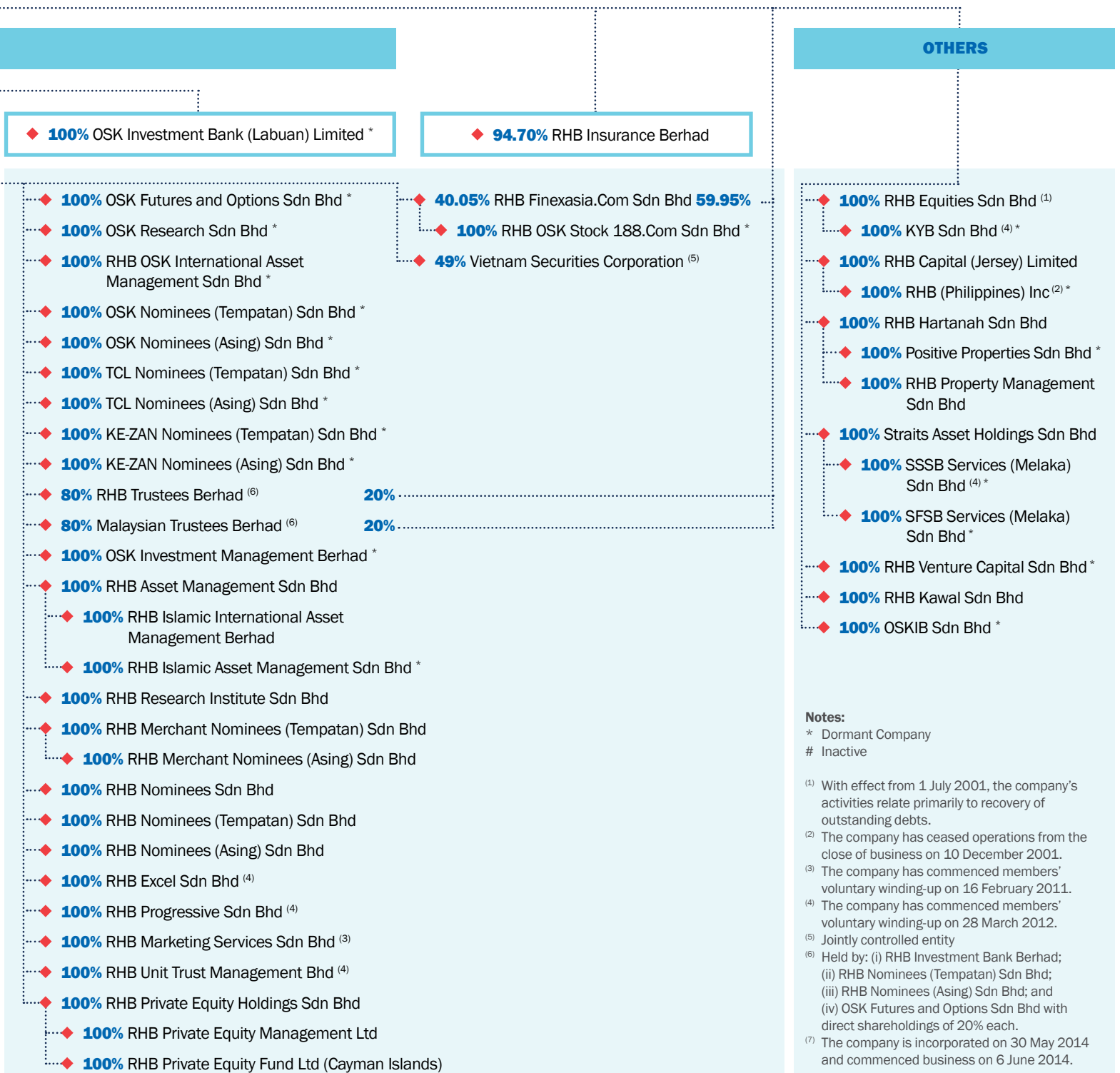
- ◆ 100% RHB Islamic Bank Berhad
- ◆ 100% RHB Bank (L) Ltd
- ◆ 100% RHB International Trust (L) Ltd
- ◆ 100% RHB Corporate Services Sdn Bhd
- ◆ 100% RHB Leasing Sdn Bhd
- ◆ 100% RHB Capital Nominees (Tempatan) Sdn Bhd
- ◆ 100% RHB Capital Nominees (Asing) Sdn Bhd
- ◆ 100% RHB Capital Properties Sdn Bhd
- ◆ 100% Utama Assets Sdn Bhd
- ◆ 100% RHB Bank Nominees Pte Ltd (Singapore)
- ◆ 100% Banfora Pte Ltd (Singapore)
- ◆ 100% RHB Investment Ltd (Singapore)
- ◆ 100% RHB Trade Services Limited (Hong Kong)
- ◆ 100% Utama Gilang Sdn Bhd ⁽³⁾ *
- ◆ 100% UMBC Sdn Bhd *
- ◆ 100% RHB Delta Sdn Bhd ⁽³⁾ *
- ◆ 100% RHB Indochina Bank Limited
- ◆ 100% RHB OSK Indochina Securities Limited
- ◆ 100% RHB Bank Lao Limited ⁽⁷⁾

INVESTMENT BANKING GROUP

◆ 100% RHB Investment Bank Berhad

- ◆ 100% RHB OSK International Investments Pte Ltd
- ◆ 100% RHB OSK Asset Management Pte Ltd
- ◆ 40% RHB OSK GC-Millennium Capital Pte Ltd ⁽⁵⁾
- ◆ 100% RHB Holdings Hong Kong Limited
- ◆ 100% RHB OSK Securities Hong Kong Limited
- ◆ 100% RHB OSK Nominees Hong Kong Limited
- ◆ 100% RHB OSK Futures Hong Kong Limited
- ◆ 100% RHB OSK Finance Hong Kong Limited
- ◆ 100% RHB OSK Capital Hong Kong Limited
- ◆ 100% RHB Fundamental Capital Hong Kong Limited
- ◆ 100% RHB OSK Asset Management Limited
- ◆ 51% RHB-OSK Fideus Asia and Emerging Markets Value Fund Ltd
- ◆ 100% RHB OSK Wealth Management Hong Kong Limited
- ◆ 100% RHB OSK (China) Investment Advisory Co Ltd
- ◆ 99% PT RHB OSK Securities Indonesia
- ◆ 99.62% PT RHB OSK Asset Management
- ◆ 100% DMG & Partners Securities Pte Ltd
- ◆ 100% DMG & Partners Nominees Pte Ltd #
- ◆ 100% Summit Nominees Pte Ltd #
- ◆ 100% DMG & Partners Research Pte Ltd
- ◆ 99.95% RHB OSK Securities (Thailand) PCL

RHB CAPITAL BERHAD GROUP CORPORATE STRUCTURE AS AT 25 FEBRUARY 2015



PROFILES OF THE BOARD OF DIRECTORS



TAN SRI AZLAN ZAINOL

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

Tan Sri Azlan Zainol
("Tan Sri Azlan") was appointed
as a Non-Independent
Non-Executive Director and
formalised as Chairman of
RHB Bank on 27 July 2005
and 29 July 2005, respectively,
representing RHB Capital
Berhad, the holding company of
RHB Bank.

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

Tan Sri Azlan was previously the Chief Executive Officer of the Employees Provident Fund Board until his retirement in April 2013. He has more than 29 years of experience in the financial sector, having been appointed as the Managing Director of AmBank Berhad and prior to that, as the Managing Director of AmFinance Berhad.

Tan Sri Azlan's other directorships in public companies include RHB Capital Berhad, Rashid Hussain Berhad (In Member's Voluntary Liquidation), Malaysian Resources Corporation Berhad (Chairman), Kuala Lumpur Kepong Berhad, Jardine Cycle & Carriage Limited (Singapore), RHB Holdings Hong Kong Limited and Eco World International Berhad (Chairman).

PROFILES OF THE BOARD OF DIRECTORS



TUAN HAJI KHAIRUDDIN AHMAD

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

**Tuan Haji Khairuddin Ahmad
("Haji Khairuddin") was
appointed as a Non-Independent
Non-Executive Director of
RHB Bank on 6 September
2001, representing Danamodal
Nasional Berhad ("Danamodal").**

Haji Khairuddin was redesignated from Non-Independent Non-Executive Director to Independent Non-Executive Director on 18 March 2008, after Danamodal ceased to be a substantial Irredeemable Non-Cumulative Convertible Preference Shareholder of RHB Bank in January 2008. He also serves as the Chairman of the Board Risk Committee as well as a Member of the Board Credit Committee.

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

Haji Khairuddin's other directorships include RHB Indochina Bank Limited (Chairman), RHB OSK Indochina Securities Limited (Chairman), RHB Bank Lao Limited (Chairman), RHB Islamic International Asset Management Berhad and RHB Asset Management Sdn Bhd.

PROFILES OF THE BOARD OF DIRECTORS



ONG SENG PHEOW

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

Ong Seng Pheow (“Mr Ong”) was appointed as an Independent Non-Executive Director of RHB Bank on 20 November 2006. He also serves as the Chairman of the Board Audit Committee as well as a Member of the Board Technology Committee.

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

Mr Ong’s other directorships in public companies include RHB Insurance Berhad (Chairman), RHB Trustees Berhad, Malaysian Trustees Berhad, RHB Holdings Hong Kong Limited, Daiman Development Berhad, LCTH Corporation Berhad, George Kent (Malaysia) Berhad and HELP International Corporation Berhad. He is also a Non-Executive Director of Jacks International Limited, a company listed on the Main Board of Singapore Exchange Securities Trading Ltd.

PROFILES OF THE BOARD OF DIRECTORS



CHOONG TUCK OON

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

Choong Tuck Oon (“Mr Choong”) was appointed as an Independent Non-Executive Director of RHB Bank on 1 April 2010. He also serves as the Chairman of the Board Technology Committee as well as a Member of the Board Risk Committee and Board Nominating & Remuneration Committee.

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

Mr Choong was with Accenture for 23 years until his retirement in 2010 as Senior Partner in the Financial Services Asia-Pacific practice. Mr Choong has extensive experience leading business and IT transformation, mergers and acquisitions and risk management for more than 20 large domestic, regional/global financial institutions across ASEAN and North Asia; including various national multi-bank collaborative initiatives. He also has experience in the Oil & Gas, Telecommunication and Utilities industries. Mr Choong was

also involved in voluntary non-governmental organisation (“NGO”) activities, such as launching a bank-of-banks for micro-finance institutions across Indonesia for a consortium of international aid agencies and developing a new growth strategy across 11 countries in Asia Pacific for an international conservation fund. Prior to Accenture, Mr Choong was with Petronas for seven years in various upstream and downstream functions.

Mr Choong’s other directorships include RHB Islamic Bank Berhad, RHB Indochina Bank Limited, RHB OSK Indochina Securities Limited and RHB Private Equity Holdings Sdn Bhd. He is a Director of FIDE Forum and also a Non-Executive Director in NTUC Income Insurance Cooperative Singapore.

PROFILES OF THE BOARD OF DIRECTORS



ABDUL AZIZ PERU MOHAMED

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

Abdul Aziz Peru Mohamed (“Encik Aziz Peru”) was appointed as an Independent Non-Executive Director of RHB Bank on 7 February 2011. He also serves as a Member of the Board Credit Committee.

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

Encik Aziz Peru is currently the Chief Executive Officer/Director of As-Salihin Trustee Berhad, a trust company specialising in Islamic estate planning. He held various Senior Management positions in the banking industry with almost 30 years in an accomplished career track spanning management of branch network and retail banking. He spent most of his working years at Malayan Banking Berhad, where his last position was General Manager, Consumer Banking

Division. He was also formerly the Senior General Manager of AmBank Berhad from 2002 to 2005. During the years in the banking industry, he was appointed as Chairman of the Rules Committee of the Association of Banks of Malaysia and has held several other key positions including as a Board Member of Mayban Property Trust and Mayban Trustees Bhd.

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

PROFILES OF THE BOARD OF DIRECTORS



DATO' MOHAMED KHADAR MERICAN

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

Dato' Mohamed Khadar Merican ("Dato' Mohamed Khadar") was appointed as an Independent Non-Executive Director of RHB Bank on 1 November 2011. Dato' Mohamed Khadar serves as the Chairman of the Board Credit Committee.

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

Dato' Mohamed Khadar has had more than 35 years of experience in financial and general management. He served as an auditor and a consultant in an international accounting firm, before joining a financial services group in 1986. Dato' Mohamed Khadar has held various senior management positions in Pernas International Holdings Berhad (now known as Tradewinds Corporation Berhad) between 1988 and April 2003, including those of President and

Chief Operating Officer. In 2013, Dato' Mohamed Khadar, in his capacity as the Chairman of RHB Capital Berhad, was named as the "Chairman of The Year" by the Minority Shareholders Watchdog Group at its Malaysian-Asean Corporate Governance Index Awards 2013.

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

PROFILES OF THE BOARD OF DIRECTORS



TAN SRI ONG LEONG HUAT @ WONG JOO HWA

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

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

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

For over 17 years since 1969, Tan Sri Ong was attached to a leading financial institution where he last held the position of Senior General

Manager. He was the Managing Director/Chief Executive Officer (“CEO”) of OSK Investment Bank Berhad (now known as OSKIB Sdn Bhd) (“OSKIB”) from July 1985 to January 2007 and thereafter was appointed as the Group Managing Director/CEO of OSKIB. He was then re-designated as a Non-Independent Non-Executive Director of OSKIB and subsequently resigned on 30 April 2013.

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

PROFILES OF THE BOARD OF DIRECTORS



MOHAMED ALI ISMAEIL ALI ALFAHIM

(38 years of age – United Arab Emirates)
Non-Independent Non-Executive
Director

Mohamed Ali Ismaeil Ali AlFahim (“Mr AlFahim”) was appointed as a Non-Independent Non-Executive Director of RHB Bank on 9 May 2014.

Mr AlFahim holds a Bachelor of Science in Business Administration from the University of Suffolk, Boston. He commenced his professional career at Abu Dhabi National Oil Company from 2000 to 2008. His role as Head of Group Financing Department focused on the identification and pursuit of investment strategies reflecting a balanced investment portfolio. During that time, Mr AlFahim also worked as a corporate finance consultant for KPMG-Dubai from 2001 to 2002 and for HSBC Bank at Project and Export Finance Division-London in 2006.

Since September 2008, Mr AlFahim has been Head of Finance at the Finance & Accounts Department of International Petroleum Investment Company PJSC (“IPIC”). He represents IPIC as a board member on various boards of investee companies, including EDP Energia de Portugal, Aabar Investments PJS, Arabtec Holdings PJSC, First Energy Bank, Unicredit Spa, Al Izz Islamic Bank, Depa Interiors and Oasis Capital Bank. He is also a Director of RHB Capital Berhad and RHB Investment Bank Berhad.



PROFILES OF THE BOARD OF DIRECTORS



CHIN YOONG KHEONG

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

**Chin Yoong Kheong
("Mr Chin") was appointed as
an Independent Non-Executive
Director of RHB Bank on
1 August 2014.**

Mr Chin holds a Bachelor of Arts Honours in Economics from the University of Leeds and a Fellow of the Institute of Chartered Accountants in England and Wales. He is also Members of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. Mr Chin has retired as a partner of KPMG, one of the leading accounting firms on 31 December 2013, after having served the firm for more than 34 years in the United Kingdom, Vietnam and Malaysia. Mr Chin's vast experience covers business solutions in areas such as strategy, human resources, performance improvement to public and infrastructure sector, consumer and

industrial markets, and financial services industry. Throughout his long career with KPMG, Mr Chin was experienced in the audit function before specialising in taxation for 14 years. He was responsible for setting up the KPMG practice in Vietnam and subsequently headed KPMG's consulting practice for more than seven years.

Mr Chin's other directorships in public companies include TAHP Group Berhad and Otto Marine Ltd, a shipping company listed on the Singapore Stock Exchange.

PROFILES OF THE BOARD OF DIRECTORS



DATO' KHAIRUSSALEH RAMLI

(47 years of age – Malaysian)
 Managing Director, RHB Bank Berhad
 Deputy Group Managing Director,
 RHB Banking Group

Dato' Khairussaleh Ramli
 (“Dato' Khairussaleh”) was
 appointed as **Managing Director**
of RHB Bank and Deputy Group
Managing Director of the
RHB Banking Group on
13 December 2013.
Dato' Khairussaleh also serves
as a Member of the Board
Technology Committee.

Dato' Khairussaleh has more than 20 years of experience in the financial services and capital markets industry, where he has held senior positions in well-established local financial institutions. Dato' Khairussaleh was Maybank Group Chief Financial Officer from November 2008 to January 2012. He was thereafter appointed President Director/Chief Executive Officer of Bank Internasional Indonesia, ranked among the top banks in Indonesia. Prior to joining Maybank, Dato' Khairussaleh served in Telekom Malaysia Berhad for two years with his last position being the Group Strategy Officer. He also spent eight years with Bursa Malaysia Berhad, holding various positions before rising to the post of Chief Financial Officer in 2004. He spent seven years with the Public Bank Group, one of the top banks in Malaysia, from 1990 to 1997.

Dato' Khairussaleh's 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 holds a Bachelor of Science in Business Administration from Washington University and is also a graduate of the Advanced Management Programme at Harvard Business School.

CORPORATE GOVERNANCE STATEMENT

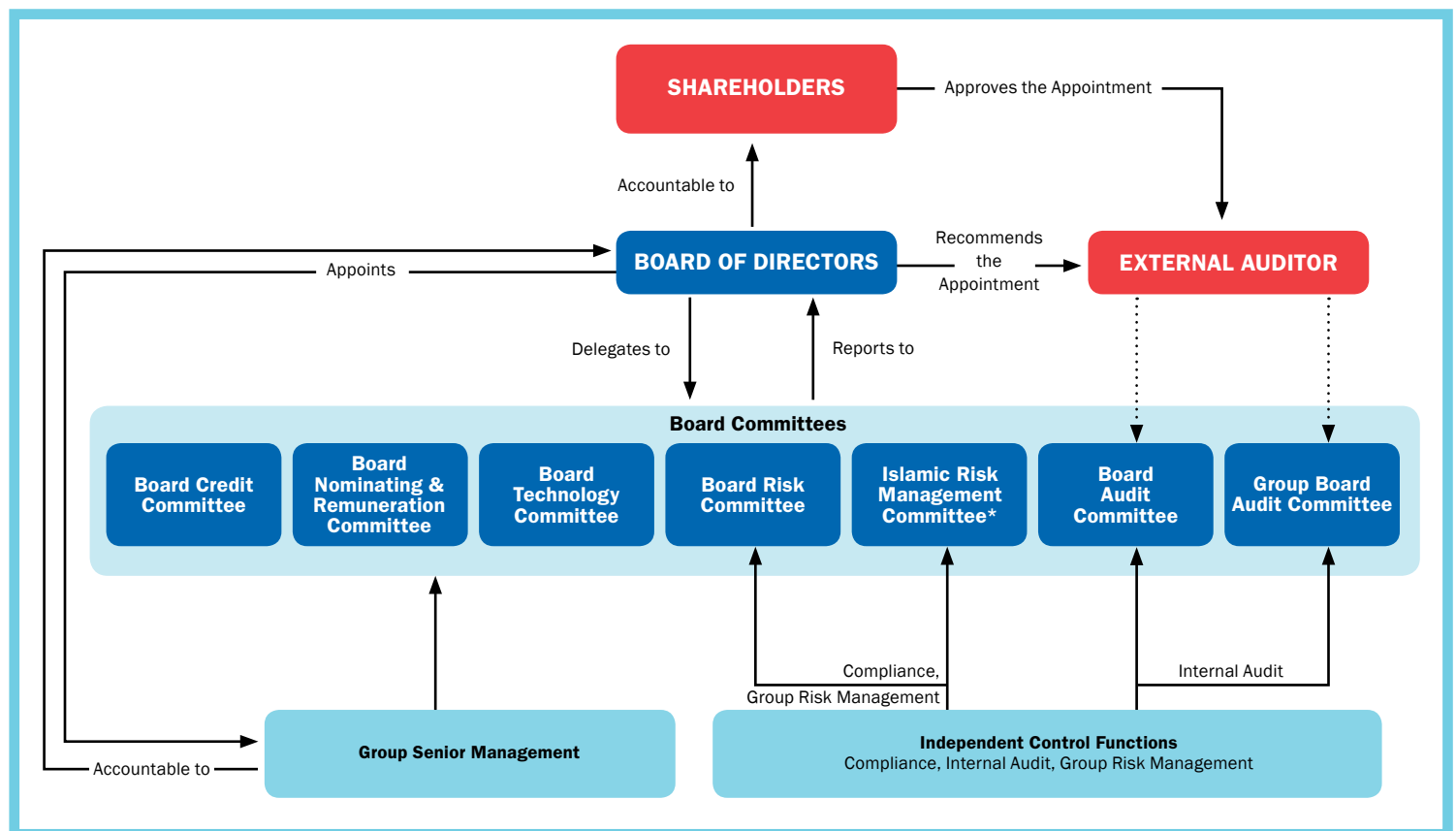
The Board of Directors (“Board”) of RHB Bank Berhad (“RHB Bank” or “Company”) recognises that good corporate governance is the keystone to RHB Banking Group’s (“the Group”) long-term success in delivering value to its shareholders and all its other stakeholders. The Board strives to ensure that the Company’s integrity and professional conduct are beyond reproach. In line with the Group’s IGNITE 2017 transformation programme to become a Leading Multinational Financial Services Group by 2020, the Board is fully committed to fostering a corporate culture with high standards of governance, integrity, transparency and accountability.

Throughout the years, the Board has made concerted efforts to ensure that the Group’s position as a whole and its reputation as a leading financial holding company are held in good stead. The Group has thus

implemented a corporate governance structure based on stringent corporate governance practices and regulations, a clear organisational structure with well-defined accountabilities and responsibilities, and robust internal control and risk management mechanisms. Hence, these governance processes are also cascaded and adopted by the subsidiaries including the Company.

The Board believes there are always opportunities for improvement and continuously explores enhancements to the Company’s governance processes. In line with the restructuring of the Group’s organisation in 2014 as outlined in the IGNITE 2017 Statement, the Group also reviewed its corporate governance structure to ensure it remains robust even as it continues to expand.

GOVERNANCE MODEL



* This Board Committee is a dedicated Board Committee to address all risk management issues that relate specifically to Islamic Finance and the intricacies thereof.

CORPORATE GOVERNANCE STATEMENT

THE BOARD OF DIRECTORS

Board Charter

The Group has developed Board Charters for each of its major entities. The Board Charters set out the key corporate governance principles adopted by the Boards of the Group and clearly define the responsibilities of Boards, Chairperson, Senior Independent Director and the Group Managing Director (“Group MD”)/Managing Director (“MD”)/Chief Executive Officer. The role of each party is also stipulated to ensure checks and balances in the day-to-day management of the Group’s businesses and operations.

Within these boundaries, the Board of RHB Bank also discusses, sets and agrees with Management the annual balanced scorecard and key performance indicators that are to be executed and achieved by Management. The performance and progress of Management is then reviewed by the Board at specified intervals.

The Board Charter is reviewed periodically by the Board to ensure corporate governance principles are in line with changes in regulations and best practices. This also ensure its effectiveness and relevance to the Board’s objectives.

Roles and Responsibilities of the Board

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

The Board and the Management are also looking at various strategies like risk based pricing, product innovation and differentiation as well as strengthening of the delivery and distribution channels in the Company’s readiness to take on new opportunities. Apart from that, the Company will also be strengthening its brand building and exploiting the business opportunities in conjunction with the Group.

The Board assumes the following key roles and responsibilities:

(a) Strategy setting

The Board plays an active role in reviewing and approving the Company’s strategy, business plans, financial objectives, major capital and operating budgets as well as policies proposed by the Management. The Board monitors the Management’s performance in implementing the adopted strategies and plans whilst providing direction and advice to ensure the achievement of the set objectives.

(b) Governing the Company’s business conduct and operations

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

The Board ensures that an effective risk management and internal control process is in place within the Company. The Board Risk Committee and the Board Audit Committee respectively provides oversight over the risk management and internal control activities for the Company. The Board also ensures that an effective human resource (“HR”) management and information technology through the delegation of certain decision making and/or oversight responsibilities to Board Nominating & Remuneration Committee and the Board Technology Committee. At the executive level, the MD assumes the overall responsibilities for the execution of the Bank’s strategies and plans in line with the Board’s direction, oversees its subsidiaries’ operations and drives the Bank’s businesses and performance towards achieving the Group’s vision and goals. In carrying out his tasks, the MD is supported by the Senior Management of the Bank.

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

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

(c) Risk Management

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



CORPORATE GOVERNANCE STATEMENT

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

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

The Company maintains and reviews its internal control procedures to ensure, as far as possible, the protection of its assets and liabilities as well as its shareholders' investments. The Board considers that the Company's risk management framework and system of internal control, which are in place throughout the financial year, up to and as of the date of this report, are operating adequately and effectively. An overview of the Company's systems of risk management is contained in the Risk Management Statement set out on pages 31 to 34 of this Annual Report.

(d) Talent Development and Succession Planning

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

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

In line with IGNITE 2017, the Group has made a concerted effort to enhance and realign its HR and talent management to attract and retain regional talent and build a high-performing regional workforce. During the year, this saw the BNRC considering the renewal of service contracts and new appointments for key management positions based on their profiles, professional achievements and personal assessments. This included successfully identifying and attracting suitable candidates for all senior positions. The BNRC also considered their remuneration packages in finalising the terms and conditions of their service contracts.

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

(e) Internal Control

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

Board Composition and Balance

The Board of RHB Bank is currently represented by 10 Members, comprising a Non-Independent Non-Executive Chairman, six INEDs, two NINEDs and the MD. Tuan Haji Khairuddin Ahmad has been appointed as the Senior INED, to whom concerns pertaining to the Bank may be conveyed by the shareholder. The structure and composition of the Board comply with the Bank Negara Malaysia ("BNM") Guidelines on Corporate Governance for Licensed Institutions ("BNM's CG Guidelines").

Independent Directors account for more than 50% of the Board, exceeding BNM's requirement that one-third of Board Members must be independent, fulfilling the criteria of independence as defined in the BNM's CG Guidelines. Their presence ensures an effective check and balance in the functioning of the Board. They are not involved in the day-to-day management of the Company, nor do they participate in any of its business dealings. This ensures they remain free of any conflict of interest and can undertake their roles and responsibilities as INEDs effectively.

Boardroom Diversity Policy

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

CORPORATE GOVERNANCE STATEMENT

Assessment of Independence

The independence of the Directors is reviewed annually and benchmarked against best practices and regulatory provisions. The BNRC assesses the independence of INEDs via the Board Effectiveness Evaluation (“BEE”) exercise, which takes into account the individual Director’s ability to exercise independent judgement at all times and to contribute to the effective functioning of the Board. Based on the BEE results, the Board is generally satisfied with the level of independence demonstrated by all the INEDs and their ability to act in the best interest of the Company.

In addition, the independent directors are required to provide their confirmations on their compliance with the criteria and definition of “independent director”, as stipulated under Clause 2.26 of BNM’s CG Guidelines. All the Independent Directors are independent from the substantial shareholders of the Company, not being substantial shareholders themselves nor directly associated with any substantial shareholders.

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

Tenure of Independent Directors

In an effort to preserve the independence of INEDs, the Group has put in place its internal Guidelines on Tenure of Appointment/Re-Appointment of INEDs for the RHB Capital Group of Companies (“Internal Guidelines”). The Board believes the tenure of INEDs should balance experience and learning with the need for renewal and fresh perspectives.

Tuan Haji Khairuddin Ahmad and YBhg Dato’ Mohamed Khadar Merican (“YBhg Dato’ Mohamed Khadar”) were first appointed as INEDs for RHB Bank in September 2001 and December 2003, respectively, therefore serving more than nine years. Pursuant to the Internal Guidelines and in line with recommendations of the Malaysian Code on Corporate Governance 2012 which states that the service tenure of an INED should not exceed a consecutive or cumulative term of nine years, the Board is required to justify and seek shareholder’s approval to retain Tuan Haji Khairuddin Ahmad and YBhg Dato’ Mohamed Khadar as INEDs.

Pursuant to a letter dated 24 March 2015 from Bank Negara Malaysia, YBhg Dato’ Mohamed Khadar’s status as an INED for RHB Bank

is re-designated as a Non-Executive Director with effect from the forthcoming Annual General Meeting of RHB Capital Berhad.

The Board found that Tuan Haji Khairuddin Ahmad has consistently demonstrated the values and principles associated with independence during Board and Board Committees discussions. He has exhibited impartiality, objectivity and due consideration in protecting the minority stakeholders’ interest. The Board is satisfied that Tuan Haji Khairuddin Ahmad is able to effectively delineate his role for providing oversight as an Independent Director whilst continuously enhancing his knowledge of the operations and issues of RHB Bank.

Role of the Chairman and Managing Director

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

The Non-Independent Non-Executive Chairman, YBhg Tan Sri Azlan Zainol, manages the affairs of the Board with a view of ensuring that it functions effectively and meets its obligations and responsibilities. He also leads the Board in executing its responsibilities to shareholders and ensures that Members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary in the Board’s decision-making.

Additionally, the Chairman ensures that general meetings are conducted efficiently and in accordance with the requirement of the Companies Act 1965.

The MD, YBhg Dato’ Khairussaleh Ramli, who has extensive financial experience and knowledge (including corporate finance and business development), assumes the overall responsibilities for the execution of the Company’s strategies in line with the Board and the Group’s direction, and drives the Company’s businesses and performance towards achieving the vision and goals of the Company and the Group.

Directors’ Appointment and Assessment

(a) Appointment of Directors

The Group leverages on the industry’s talent pool and the Group’s Independent Directors’ network to source for new candidates for Board appointments, as overseen by the BNRC, and the same applies to the Company.

The BNRC is guided by a nomination framework approved by the Board. The framework ensures that individuals appointed to relevant senior positions and the Boards within the Group have the appropriate fitness and propriety to discharge their prudential responsibilities on and during the course of their appointment.

CORPORATE GOVERNANCE STATEMENT

NOMINATION FRAMEWORK



New Director nominees are assessed by the BNRC in accordance with RHB Banking Group's Policy and Guidelines on Fit and Proper for Key Responsible Persons ("Fit and Proper Policy"). The assessment takes into account the nominees' background, skills, knowledge and experience, and is part of a transparent nomination process before a recommendation is made for the Board's approval.

These assessments are carried out against a benchmark of documented competencies which have been prepared for each role, the completion of declarations by each individual, the obtaining of evidence of material qualification and the carrying out of checks on matters such as criminal record, bankruptcy and regulatory disqualification. These assessments are reviewed on an annual basis. The Fit and Proper Policy outlines the following criteria in assessing the suitability of the candidate:

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

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

During its review of the suitability of candidates and criteria for the appointment process, the BNRC also takes into consideration the appropriate skill sets required, size, structure and composition of the Board. This ensures it is not only well-balanced and supportive of good governance and efficient management, but also complies with regulatory requirements and is responsive to changing business environment as well as the entity's business needs.

For the re-appointment of existing Directors, the BNRC refers to the results of the individual assessments conducted via the BEE in addition to their formal/informal interactions with the Directors. The BNRC also assesses the Directors based on their roles and contribution to the Board and Board Committees, independence of view in respect of decision-making, adequacy of training and time commitment by the Directors. The application for the appointment/re-appointment of Directors is submitted to BNM for consideration once it is approved by the Board.

(b) Board Effectiveness Evaluation

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

The BEE is based on a combination of self and peer assessment performed via a customised questionnaire. To ensure integrity and independence of the appraisal process, Messrs PricewaterhouseCoopers Advisory Services Sdn Bhd ("PwCAS") is engaged to collate and tabulate the results of the evaluation. The BEE also includes in-depth interviews with Directors and Senior Management by PwCAS to encompass areas which fall outside the realm of the written assessment. The detailed BEE results are discussed with the Chairmen of the BNRC and Boards.

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

Part A: Board Evaluation

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

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Part B: Board Committees Evaluation

1. Structure and processes
2. Accountability and responsibilities

Part C: Directors' Self and Peer Evaluation

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

Part D: Committee Members' Self and Peer Evaluation

1. Participation levels and contribution
2. Technical competencies

In December 2014, each Director and Board Committee member was required to perform an online self and peer assessment for the year in review. Upon completion, individual results together with a peer average rating on each area of assessment will be provided to each Director and Board Committee member for their information and further improvement. A summarised report will also be presented to the BNRC and the Board to identify and address areas for improvement.

MEETINGS AND SUPPLY OF INFORMATION TO THE BOARD

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

For the financial year ended 31 December 2014, the Board is satisfied with the time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of RHB Bank. All Directors have complied with the required minimum Board meetings attendance of 75% under BNM's revised guidelines as adopted by the Company.

The Board convened 14 meetings for the financial year ended 31 December 2014. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings is set out below:

Name of Directors	No. of Meetings Attended	Total Percentage of Attendance (%)
YBhg Tan Sri Azlan Zainol	13/14	93
Tuan Haji Khairuddin Ahmad	14/14	100
Mr Ong Seng Pheow	13/14	93
Mr Choong Tuck Oon	13/14	93
Encik Abdul Aziz Peru Mohamed	14/14	100
YBhg Dato' Mohamed Khadar Merican	14/14	100
YBhg Tan Sri Ong Leong Huat	13/14	93
Mr Mohamed Ali Ismaeil Ali AlFahim ¹	8/9	89
Mr Chin Yoong Kheong ²	5/5	100
YBhg Dato' Khairussaleh Ramli	14/14	100
YBhg Dato' Mohd Ali Mohd Tahir ³	1/1	100

Notes:

- 1 Appointed with effect from 9 May 2014
- 2 Appointed with effect from 1 August 2014
- 3 Resigned with effect from 31 January 2014

For the Directors' convenience, an annual meeting schedule for Board and Board Committee meetings is circulated to the Directors before the beginning of every year.

In 2014, the Group embarked on the use of a meeting management solution system (in place of eBooks which were used since 2011), allowing Directors/Board Committee Members to access the online portal directly in a secured and organised manner on their iPads. This initiative has significantly enhanced mobility, movement of documents, cost and time savings, as well as created greater convenience, better security and a positive impact on the environment. Directors who are unable to attend the Board/Board Committee meetings physically are also encouraged to participate via telephone or video-conferencing.

The Directors are required to notify the Board on changes of their other directorships and shareholdings in RHB Capital Berhad ("RHB Capital") as and when such changes arise. This information is used to monitor the number of directorships held by the Directors of RHB Bank, including those on other public listed companies, and to lodge such information to the Companies Commission of Malaysia accordingly.



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In addition, notices on the closed period for trading in RHB Capital securities based on the targeted date of announcement of the Group's quarterly results are circulated in advance to Directors and principal officers who are deemed privy to any price sensitive information and knowledge, whenever the closed period is applicable.

Information and Advice

The Board, whether as a group or individually, regularly obtain the advice and dedicated support services of the Company Secretaries. Board members may also interact directly with the Management, seek their clarification and advice as well as request for information on matters pertaining to the Company's and the Group's operations or business concerns. Pursuant to the Group's Standard Procedures for Directors to Have Access to Independent Advice, the Directors may also seek independent professional advice, at the Company's expense, should the need arise in discharging their duties.

Dedicated Company Secretaries

The Board acknowledges and is satisfied with the performance and support rendered by the Company Secretaries. In addition to acting as the custodian of the Company's statutory records, the Company Secretaries serve and advise the Board on matters relating to the affairs of the Board and the Company, ensures that Board meetings are properly convened and maintain accurate and proper record of the proceedings and minutes of the meetings.

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

In order to play an effective advisory role to the Board, the Company Secretaries remain informed of the latest regulatory changes, evolving industry developments and best practices in corporate governance through continuous training and regular interactions with regulators and industry peers.

REMUNERATION STRATEGIES

The Board is mindful that fair remuneration is critical to attract, retain and motivate Directors with the relevant experience and expertise required to lead the Company. The BNRC has been entrusted with discharging the remuneration strategies (as outlined in its terms of reference).

The Group has also established a common reference (incorporating the Non-Executive Directors' ("NEDs") Remuneration Framework) as a guide. It is aimed at applying the general principles in respect of the remuneration of NEDs in ensuring that the remuneration levels are commensurate with the responsibilities, risks and time commitment of Boards/Board Committees. For the NEDs, the level of remuneration reflects the level of responsibilities undertaken by the particular NED concerned within the Company and the Group. The remuneration strategy takes into consideration practices within the industry and is reviewed at least once every two years to align with the market.

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

(a) Directors' Fees

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

The shareholders of the Company had, at the last AGM held on 5 May 2014, approved an increase of Directors' fee to RM180,000 per annum for the Non-Executive Chairman and RM150,000 per annum for NEDs retrospective from 1 January 2013.

(b) Board Committee Allowances

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

(c) Meeting Attendance Allowance

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

(d) Benefits-in-kind

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

The Group has also established a remuneration framework for key Senior Management, consisting of a competitive integrated pay and benefit structure, which rewards corporate and individual performance in line with contributions to the organisation. The MD is not paid a Director's fee nor is he entitled to receive any meeting attendance allowance for any of the Board and Board Committee meetings that he attends. His remuneration, which includes among others salary, bonus and benefits-in-kind, is solely derived from the Company.

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

DIRECTORS’ ORIENTATION, CONTINUING EDUCATION AND TRAINING

The Board emphasises the importance of continuing education and training for its Directors to ensure that they are kept abreast with the latest developments in the areas related to their duties. A budget for Directors’ training is provided each year by RHB Bank. The Board, as part of the BEE exercise, assesses the training needs of each Director annually. The training and development of Directors are detailed in the Group’s Standard Procedures on Directors’ In-house Orientation and Continuing Education Programme for the RHB Banking Group.

The NEDs of the Company and the Group are encouraged to attend local and/or overseas training programmes organised by credible training organisations under the Board High Performance Programme. This programme is intended to equip the Directors with the necessary knowledge and tools to effectively discharge their duties and responsibilities as well as provide the Directors with global business perspectives and skills that engender organisational excellence. The Company Secretaries facilitate the organisation of internal training programmes and Directors’ attendance of external programmes, and keep a complete record of the training received and attended by the Directors.

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

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

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

(a) Corporate Governance

- Bursa Malaysia – Nominating Committee Programme
- FIDE Forum Event – A Comprehensive Talent Based Approach to Board Recruitment
- Mandatory Accreditation Programme for Directors of Public Listed Companies
- Corporate Governance Conference – The Challenges of Corporate Governance in the Financial Services Sector

(b) Banking and Finance

- ICAAP Training No. 5 – Supervisory Review Preparation for Board of Directors
- The Briefing on Cross Border Financing between Malaysia and Indonesia
- Breakfast Talk – Singapore National ICT Masterplan

(c) Risk Management and Legal

- KPMG Training – Managing Risks in Islamic Banks
- Advanced Risk Governance and Risk Management
- The Inverse Risk Logic Approach to Risk Governance Programme

BOARD COMMITTEES

To ensure effectiveness in discharging its roles and responsibilities, the Board also delegates specific authorities to the relevant Board Committees which are established centrally at RHB Capital Berhad and RHB Bank Berhad and serve the other entities of the Group. This delegation of authority is expressly stipulated in the Terms of References (“TORs”) of the respective Board Committees. The TORs are reviewed periodically to ensure effective and efficient decision-making in the Group. The Board Committees also act as oversight committees, evaluating and recommending matters under their purview for the Board to consider and approve.

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

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Board Nominating & Remuneration Committee

The Board Nominating & Remuneration Committee (“BNRC”) comprises five NEDs, of whom four are INEDs and one NINED, representing the respective entities within the Group including RHB Bank. The BNRC is chaired by YBhg Datuk Haji Faisal Siraj, the Senior INED of RHB Capital. The BNRC met 11 times during the financial year 2014. The composition of the BNRC and the attendance of the members at meetings held in 2014 are as follows:

Name of Members	Attendance at Meetings
YBhg Datuk Haji Faisal Siraj (INED/Chairman)*	11/11 (100%)
YBhg Dato' Mohamed Khadar Merican (INED)^	6/8 (75%)
YBhg Datuk Seri Saw Choo Boon (INED)*	11/11 (100%)
YBhg Dato' Teo Chiang Liang (INED)*	9/11 (82%)
Mr Choong Tuck Oon (INED)	9/11 (82%)
Tuan Haji Md Ja'far Abdul Carrim (NINED)#	11/11 (100%)

Notes:

* INED within RHB Banking Group

NINED within RHB Banking Group

^ YBhg Dato' Mohamed Khadar Merican resigned as a member of BNRC with effect from 18 September 2014.

The salient TOR of the BNRC is as follows:

- Establish a documented procedure for the appointment of Directors, Board Committee members, Group Shariah Committee (“GSC”) and key Senior Management officers.
- Establish and recommend for Board approval, minimum requirements for Directors, GSC and key Senior Management officers.
- Establish and recommend for Board approval, the optimal size and mix of skills to ensure efficient operation of the Boards/Board Committees/GSC.
- Assess and recommend for Board approval, new and reappointed nominees for directorship, Board Committee members, GSC and key Senior Management officers.
- Establish and recommend for Board approval, a mechanism for the formal assessment of the performance of Boards as a whole, Board Committees, GSC, each Director and key Senior Management officers.

- Review performance assessment results and recommend to the Board, the removal of any Director, GSC or key Senior Management officer found to be ineffective, errant and negligent in the discharge of responsibilities.
- Ensure Directors, Board Committee members and GSC receive appropriate induction and continuous training programs for closure of skill gaps and keeping abreast with latest developments.
- Ensure the establishment of formal and transparent procedures for developing remuneration and HR policies, strategies and framework for Directors, GSC and key Senior Management officers.
- Recommend remuneration strategies, policies and framework and specific remuneration packages for Directors, Board Committee members, GSC and key Senior Management officers, which should be (where relevant):
 - Market competitive and in support of the Group's culture, vision, objectives and strategy;
 - Reflective of the responsibilities and commitment required;
 - Sufficient to attract and retain quality people but yet not excessive;
 - Performance driven with sufficient emphasis on long term development of the Group to avoid excessive short-term risk-taking; and

The framework should cover all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.

- Ensure HR strategies, policies and frameworks are in place for all the building blocks of a quality HR Management System (e.g. succession planning, talent and leadership development, training, etc.) to support the Group in achieving its objectives.
- Approve changes to Group HR policies, in line with HR strategy and direction set by the Board.

Board Risk Committee

The Board recognises the importance of a sound system of risk management and internal control to ensure good corporate governance and safeguard shareholders' investments as well as the Company's and the Group's assets. The Board Risk Committee (“BRC”) provides oversight and governance of risks for the Group, and reviews the Management's risk management activities and policies.

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

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

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

The BRC comprises five NEDs, of whom four are INEDs and one NINED, representing the respective entities within the Group. The BRC met 20 times during the financial year 2014. The composition of the BRC and the attendance of the members at meetings held in 2014 are as follows:

Name of Members	Attendance at Meetings
Tuan Haji Khairuddin Ahmad (INED/Chairman)	20/20 (100%)
Mr Patrick Chin Yoke Chung (INED)*	17/20 (85%)
Tuan Haji Md Ja'far Abdul Carrim (NINED)#	20/20 (100%)
Mr Choong Tuck Oon (INED)	18/20 (90%)
YBhg Datuk Seri Saw Choo Boon (INED)*	16/20 (80%)

Notes:

* INED within RHB Banking Group

NINED within RHB Banking Group

Board Committees that Reside at RHB Bank Level

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

Board Audit Committee

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

The BAC also emphasises the internal audit function by increasing the objectivity and independence of the internal auditors and provides a forum for discussion that is, among others, independent of the Management. Additionally, the BAC reviews the quality of the audits conducted by internal and external auditors as well as the Group's financial condition and performance. This enhances the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.

Board Credit Committee

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



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The BCC met 38 times during the financial year 2014. The composition of the BCC and the attendance of the members at meetings held in 2014 are as follows:

Name of Members	Attendance at Meetings
YBhg Dato' Mohamed Khadar Merican (INED/Chairman)	30/38 (79%)
Tuan Haji Khairuddin Ahmad (INED)	37/38 (97%)
Mr Patrick Chin Yoke Chung (INED)*	33/38 (87%)
Encik Abdul Aziz Peru Mohamed (INED)	37/38 (97%)
Tuan Haji Md Ja'far Abdul Carrim (NINED)#	38/38 (100%)

Notes:

* INED within RHB Banking Group

NINED within RHB Banking Group

The salient TOR of the BCC is as follows:

- To affirm, veto or impose additional conditions on all types of credit applications (including under stock/futures broking) and all types of underwriting applications for amounts above the defined thresholds of the Central Credit Committee ("CCC") and/or the Investment & Underwriting Committee ("IUC").
- To oversee the management of impaired loans/assets as well as monitor the recovery of impaired loans/assets to enhance the Committee's oversight of the loan/asset recovery functions.
- To oversee the performance of rescheduled and restructured accounts to minimise credit loss and maximise the recovery of such accounts.
- To endorse and recommend write-offs to the respective Boards for approval.
- To endorse all policy loans/financing and loans/financing required by Bank Negara Malaysia to be referred to the respective Boards for approval.

Board Technology Committee

The Board Technology Committee ("BTC") comprises four INEDs, the Group MD and Deputy Group MD. The BTC guides the Boards of the operating entities on the Group's strategic IT programs and major IT investments. The BTC reviews and recommends to the Boards the Group's overall technology strategies and policies, strategic and major technology investments and projects above Management's limits set by the Boards or as referred to by the Group Management Committee. It also receives updates from Management on emerging technology trends affecting the Group.

The BTC met eight times during the financial year 2014. The composition of the BTC and the attendance of the members at meetings held in 2014 are as follows:

Name of Members	Attendance at Meetings
Mr Choong Tuck Oon (INED/Chairman)	8/8 (100%)
Mr Ong Seng Pheow (INED)	6/8 (75%)
YBhg Dato' Mohd Ali Mohd Tahir (INED)*	8/8 (100%)
Mr Charles Lew Foon Keong (INED)*	7/8 (87%)
Mr Kellee Kam Chee Khiong (Group MD)	7/8 (87%)
YBhg Dato' Khairussaleh Ramli (Deputy Group MD)	7/8 (87%)

Note:

* INED within RHB Banking Group

The salient TOR of the BTC is as follows:

- To review and recommend to the Board of Directors ("BOD"), the Group's overall technology strategies and policies.
- To review and recommend to the BOD, strategic and major technology investments and projects above management's limits set by the BOD.
[Note : For IT capital expenditure, the Group Approving Authority Matrix ("GAAM") limits set by the BOD as at 1 January 2014 are RM20 million (budgeted) and RM3 million (unbudgeted)]
- To receive from management, updates on emerging digital technology and ecommerce trends affecting the Group.
- To perform any other activities as delegated by the BOD.

Corporate Website

Recognising the importance of a high quality corporate website in promoting the Group's branding and image, the Group revamped and launched its new corporate website in February 2015 to meet the evolving expectations of customers and other stakeholders.

Information on RHB Bank's range of products is available on the corporate website (www.rhbgroup.com) under 'Products & Services'.

CORPORATE GOVERNANCE STATEMENT

UPHOLDING INTEGRITY

Compliance with Financial Reporting Standards

The Board ensures that shareholders are provided with a clear, balanced and meaningful assessment of the Company's financial performance, position and future prospects through the Annual Audited Financial Statements and quarterly reports.

Relationship with Internal and External Auditors

Internal audit

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

Follow-up actions and a review of the status of actions taken as per the auditors' recommendations are carried out by the Management via the various Management Audit Committees established within the Group. The Group internal auditors also work closely with the external auditors to resolve any control issues as raised by them to ensure that all issues are duly acted on by the Management. Further details of the activities of the GIA function are set out in the Statement on Risk Management & Internal Control of this Annual Report.

In August 2014, the Group's current Internal Audit Charter was reviewed. Upon the BAC's recommendation, the Board approved relevant updates to the charter in line with the latest regulatory requirements as well as the International Standards for the Professional Practice of Internal Auditing.

Assessment of external auditors

The BAC undertakes an assessment of the suitability and independence of the external auditors, Messrs PricewaterhouseCoopers, based on qualifying criteria for the appointment of auditors and terms of audit engagements in accordance with BNM's Guidelines – "External Auditor" dated 29 August 2014. In addition, the performance of the external auditors is assessed through a survey issued to management personnel requesting feedback and comments on their dealings with Messrs PricewaterhouseCoopers throughout the financial reporting year.

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

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

Group Whistle Blower Policy

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

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

Code of Ethics

The Board is committed to inculcating a corporate culture which engenders ethical conduct throughout the Company. The Board has thus adopted a Code of Ethics and Business Conduct for Directors ("Code of Ethics") to enhance the standard of corporate governance, establish uniform ethical standards and promote ethical conduct for Directors in line with governing laws, regulations and guidelines. The Code of Ethics includes principles relating to general standard of conduct, conflict of interest, insider trading, maintaining confidentiality, use of corporate assets, etc.



CORPORATE GOVERNANCE STATEMENT

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

Group Gifts & Hospitality Guidelines

The Group had, in November 2014, established Group Gifts & Hospitality Guidelines to promote integrity and transparency. The Guidelines complement the existing Group Code of Ethics and Conduct for Employees and are benchmarked against best practices for giving and receiving gifts as well as transparency and openness about gifting.

CORPORATE RESPONSIBILITY

The foundation of the Corporate Responsibility (“CR”) initiatives is premised on the four quadrants of Community, Environment, Workplace and Marketplace. The Group’s established CR strategic framework has supported and created value for the Group’s business, operations and brand, as well as contributed positively to the Group’s shareholders, customers, employees and society at large. The framework was introduced with the intention of translating its defined values into a governing policy that addresses the Group’s CR, as well as environment, social and governance (“ESG”) elements.

The policy will ensure that ESG issues are integrated into the Group’s daily business practices to promote its sustainability. Sustainability is defined as conducting business responsibly and ethically by factoring in social, economic and environmental considerations in the decision-making process for long-term business success that, in turn, will contribute to the socioeconomic development of the communities in which the Group operates. As such, the Group embarks on activities that conserve the environment, enrich the lives of communities, promote a culture of respect and care for its workforce and the public, all of which, appropriately implements good governance.

The Board also acknowledges that a sustainable approach to investing is vital to the interests of long-term investor and positively impacts the value of investments. The Board further recognises that the Group’s ability to prosper hinges substantially on its ability to make business decisions that uphold economic, social and environmental responsibilities by which the stakeholders and society can hold the Group accountable. The Board of RHB Bank recognises and supports the importance of ESG issues in its decision-making to maintain responsible corporate citizenship.

COMPLIANCE WITH THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 (“MCCG”)

The Board is satisfied that the Company is generally in compliance with principles and recommendations of the MCCG.

ADDITIONAL COMPLIANCE INFORMATION

Related Party Transactions

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

RESPONSIBILITY

The Board of Directors (“Board”) acknowledges its overall responsibility for RHB Bank Berhad (the “Bank”)’s risk management and internal control system and its adequacy and effectiveness in safeguarding shareholders’ investments and the Bank’s assets.

The system of risk management and internal control that is in place is designed to manage risks according to the risk appetite approved by the Board rather than total elimination of risks to achieve the Bank’s goals and objectives. The system can therefore only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

The system of risk management and internal control includes an established and on-going process for identifying, evaluating, managing and reporting significant risks that may affect the achievement of the Bank’s business objectives and strategies.

Management assists the Board in implementing Board policies and processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking timely corrective actions as required, and providing assurance to the Board that the processes have been carried out. In this regard, the Board has received assurance from the Managing Director and Group Chief Financial Officer as well as the Group Chief Risk Officer that the Bank’s risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Bank.

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

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

A sound framework of risk management and internal control is fundamental to good corporate governance. The key processes established by the Board for maintaining a sound system of risk management and internal control include the following:

Risk Management Framework

The risk management process seeks to identify, measure, monitor and control risk. It also seeks to ensure that risk exposures are adequately managed and that the expected returns compensate the risks taken, given that the risks within the industry we operate in are continuously changing and evolving. This process is regularly reviewed by the Board through its Board Risk Committee (“BRC”) which ensures the proper management of risks and that the appropriate measures are taken to mitigate any identified weaknesses in the control environment.

The Board, through the BRC, maintains overall responsibility for risk oversight within the Bank. In discharging its overall duties and responsibilities, the BRC is supported by the Group Capital and Risk Committee and Group Risk & Credit Management function which monitor and evaluate the effectiveness of the Group’s risk management system and operations on an ongoing basis.

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

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

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

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



STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Internal Audit Function

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

The results of the audits conducted by GIA are reported to the BAC. Follow-up action and review of the status of action taken as per the auditors’ recommendations are carried out by Management via the Management Audit Committee (chaired by the Managing Director) whose members comprise Senior Management. The minutes of meetings of the Management Audit Committee is tabled to the BAC for notation.

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

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

Group Compliance Framework

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

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

The Group’s state of compliance with laws, regulations and internal policies and procedures is reported to the BRC and Board on a monthly basis. In addition, the Group has in place an incident escalation and reporting process wherein any incident affecting the reputation of the Group is escalated to the Senior Management and respective Boards within 24 hours of the incident occurring. This escalation process ensures oversight and guidance is provided by the Board in managing reputational risk.

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

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

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

Shariah Compliance

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

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

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

Board Committees

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

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Group Management Committee

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

Information Technology (IT) Security

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

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

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

Authority Limits

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

Budgeting Process

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

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

Performance Review

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

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

Internal Policies and Procedures

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



STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Human Capital Management

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

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

The Group places emphasis on human capital development and talent management. To enhance staff competencies, we provide technical training as well as management and leadership skills training.

Group Code of Ethics and Conduct

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

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

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

Group Whistle Blower Policy

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

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

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

Incident Management Reporting

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

BOARD AUDIT COMMITTEE REPORT

ACTIVITIES OF THE BOARD AUDIT COMMITTEE AND THE INTERNAL AUDIT FUNCTION DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Activities of the Board Audit Committee

During the financial year ended 31 December 2014 (“year”), a total of eighteen (18) Board Audit Committee (“BAC”) meetings were held. The BAC comprises the following members and the details of attendance of each member at the BAC meetings held during the year are as follows:

Composition of the BAC	Attendance at Meetings
1. Ong Seng Pheow (Chairman/Independent Non-Executive Director)	18/18 (100%)
2. Dato’ Othman Jusoh (Member/Independent Non-Executive Director)	17/18 (94%)
3. Datuk Seri Saw Choo Boon (Member/Independent Non-Executive Director)	16/18 (89%)
4. Datuk Haji Faisal Siraj (Member/Independent Non-Executive Director) - Appointed as a member on 28 January 2014	16/16 (100%)*
5. Dato’ Mohd Ali Mohd Tahir (Member/Independent Non-Executive Director) - Resigned as a member on 28 January 2014	2/2 (100%)*

* On 28 January 2014, Datuk Haji Faisal Siraj, an Independent Non-Executive Director (“INED”), was appointed as a member of BAC in place of Dato’ Mohd Ali Mohd Tahir, an INED, who has resigned as BAC member.

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

- Reviewed the quarterly unaudited financial results and the annual audited financial statements of RHB Bank Berhad and the key operating entities within the Group before recommending them for approval by the Board;
- Reviewed the audit plan of the external auditors, the audit strategy, risk assessment and areas of audit emphasis for the year;
- Reviewed with the external auditors, the results of their annual audit and Board Audit Committee report together with the Management’s response to their findings and recommendations;
- Met twice with the external auditors without the presence of the Management to discuss issues of concern to the auditors arising from the annual statutory audit;

- Reviewed the non-audit services rendered by the external auditors and the related fees taking into consideration the fees threshold established under the Group policy;
- Evaluated the performance of the external auditors and made the necessary recommendations to the Board for consideration in relation to their appointment and audit fees;
- Reviewed and approved the annual internal audit plan to ensure adequacy of scope and coverage of the identified auditable areas including staffing requirements;
- Reviewed the internal audit reports, audit recommendations and Management’s responses to these recommendations as well as the timely actions taken to improve the system of internal controls and procedures, and completion of the internal audit plan;
- Reviewed the related party transactions entered into by RHB Bank Berhad and its subsidiaries;
- Reviewed the proposed changes to the Group Internal Audit Charter (“Audit Charter”) prior to recommending the updated Audit Charter for approval by the Board;
- Reviewed the proposed changes to the Terms of Reference (“TOR”) of the BAC for approval by the Board;
- Reviewed the inspection and examination reports issued by the regulatory authorities and the appropriate remedial actions taken in respect of any findings to satisfy itself that all matters highlighted in these reports had been adequately and promptly addressed by management; and
- Tabled the minutes of each BAC meeting to the Board for notation, and for further direction by the Board, where necessary.

During the year, the members of the BAC attended the following training programmes, conferences and seminars:

- Managing Risks in Islamic Banks
- Training Session No. 5 of Internal Capital Adequacy Assessment Process - Supervisory Review Preparation for Board of Directors
- Breakfast Talk - Singapore National ICT Masterplan
- The Inverse Risk Logic Approach to Risk Governance Programme
- Talk on Board Strategic Leadership in Managing Cybersecurity Risk in Financial Institutions
- Opening of Legal Year 2014
- Malaysian Anti-Corruption Commission - Corporate Liability Provision
- Corruption in Malaysia: The Making of an Unequal Society
- National Economic Summit and Dialogue with The Prime Minister



BOARD AUDIT COMMITTEE REPORT

- World Bank: Study on Achieving a System of Competitive Cities
- Federation of Malaysian Manufacturers Energy Conference
- Training on Economic Outlook, Consumer Insight, Market Trends, Goods and Services Tax and Social Media Crisis Management
- Ministry of International Trade & Industry: ASEAN Economic Initiatives Workshop
- Ministry-Industry Dialogue: Generating Green Wealth in Spurring the Nation's Prosperity
- Commonwealth Association for Public Administration and Management Conference: Public Service Transformation
- Academy of Science Malaysia General Assembly: Malaysia Beyond 2020
- Good Regulatory Practice Workshop
- Workshop on Network, Spectrum, Branding.

Internal Audit Function

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

The BAC approves the annual internal audit plan prior to the start of each financial year. Group Internal Audit adopts a risk-based approach towards the planning and conduct of audits, which is consistent with the Group's framework in designing, implementing and monitoring its internal control system.

All audit reports on the results of work undertaken by Group Internal Audit are reported to the BAC. Follow-up action and review of the status of action taken as per the auditors' recommendations are carried out by Management via the Management Audit Committee of RHB Bank Berhad. The minutes of meetings of the Management Audit Committee are tabled to the BAC for notation.

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

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

Objective

1. Provide independent oversight of RHB Banking Group ("the Group")'s financial reporting and internal control system, and ensuring checks and balances for entities within the Group.
2. Review the quality of the audits conducted by internal and external auditors.
3. Provide a line of communication between Board and external auditors.
4. Reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit activities.
5. Provide emphasis on the internal audit function by increasing the objectivity and independence of the internal auditors and provide a forum for discussion that is, among others, independent of the management.
6. Enhance the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.

Authority

The BAC shall, within its terms of reference:

1. The Chairman of the BAC should engage on a continuous basis with senior management, such as the Managing Director/Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.
2. The BAC is authorised by the respective Boards to investigate any matter within its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to relevant information. It is also authorised to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the BAC.
3. The BAC shall have direct communication channels with the external and internal auditors.
4. The BAC is authorised by the respective Boards to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend meetings, if it considers this necessary.

BOARD AUDIT COMMITTEE REPORT

5. The BAC is authorised by the respective Boards to provide a written confirmation to Bank Negara Malaysia (BNM) that the banking entities comply with BNM's requirements on financial reporting.

DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the BAC are as follows:

1. The BAC is directly accountable to the Boards of the respective entities and the Boards will continue to be accountable for all matters relating to their respective entities.
2. Internal Audit
 - To ensure that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives.
 - To review the effectiveness of internal controls and risk management processes, including the scope of the internal audit programme and the appropriateness of the risk assessment methodology employed to determine the frequency and scope of audits.
 - To review the adequacy of the scope, functions and resources of the internal audit function, Internal Audit Charter and that it has the necessary authority to carry out its work.
 - To review and approve the internal audit plan and to review the results of the internal audit programme or investigation undertaken and whether appropriate action is taken by Management on the recommendations of the internal auditors.
 - To ensure that the reporting relationships of the internal audit staff do not impede the exercise of independent judgment by the internal auditors. In particular, the reports of internal auditors should not be subject to the clearance of the Managing Director/Chief Executive Officer or any Executive Directors.
 - To ensure that all findings and recommendations are resolved effectively and in a timely manner.
3. External Audit
 - To ensure that internal audit staff receives necessary training to perform audit work. There shall be a programme of continuing education and training to enable the internal auditors to keep abreast of business trends and latest developments at both the institution and industry levels, as well as to enhance technical skills required to effectively support the audit function.
 - To appraise the performance of the head of internal audit and to review the appraisals of senior staff members of the internal audit function.
 - To approve any appointment or termination of the head of internal audit and senior staff members of the internal audit function and to review any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning, where necessary.
3. External Audit
 - To review with the external auditors whether the employees of the Group have given them appropriate assistance in discharging their duties.
 - To review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their management letter and discuss any matter that the external auditors may wish to raise in the absence of management, where necessary.
 - To recommend to the respective Boards on the appointment and the annual reappointment of the external auditors and assessing their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit.
 - To discuss and review with the external auditors any proposal from them to resign as auditors.
 - To review the non-audit services rendered by the external auditors together with the related fees for recommendation to the respective Boards for approval in accordance with the Group Policy on Non-Audit Fees payable to the external auditors.
 - To review the co-ordination of audit approach where more than one audit firm of external auditors is involved.



BOARD AUDIT COMMITTEE REPORT

4. Financial Reporting

- To review the quarterly results and year-end financial statements of the respective entities for recommendation to the respective Boards for approval, focusing particularly on:
 - (i) Changes in or implementation of new accounting policies and practices;
 - (ii) Significant and unusual events; and
 - (iii) Compliance with applicable financial reporting standards and other legal and regulatory requirements.

5. Related Party Transactions

- To review any related party transaction and conflict of interest situation that may arise within the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.

6. Other Matters

- To ensure independent review of risk management and capital management processes relating to the Internal Capital Adequacy Assessment Process (ICAAP) for their integrity, objectivity and consistent application, is conducted.
- To review the Group's Islamic-based business and operations comply with the Shariah Governance Framework for Islamic Financial Institutions.
- To review the following pertaining to RHB Insurance Berhad:
 - (i) The Chairman's statement, interim financial reports and preliminary announcements;
 - (ii) Corporate governance disclosures made in the Directors' Report pursuant to the requirement in BNM/RH/GL/003-2: Prudential Framework of Corporate Governance for Insurers; and
 - (iii) All representation letters signed by management, and be satisfied that the information provided is complete and appropriate.
- To review inspection and examination reports issued by any regulatory authority and to ensure prompt and appropriate actions are taken in respect of any findings.

- To review the minutes of meetings of other board audit committees within the Group to the extent permitted by the relevant regulatory authorities and be satisfied that all matters arising therefrom are being appropriately addressed by these other board audit committees.
- To perform any other functions as authorised by the respective Boards.

REPORTING

The BAC reporting line is to the respective Boards of entities that adopt the BAC.

COMPOSITION OF BAC

1. The membership of the BAC, including the position of Chairman shall be approved by the respective Boards based on the recommendation made by the Board Nominating and Remuneration Committee.
2. The BAC shall comprise at least three (3) members and there should be a fair representation on the BAC, from each entity within the Group. All members of the BAC should be Non-Executive Directors with majority of whom are independent.
3. The Chairman of the BAC shall be an Independent Non-Executive Director.
4. No BAC member shall be employed in an executive position in the Group, or otherwise have a relationship which in the opinion of the respective Boards will interfere with the exercise of independent judgement in carrying out the functions of the BAC. In addition, members of the BAC shall not be directly responsible for, or part of any committee involved in, the management functions within the Group.
5. No alternate director shall be appointed as a member of the BAC.
6. Collectively, the BAC shall have a wide range of necessary skills to undertake its duties and responsibilities and are expected to be familiar with the areas included in the scope of internal audit, including the area of risk management.
7. All members of the BAC shall be financially literate and at least one (1) member shall be a member of an accounting association or body.

BOARD AUDIT COMMITTEE REPORT

8. The term of office and performance of the BAC and each of its members must be reviewed by the respective Boards annually.
9. If a member of the BAC resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the respective Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

FREQUENCY OF MEETINGS

1. The BAC shall meet at least once a month or when necessary.
2. Quorum: Two-thirds of the members (majority of the members present shall be Independent Non-Executive Directors).
3. Permanent Invitees: Group Chief Financial Officer (Chairman, Group Audit Committee) and the Group Chief Internal Auditor. Other invitees:
 - (i) The BAC should not convene any meeting to discuss specific issues of a particular entity without the presence of the representative of the said entity.
 - (ii) The BAC may invite the external auditors, the Managing Director/Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, any other directors or members of the Management and employees of the Group to be in attendance during meetings to assist in its deliberations.
 - (iii) At least twice a year, the BAC shall meet with the external auditors without the presence of the Management or any executive Board members and upon the request of the external auditors, the Chairman of the BAC shall convene a meeting to consider any matter which the external auditors believe should be brought to the attention of the respective Boards or shareholders.

SECRETARIAT

1. Company Secretary or representative from Group Secretariat.
2. Minutes of each meeting shall be kept and distributed to all members of the BAC and shall be tabled to the Board.
3. Details of the activities of the BAC, the number of audit meetings held in a year, details of attendance of each member in respect of meetings, and the details of relevant training attended by each member should be documented in an informative way.

DISCLOSURE

The activities of the BAC should be briefly disclosed in the relevant entity's annual report as follows:

1. Membership of the BAC.
2. Responsibilities and terms of reference of the BAC.
3. Number of the BAC meetings as well as attendance of meetings by BAC members.

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RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

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

It is the responsibility of the Directors to ensure that the financial reporting of the Group and the Bank present a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2014 and of the financial results and cash flows of the Group and the Bank for the financial year ended 31 December 2014.

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

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

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 192 of the financial statements.



DIRECTORS' REPORT

The Directors submit herewith their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2014.

PRINCIPAL ACTIVITIES

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

There have been no significant changes in these principal activities during the financial year, other than those disclose on Note 46.

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before taxation	2,455,072	2,016,018
Taxation	(588,402)	(499,473)
Net profit for the financial year	1,866,670	1,516,545

DIVIDENDS

The dividends paid by the Bank since 31 December 2013 were as follows:

	RM'000
In respect of the financial year ended 31 December 2014:	
Single-tier interim dividend of 2.637 sen paid on 31 October 2014	175,000

The Directors have declared a single-tier 2nd interim dividend of 8.665 sen amounting to RM583,272,000 in respect of the financial year ended 31 December 2014. The 2nd interim dividend was approved by the Board of Directors on 29 January 2015. Subject to relevant authority approval, 75% of the 2nd interim dividend will be recapitalised into the Bank to preserve its capital adequacy for business growth purposes.

The financial statements for the current financial year do not reflect the declared single-tier 2nd interim dividend. This dividend payment will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2015.

The directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2014.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

During the financial year, the Bank increased its issued and paid up share capital from RM3,318,085,121 to RM3,365,486,335 via the issuance of rights issue of 94,802,428 new ordinary shares of RM0.50 sen each at an issued price of RM1.8459 per share, amounting to RM175 million to preserve its capital adequacy for business growth purposes.

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

DIRECTORS' REPORT

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

CHANGE OF CIRCUMSTANCES

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



DIRECTORS' REPORT

ITEMS OF AN UNUSUAL NATURE

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

DIRECTORS

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

Tan Sri Azlan Zainol
Tuan Haji Khairuddin Ahmad
Mr Ong Seng Pheow
Mr Choong Tuck Oon
Encik Abdul Aziz Peru Mohamed
Dato' Mohamed Khadar Merican
Tan Sri Ong Leong Huat @ Wong Joo Hwa
Mr Mohamed Ali Ismaeil Ali AlFahim (appointed on 9 May 2014)
Mr Chin Yoong Kheong (appointed on 1 August 2014)
Dato' Khairussaleh Ramli
Dato' Mohd Ali Mohd Tahir (resigned on 31 January 2014)

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

In accordance with Article 104 of the Bank's Articles of Association, Mr Mohamed Ali Ismaeil Ali AlFahim and Mr Chin Yoong Kheong retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Pursuant to Section 129(6) of the Companies Act, 1965, Tuan Haji Khairuddin Ahmad and Tan Sri Ong Leong Huat @ Wong Joo Hwa will retire at the forthcoming Annual General Meeting and being eligible, offer themselves for re-appointment as directors of the Bank to hold office until the next Annual General Meeting.

DIRECTORS' REPORT

DIRECTORS' INTERESTS

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

	Number of ordinary share of RM1.00 each			
	As at 1.1.2014	Bought	Sold	As at 31.12.2014
Ultimate Holding company				
RHB Capital Berhad				
Tuan Haji Khairuddin Ahmad				
- Indirect*	31,147	431	-	31,578
Mr Choong Tuck Oon				
- Direct	1,092	15 [#]	-	1,107
Dato' Mohamed Khadar Merican				
- Direct	64,486	826 [#]	-	65,312
Tan Sri Ong Leong Huat @ Wong Joo Hwa				
- Indirect*	1,100	-	-	1,100
- Indirect [^]	252,304,688	3,492,900 [#]	-	255,797,588

Notes:

The shares were acquired pursuant to the Dividend Reinvestment Plan.

* The interest is held through family member.

[^] Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholding in OSK Holdings Berhad.

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

DIRECTORS' BENEFITS

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

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

ULTIMATE HOLDING COMPANY

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



DIRECTORS' REPORT

AUDITORS

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

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

TAN SRI AZLAN ZAINOL
CHAIRMAN

Kuala Lumpur
5 March 2015

DATO' KHAIRUSSALEH RAMLI
MANAGING DIRECTOR

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	Group		Bank	
		31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
ASSETS					
Cash and short-term funds	2	15,536,640	9,231,558	11,493,133	5,575,273
Securities purchased under resale agreements		376,418	184,560	320,480	184,560
Deposits and placements with banks and other financial institutions	3	2,045,284	2,517,976	7,737,974	5,056,311
Financial assets held-for-trading	4	2,043,302	2,367,098	1,691,414	1,573,539
Financial investments available-for-sale	5	15,783,001	13,258,584	13,313,563	10,802,836
Financial investments held-to-maturity	6	19,698,097	21,813,036	17,594,801	19,097,086
Loans, advances and financing	7	139,544,308	117,891,870	109,982,719	95,752,900
Other assets	8	1,071,882	547,543	1,157,823	696,129
Derivative assets	9	1,283,855	418,624	1,283,574	425,518
Statutory deposits	10	5,201,170	3,954,819	4,055,229	3,110,223
Tax recoverable		59,792	26,155	59,771	26,152
Deferred tax assets	11	9,956	12,160	-	-
Investment in subsidiaries	12	-	-	1,864,514	1,740,314
Property, plant and equipment	13	666,426	666,736	487,906	492,464
Goodwill and other intangible assets	14	1,316,923	1,267,142	1,091,300	1,040,244
TOTAL ASSETS		204,637,054	174,157,861	172,134,201	145,573,549

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



STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	Group		Bank	
		31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	15	154,856,511	135,615,137	127,815,617	111,794,716
Deposits and placements of banks and other financial institutions	16	17,956,370	12,479,163	16,201,550	10,570,624
Obligations on securities sold under repurchase agreements	17	489,506	165,098	489,506	165,098
Bills and acceptances payable		476,322	2,076,481	467,486	2,061,391
Other liabilities	18	1,214,536	970,728	916,455	770,474
Derivative liabilities	9	1,193,538	270,024	1,214,797	291,922
Recourse obligation on loans sold to Cagamas Berhad ("Cagamas")	19	3,315,335	2,269,353	2,167,659	961,020
Tax liabilities		22,418	17,639	-	-
Deferred tax liabilities	11	40,818	35,376	40,814	35,372
Borrowings	20	669,892	571,049	669,892	571,049
Subordinated obligations	21	5,549,961	4,021,868	5,046,910	4,021,868
Hybrid Tier-1 Capital Securities	22	606,529	606,215	606,529	606,215
Senior Debt Securities	23	2,810,655	1,647,634	2,810,655	1,647,634
TOTAL LIABILITIES		189,202,391	160,745,765	158,447,870	133,497,383
Share capital	24	3,365,486	3,318,085	3,365,486	3,318,085
Reserves	25	12,069,177	10,094,011	10,320,845	8,758,081
TOTAL EQUITY		15,434,663	13,412,096	13,686,331	12,076,166
TOTAL LIABILITIES AND EQUITY		204,637,054	174,157,861	172,134,201	145,573,549
COMMITMENTS AND CONTINGENCIES	39	131,915,311	95,495,234	127,828,020	92,178,814

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

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group		Bank	
		31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Interest income	26	7,072,070	6,486,598	7,087,918	6,459,572
Interest expense	27	(3,829,750)	(3,252,197)	(3,798,343)	(3,222,165)
Net interest income		3,242,320	3,234,401	3,289,575	3,237,407
Other operating income	28	1,009,678	1,048,883	989,740	1,040,785
		4,251,998	4,283,284	4,279,315	4,278,192
Net income from Islamic Banking business	29	732,862	586,488	-	-
		4,984,860	4,869,772	4,279,315	4,278,192
Other operating expenses	30	(2,412,109)	(2,120,455)	(2,154,600)	(1,871,065)
Operating profit before allowances		2,572,751	2,749,317	2,124,715	2,407,127
Allowance for impairment on loans and financing	32	(243,282)	(422,580)	(233,502)	(383,020)
Impairment written back on other assets	33	125,603	12,743	124,805	13,065
Profit before taxation		2,455,072	2,339,480	2,016,018	2,037,172
Taxation	34	(588,402)	(575,467)	(499,473)	(514,490)
Net profit for the financial year		1,866,670	1,764,013	1,516,545	1,522,682
Earnings per share (sen):					
- Basic	35	28.06	26.58	22.80	22.95

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group		Bank	
		31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Net profit for the financial year		1,866,670	1,764,013	1,516,545	1,522,682
Other comprehensive income/(loss):					
Items that will be reclassified subsequently to profit or loss:					
- currency translation differences		116,002	89,208	53,809	43,518
- unrealised net gain/(loss) on revaluation of financial investments available-for-sale ("AFS")		74,065	(73,294)	71,046	(26,257)
- net transfer to income statements on disposal or impairment of financial investments AFS		(20,583)	(20,749)	(17,964)	(24,162)
Income tax relating to components of other comprehensive (income)/loss	36	(13,587)	23,618	(13,271)	12,605
Other comprehensive income net of tax for the financial year		155,897	18,783	93,620	5,704
Total comprehensive income for the financial year		2,022,567	1,782,796	1,610,165	1,528,386

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Group	Note	Attributable to equity holders of the Bank						Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Translation reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2014		3,318,085	8,563	3,919,746	19,469	150,571	5,995,662	13,412,096
Net profit for the financial year		-	-	-	-	-	1,866,670	1,866,670
Other comprehensive income/(loss) for the financial year:								
Currency translation differences		-	-	-	116,002	-	-	116,002
Financial investments AFS:								
- unrealised net gain on revaluation		-	-	-	-	74,065	-	74,065
- net transfer to income statements on disposal or impairment		-	-	-	-	(20,583)	-	(20,583)
Income tax relating to components of other comprehensive income	36	-	-	-	-	(13,587)	-	(13,587)
Total comprehensive income for the financial year		-	-	-	116,002	39,895	1,866,670	2,022,567
Issuance of rights issue	24	47,401	127,599	-	-	-	-	175,000
Ordinary dividends	37	-	-	-	-	-	(175,000)	(175,000)
Transfer to statutory reserves		-	-	112,157	-	-	(112,157)	-
Balance as at 31 December 2014		3,365,486	136,162	4,031,903	135,471	190,466	7,575,175	15,434,663
Balance as at 1 January 2013		3,318,085	8,563	3,836,496	(69,739)	220,996	4,722,899	12,037,300
Net profit for the financial year		-	-	-	-	-	1,764,013	1,764,013
Other comprehensive income/(loss) for the financial year:								
Currency translation differences		-	-	-	89,208	-	-	89,208
Financial investments AFS:								
- unrealised net loss on revaluation		-	-	-	-	(73,294)	-	(73,294)
- net transfer to income statements on disposal or impairment		-	-	-	-	(20,749)	-	(20,749)
Income tax relating to components of other comprehensive loss	36	-	-	-	-	23,618	-	23,618
Total comprehensive income/(loss) for the financial year		-	-	-	89,208	(70,425)	1,764,013	1,782,796
Ordinary dividends	37	-	-	-	-	-	(408,000)	(408,000)
Transfer to statutory reserves		-	-	83,250	-	-	(83,250)	-
Balance as at 31 December 2013		3,318,085	8,563	3,919,746	19,469	150,571	5,995,662	13,412,096

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



**STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

Bank	Note	Non-distributable					Distributable		Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Translation reserves RM'000	AFS reserves RM'000	Retained profits RM'000		
Balance as at 1 January 2014		3,318,085	8,563	3,478,138	55,541	180,119	5,035,720	12,076,166	
Net profit for the financial year		-	-	-	-	-	1,516,545	1,516,545	
Other comprehensive income/(loss) for the financial year:									
Currency translation differences		-	-	-	53,809	-	-	53,809	
Financial investments AFS:									
- unrealised net gain on revaluation		-	-	-	-	71,046	-	71,046	
- net transfer to income statements on disposal or impairment		-	-	-	-	(17,964)	-	(17,964)	
Income tax relating to components of other comprehensive income	36	-	-	-	-	(13,271)	-	(13,271)	
Total comprehensive income for the financial year		-	-	-	53,809	39,811	1,516,545	1,610,165	
Issuance of rights issue	24	47,401	127,599	-	-	-	-	175,000	
Ordinary dividends	37	-	-	-	-	-	(175,000)	(175,000)	
Balance as at 31 December 2014		3,365,486	136,162	3,478,138	109,350	219,930	6,377,265	13,686,331	
Balance as at 1 January 2013		3,318,085	8,563	3,478,138	12,023	217,933	3,921,038	10,955,780	
Net profit for the financial year		-	-	-	-	-	1,522,682	1,522,682	
Other comprehensive income/(loss) for the financial year:									
Currency translation differences		-	-	-	43,518	-	-	43,518	
Financial investments AFS:									
- unrealised net loss on revaluation		-	-	-	-	(26,257)	-	(26,257)	
- net transfer to income statements on disposal or impairment		-	-	-	-	(24,162)	-	(24,162)	
Income tax relating to components of other comprehensive loss	36	-	-	-	-	12,605	-	12,605	
Total comprehensive income/(loss) for the financial year		-	-	-	43,518	(37,814)	1,522,682	1,528,386	
Ordinary dividends	37	-	-	-	-	-	(408,000)	(408,000)	
Balance as at 31 December 2013		3,318,085	8,563	3,478,138	55,541	180,119	5,035,720	12,076,166	

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Group	
	31.12.2014 RM'000	31.12.2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,455,072	2,339,480
Adjustments for:		
Property, plant and equipment:		
- depreciation	84,945	82,518
- gain on disposal	(17,558)	(130)
- written off	20	21
Amortisation of computer software license	44,862	34,240
Allowance for impairment loss:		
- foreclosed properties	-	275
- intangible assets	1,199	-
Write-back of allowance for impairment losses:		
- foreclosed properties	-	(355)
- property, plant and equipment	(1,421)	(379)
Financial investments AFS:		
- net gain on sale	(21,445)	(83,838)
- interest income	(429,459)	(319,649)
- investment income	(92,803)	(75,441)
- dividend income	(4,451)	(6,137)
- allowance for impairment losses	-	9,883
- write-back of allowance for impairment losses	(119,613)	(10,868)
Financial investments held-to-maturity:		
- net gain on early redemption	(12,508)	(10,566)
- interest income	(713,436)	(625,133)
- investment income	(101,122)	(89,267)
- allowance for impairment losses	233	-
- write-back of allowance for impairment losses	(6,001)	(11,299)
Change in allowance for impairment on loans, financing other losses	415,515	496,990
Amortisation of discount for Hybrid Tier-1 Capital Securities	315	291
Amortisation/Accretion of discounts for borrowings and subordinated obligations	602	427
Unrealised loss/(gain) on revaluation of derivatives	91,072	(48,804)
Net gain on fair value hedges	(3,559)	(5,638)
Unrealised exchange gain	(41,121)	(97,479)
Operating profit before working capital changes	1,529,338	1,579,142

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



STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group	
		31.12.2014 RM'000	31.12.2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
(Increase)/Decrease in operating assets:			
Securities purchased under resale agreements		(188,108)	516,490
Deposits and placements with banks and other financial institutions		474,715	1,034,904
Financial assets held-for-trading		333,674	(809,099)
Loans, advances and financing		(21,859,025)	(10,353,532)
Other assets		(520,283)	(147,905)
Statutory deposits		(1,238,147)	(306,412)
		(22,997,174)	(10,065,554)
Increase/(Decrease) in operating liabilities:			
Deposits from customers		19,004,374	3,798,895
Deposits and placements of banks and other financial institutions		5,408,598	330,662
Obligations on securities sold under repurchase agreements		321,054	165,098
Bills and acceptances payable		(1,600,401)	(1,656,299)
Other liabilities		381,166	(129,005)
Recourse obligation on loans sold to Cagamas		1,045,982	(176,008)
		24,560,773	2,333,343
Cash generated from/(used in) operations		3,092,937	(6,153,069)
Net tax paid		(625,932)	(705,340)
Net cash generated from/(used in) operating activities		2,467,005	(6,858,409)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(85,676)	(60,446)
Purchase of computer software license		(98,913)	(66,866)
Proceeds from disposal of property, plant and equipment		27,303	241
Financial investments AFS:			
- net purchase		(2,216,390)	(3,111,057)
- interest received		414,020	321,345
- investment income received		95,360	70,925
- dividend income		4,451	6,137
Financial investments held-to-maturity:			
- net redemption/(purchase)		2,152,468	(3,834,837)
- interest received		743,060	504,705
- investment income received		85,309	78,478
Acquisition of a subsidiary	12	-	(21,600)
Net cash generated from/(used in) investing activities		1,120,992	(6,112,975)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group	
		31.12.2014 RM'000	31.12.2013 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of subordinated notes and Subordinated Sukuk Murabahah		1,500,000	-
Proceeds from issuance of senior notes		1,048,950	-
Proceeds from issuance of ordinary shares		175,000	-
Proceeds from issuance of short-term borrowings		174,825	-
Repayment of borrowings		(105,066)	(103,008)
Dividends paid to shareholders		(175,000)	(408,000)
Net cash generated from/(used in) financing activities		2,618,709	(511,008)
Net increase/(decrease) in cash and cash equivalents		6,206,706	(13,482,392)
Effects of exchange rate differences		98,376	34,097
Cash and cash equivalents brought forward		9,231,558	22,679,853
Cash and cash equivalents carried forward		15,536,640	9,231,558
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and short-term funds	2	15,536,640	9,231,558

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



STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Bank	
	31.12.2014 RM'000	31.12.2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	2,016,018	2,037,172
Adjustments for:		
Property, plant and equipment:		
- depreciation	76,539	75,244
- gain on disposal	(4,520)	(130)
- written off	6	21
Amortisation of computer software license	39,763	33,218
Allowance for impairment loss - foreclosed properties	-	275
Write-back of allowance for impairment losses:		
- foreclosed properties	-	(355)
- intangible assets	(47)	-
Financial investments AFS:		
- net gain on sale	(17,964)	(83,318)
- interest income	(425,719)	(316,088)
- dividend income	(4,444)	(6,137)
- allowance for impairment losses	-	9,182
- write-back of allowance for impairment losses	(118,990)	(10,868)
Financial investments held-to-maturity:		
- net gain on early redemption	(12,508)	(10,566)
- interest income	(706,746)	(618,753)
- allowance for impairment losses	233	-
- write-back of allowance for impairment losses	(6,001)	(11,299)
Change in allowance for impairment on loans, financing other losses	380,968	456,198
Amortisation of discount for Hybrid Tier-1 Capital Securities	315	291
Amortisation/Accretion of discounts for borrowings and subordinated obligations	602	427
Dividend income from a subsidiary	(10,646)	-
Unrealised loss/(gain) on revaluation of derivatives	100,099	(15,344)
Net gain on fair value hedges	(18)	(3,542)
Unrealised exchange gain	(41,121)	(97,479)
Operating profit before working capital changes	1,265,819	1,438,149
(Increase)/Decrease in operating assets:		
Securities purchased under resale agreements	(132,170)	516,490
Deposits and placements with banks and other financial institutions	(2,679,866)	(1,276,083)
Financial assets held-for-trading	(107,996)	(454,921)
Loans, advances and financing	(14,438,348)	(6,749,776)
Other assets	(459,529)	16,910
Statutory deposits	(940,425)	(185,962)
	(18,758,334)	(8,133,342)

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

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Bank	
		31.12.2014 RM'000	31.12.2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		15,800,805	(20,433)
Deposits and placements of banks and other financial institutions		5,584,939	1,050,145
Obligations on securities sold under repurchase agreements		321,054	165,098
Bills and acceptances payable		(1,594,148)	(1,649,543)
Other liabilities		281,011	91,678
Recourse obligation on loans sold to Cagamas		1,206,639	(21,820)
		21,600,300	(384,875)
Cash generated from/(used in) operations		4,107,785	(7,080,068)
Net tax paid		(543,529)	(642,147)
Net cash generated from/(used in) operating activities		3,564,256	(7,722,215)
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		(73,227)	(55,022)
Purchase of computer software license		(93,917)	(61,863)
Proceeds from disposal of property, plant and equipment		9,788	241
Financial investments AFS:			
- net purchase		(2,204,719)	(2,192,727)
- interest received		410,344	317,844
- dividend income		4,444	6,137
Financial investments held-to-maturity:			
- net redemption/(purchase)		1,523,893	(3,285,034)
- interest received		736,478	498,426
Dividend income from a subsidiary		10,646	-
Additional share subscriptions/acquisition of a subsidiary	12	(124,200)	(467,342)
Net cash generated from/(used in) investing activities		199,530	(5,239,340)

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



STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Bank	
		31.12.2014 RM'000	31.12.2013 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of senior notes		1,048,950	-
Proceeds from issuance of ordinary shares		175,000	-
Proceeds from issuance of short-term borrowings		174,825	-
Proceeds from issuance of subordinated notes		1,000,000	-
Repayment of borrowings		(105,066)	(103,008)
Dividends paid to shareholders		(175,000)	(408,000)
Net cash generated from/(used in) financing activities		2,118,709	(511,008)
Net increase/(decrease) in cash and cash equivalents		5,882,495	(13,472,563)
Effects of exchange rate differences		35,365	25,432
Cash and cash equivalents brought forward		5,575,273	19,022,404
Cash and cash equivalents carried forward		11,493,133	5,575,273
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and short-term funds	2	11,493,133	5,575,273

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Basis of Preparation of the Financial Statements

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

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

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

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

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

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

The relevant new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group’s and the Bank’s financial year beginning on or after 1 January 2014 are as follows:

- Amendments to MFRS 10, MFRS 12 and MFRS 127 Investment Entities
- Amendments to MFRS 132 Offsetting Financial Assets and Financial Liabilities
- Amendments to MFRS 139 Novation of Derivatives and Continuation of Hedge Accounting
- IC Interpretation 21 Levies

The adoption of the above accounting standards, amendments to published standards and interpretations to existing standards does not give rise to any material financial impact to the Group and the Bank.

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

- MFRS 15 “Revenue from contracts with customers” (effective from 1 January 2017) deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity’s contracts with customers. Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. The standard replaces MFRS 118 “Revenue” and MFRS 111 “Construction contracts” and related interpretations.



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) Basis of Preparation of the Financial Statements (Continued)

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

- MFRS 9 “Financial Instruments” (effective from 1 January 2018) replaces the parts of MFRS 139 “Financial Instruments: Recognition and Measurement”. The complete version of MFRS 9 was issued in November 2014.

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

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

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

The Group is in the process of reviewing the requirements of MFRS 15 and MFRS 9, especially for MFRS 9, to identify critical issues and to design robust methodologies arising from the adoption of this standard. The Group expects this process to be completed prior to the effective date on 1 January 2017 and 1 January 2018 respectively.

(2) Basis of Consolidation

(a) Subsidiaries

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

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

(i) Acquisition accounting

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Basis of Consolidation (Continued)

(a) Subsidiaries (Continued)

(i) Acquisition accounting (Continued)

Acquisition-related costs are expensed as incurred.

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

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

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in income statements. Refer to accounting policy Note 4 on goodwill.

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

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

(ii) Predecessor accounting

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

The acquired entity's results, assets, liabilities and cash flows are consolidated from the date on which the ultimate controlling party gained control. Consequently, the consolidated financial statements reflect both entities' full financial years results. The corresponding amounts for the previous financial year are restated to reflect the combined results of both entities.

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

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Basis of Consolidation (Continued)

(c) Disposal of subsidiaries

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

(3) Investment in Subsidiaries

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

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

(4) Goodwill and Other Intangible Assets

(a) Goodwill

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

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

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

(b) Other intangibles assets - Computer software licences

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(5) Financial Assets

(a) Classification

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

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

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

(ii) Loans and receivables

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

(iii) Financial investments available-for-sale

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

(iv) Financial investments held-to-maturity

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

(b) Recognition and initial measurement

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

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

(c) Subsequent measurement - gains and losses

Financial investments available-for-sale and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial investments held-to-maturity are subsequently carried at amortised cost using the effective interest method.

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(5) Financial Assets (Continued)

(c) Subsequent measurement - gains and losses (Continued)

Changes in the fair value of financial investments available-for-sale are recognised in other comprehensive income, except for impairment losses (refer to accounting policy Note 19) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on financial investments available-for-sale are recognised separately in profit or loss. Interest on financial investments available-for-sale calculated using the effective interest method is recognised in income statements. Dividend income on available-for-sale equity instruments is recognised in non-interest income in income statements when the Group's right to receive payments is established.

(d) De-recognition

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

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

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

(e) Offsetting financial instruments

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

(6) Repurchase Agreements

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(7) Property, Plant and Equipment and Depreciation

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

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

Leasehold land	Amortised over the period of the lease*
Buildings	2% to 3 $\frac{1}{3}$ %
Renovations	7.5% to 10%
Office equipment and furniture	7.5% to 20%
Computer equipment and software	14% to 33 $\frac{1}{3}$ %
Motor vehicles	20% to 25%

* The remaining period of the lease ranges from 7 to 879 years.

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

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

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

(8) Derivative Financial Instruments and Hedge Accounting

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

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

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(8) Derivative Financial Instruments and Hedge Accounting (Continued)

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

(a) Fair value hedge

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statements over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained profits until the disposal of the equity security.

(b) Cash flow hedge

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

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

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

(c) Derivatives that do not qualify for hedge accounting

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

(9) Financial Liabilities

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

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

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

A financial liability is classified as HFT if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit taking. Derivatives are also categorised as HFT unless they are designated as hedges. Refer to accounting policy Note 8 on hedge accounting.

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(9) Financial Liabilities (Continued)

(b) Other liabilities measured at amortised cost

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

Other financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, bills and acceptances payable, recourse obligation on loans sold to Cagamas Berhad and other financial liabilities.

(c) Borrowings measured at amortised cost

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

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

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

(10) Recourse Obligation on Loans Sold to Cagamas

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

(11) Leases - Where the Group is Lessee

(a) Operating lease

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

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

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(11) Leases - Where the Group is Lessee (Continued)

(b) Finance lease

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

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

(12) Leases - Where the Group is Lessor

(a) Operating lease

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

(b) Finance lease

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

(13) Provisions

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

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(14) Financial Guarantee Contracts

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

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

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

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

(15) Contingent Liabilities and Contingent Assets

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

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

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

(16) Share Capital

(a) Classification

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

(b) Share issue cost

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

(c) Dividend distribution

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(17) Cash and Cash Equivalents

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

(18) Revenue Recognition

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

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

- (b) Loan arrangement fees, commissions and placement fees are recognised as income when all conditions precedent are fulfilled.
- (c) Guarantee fees are recognised as income upon issuance of guarantees.
- (d) Commitment fees are recognised as income based on time apportionment.
- (e) Income from Islamic Banking business is recognised on accruals basis in accordance with the principles of Shariah.
- (f) Dividends from all investments are recognised when the shareholders' right to receive payment is established. This applies even if they are paid out of the pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence.

(19) Impairment of Financial Assets

- (a) Assets carried at amortised cost

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) Impairment of Financial Assets (Continued)

(a) Assets carried at amortised cost (Continued)

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

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

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

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

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

(i) Individual impairment allowance

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

(ii) Collective impairment allowance

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

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



**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) Impairment of Financial Assets (Continued)

(b) Assets classified as available-for-sale

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

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

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

(20) Employee Benefits

(a) Short-term employee benefits

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

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

(b) Defined contribution plans

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

(c) Termination benefits

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) Impairment of Non-financial Assets

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

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

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

(22) Current and Deferred Income Taxes

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

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

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

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

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

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

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



SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(23) Currency Conversion and Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

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

(c) Group companies

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

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

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

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

**SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) Segment Reporting

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

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Allowance for impairment of financial assets

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

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

(b) Goodwill impairment

Goodwill is tested at least annually for impairment. Testing of goodwill for impairment involves a significant amount of estimation. This includes the identification of independent cash generating units and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Estimating the value in use requires the Group and the Bank to make an estimate of the expected future cash flows from the cash-generating unit. Determining both the expected pre-tax cash flows and the risk adjusted discount rate appropriate to the operating unit also require the exercise of judgement. The variables are subject to fluctuations in external market rates and economic conditions beyond management control and are subject to uncertainty and require the exercise of significant judgement. The detailed disclosures on the assessment of impairment of goodwill is disclosed in Note 14 to the financial statements.



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

1 GENERAL INFORMATION

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

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

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

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

2 CASH AND SHORT-TERM FUNDS

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Cash and balances with banks and other financial institutions	2,984,599	1,627,862	2,402,616	1,459,957
Money at call and deposit placements maturing within one month	12,552,041	7,603,696	9,090,517	4,115,316
	15,536,640	9,231,558	11,493,133	5,575,273

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Licensed banks	1,097,682	1,813,651	2,004,827	2,233,072
Islamic banks	340,892	90,339	5,678,691	2,823,239
Licensed investments banks	54,456	-	54,456	-
Other financial institutions	552,254	613,986	-	-
	2,045,284	2,517,976	7,737,974	5,056,311

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

4 FINANCIAL ASSETS HELD-FOR-TRADING (“HFT”)

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
At fair value				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	557,950	370,838	557,950	370,838
Malaysian Government Investment Issues	728,286	145,440	376,398	122,362
Bank Negara Malaysia Monetary Notes	-	1,151,172	-	604,821
Cagamas bonds	6,968	-	6,968	-
Thailand Treasury Bills	-	6,372	-	6,372
Singapore Government Treasury Bills	502,281	466,438	502,281	466,438
Negotiable instruments of deposits	-	198,686	-	-
Sukuk Perumahan Kerajaan	20,116	-	20,116	-
QUOTED SECURITIES:				
In Malaysia				
Private debt securities	3,841	2,708	3,841	2,708
UNQUOTED SECURITIES:				
In Malaysia				
Private debt securities	-	25,444	-	-
Commercial paper	49,870	-	49,870	-
Outside Malaysia				
Credit link notes	173,990	-	173,990	-
	2,043,302	2,367,098	1,691,414	1,573,539

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

The effect of the reclassification on the income statements for the period from the date of reclassification to 31 December 2014 were as follows:

Group	Carrying amount		Fair value	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Reclassified from financial assets HFT to financial investments HTM:	21,140	19,786	21,409	20,711

	Group	
	31.12.2014 RM'000	31.12.2013 RM'000
Fair value gain that would have been recognised if the financial assets HFT had not been reclassified	269	925



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE (“AFS”)

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
At fair value				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	740,436	644,380	740,436	644,380
Malaysian Government Investment Issues	1,859,753	1,557,301	1,275,744	1,033,134
Cagamas bonds	101,364	85,349	41,450	25,391
Khazanah bonds	8,285	15,929	-	-
Negotiable Islamic debt certificates	-	99,488	-	-
Singapore Government Treasury Bills	409,666	272,185	409,666	272,185
Singapore Government Securities	161,233	136,433	161,233	136,433
Thailand Government bonds	120,895	96,341	120,895	96,341
1 Malaysia Sukuk	330,256	318,010	330,256	318,010
Wakala Global Sukuk	84,587	153,099	72,734	124,939
Sukuk Perumahan Kerajaan	57,640	47,600	57,640	47,600
QUOTED SECURITIES:				
In Malaysia				
Shares	15,783	29,283	13,882	25,005
Outside Malaysia				
Shares	212	32	-	-
UNQUOTED SECURITIES:				
In Malaysia				
Corporate loan stocks	3,425	255,146	3,425	255,146
Shares	511,703	468,501	510,991	467,926
Private debt securities	11,217,008	9,102,487	9,614,889	7,579,381
Perpetual notes/sukuk	286,084	286,149	85,530	85,530
Outside Malaysia				
Shares	145	137	-	-
Private debt securities	425	400	425	400
	15,908,900	13,568,250	13,439,196	11,111,801
Accumulated impairment losses	(125,899)	(309,666)	(125,633)	(308,965)
	15,783,001	13,258,584	13,313,563	10,802,836
Movement in allowance for impairment losses:				
Balance as at the beginning of the financial year	309,666	374,260	308,965	374,260
Charged during the financial year	-	9,883	-	9,182
Written back during the financial year	(119,613)	(10,868)	(118,990)	(10,868)
Disposal/redemption	(64,188)	(63,609)	(64,359)	(63,609)
Exchange difference	34	-	17	-
Balance as at the end of the financial year	125,899	309,666	125,633	308,965

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY (“HTM”)

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
At amortised cost				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	2,322,570	2,618,574	2,322,570	2,618,574
Malaysian Government Investment Issues	5,254,804	6,325,725	4,629,323	5,481,811
Cagamas bonds	1,846,208	2,444,755	1,647,832	2,220,854
Khazanah bonds	91,554	69,288	63,107	60,307
Negotiable instruments of deposits	2,027,550	2,449,025	2,027,550	1,803,165
Singapore Government Securities	187,519	183,686	187,519	183,686
Thailand Government Securities	275,711	293,052	275,711	293,052
Bankers' acceptances	-	33,634	-	-
Sukuk (Brunei) Incorporation	39,689	38,897	39,689	38,897
Wakala Global Sukuk	242,456	227,722	242,456	227,722
Sukuk Perumahan Kerajaan	111,177	111,202	101,233	101,270
UNQUOTED SECURITIES:				
In Malaysia				
Bonds	860	860	860	860
Prasarana bonds	770,025	772,004	770,025	771,978
Private debt securities	6,581,282	6,289,759	5,361,374	5,359,843
Corporate loan stocks	38,334	43,291	38,334	43,291
Outside Malaysia				
Private debt securities	21,140	19,786	-	-
	19,810,879	21,921,260	17,707,583	19,205,310
Accumulated impairment losses	(112,782)	(108,224)	(112,782)	(108,224)
	19,698,097	21,813,036	17,594,801	19,097,086

Included in financial investments HTM is private debt securities, which is pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM500,000,000 (31.12.2013: RM168,571,000).

Movement in allowance for impairment losses:

	Group and Bank	
	31.12.2014 RM'000	31.12.2013 RM'000
Balance as at the beginning of the financial year	108,224	119,064
Charged during the financial year	233	-
Written back during the financial year	(6,001)	(11,299)
Transfer from individual impairment allowance	9,871	-
Exchange difference	455	459
Balance as at the end of the financial year	112,782	108,224

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

7 LOANS, ADVANCES AND FINANCING

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
(a) By type				
At amortised cost				
Overdrafts	6,327,913	5,990,867	5,939,301	5,817,324
Term loans/financing:				
- housing loans/financing	31,988,629	25,375,496	25,672,576	20,820,056
- syndicated term loans/financing	5,536,833	3,947,999	3,276,960	1,729,997
- hire purchase receivables	13,348,197	13,052,002	7,464,572	8,130,184
- lease receivables	33,706	70,174	-	-
- other term loans/financing	66,085,317	54,585,428	54,313,571	46,819,084
Bills receivables	2,452,642	2,561,904	1,983,046	1,894,271
Trust receipts	626,381	523,804	604,938	487,710
Claims on customers under acceptance credits	3,662,085	4,327,803	3,662,085	4,327,803
Staff loans/financing	219,567	249,959	208,797	241,672
Credit card receivables	1,994,710	2,004,163	1,770,794	1,804,532
Revolving credit	9,051,092	7,392,659	6,600,840	5,490,915
Floor stocking	664	239	664	239
Gross loans, advances and financing	141,327,736	120,082,497	111,498,144	97,563,787
Fair value changes arising from fair value hedge	(26,870)	(26,696)	(1,678)	258
	141,300,866	120,055,801	111,496,466	97,564,045
Allowance for impaired loans, advances and financing:				
- individual impairment allowance	(409,674)	(891,294)	(382,769)	(723,024)
- collective impairment allowance	(1,346,884)	(1,272,637)	(1,130,978)	(1,088,121)
Net loans, advances and financing	139,544,308	117,891,870	109,982,719	95,752,900

Included in loans, advances and financing are housing loans, hire purchase receivables and other term loans/financing sold to Cagamas with recourse for the Group and the Bank amounting to RM3,304,749,000 (31.12.2013: RM2,351,114,000) and RM2,163,306,000 (31.12.2013: RM1,104,114,000) respectively.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
(b) By type of customer				
Domestic non-bank financial institutions:				
- others	2,048,118	2,716,376	1,029,470	1,387,420
Domestic business enterprises:				
- small medium enterprises	18,811,287	12,396,907	17,589,688	11,614,086
- others	34,167,370	31,489,316	25,878,364	27,053,888
Government and statutory bodies	7,457,968	8,476,645	4,141,761	5,160,401
Individuals	63,721,685	54,820,397	50,386,600	44,431,236
Other domestic entities	124,840	122,919	13,426	7,965
Foreign entities	14,996,468	10,059,937	12,458,835	7,908,791
	141,327,736	120,082,497	111,498,144	97,563,787
(c) By geographical distribution				
Malaysia	125,145,269	108,927,103	99,749,771	90,277,091
Labuan Offshore	3,639,900	3,399,433	-	-
Singapore operations	10,736,087	6,586,132	10,736,087	6,586,132
Thailand operations	897,289	606,535	897,289	606,535
Brunei operations	114,997	94,029	114,997	94,029
Cambodia operations	758,885	469,265	-	-
Lao operations	35,309	-	-	-
	141,327,736	120,082,497	111,498,144	97,563,787
(d) By interest/profit rate sensitivity				
Fixed rate:				
- housing loans/financing	1,522,767	1,019,628	851,244	229,565
- hire purchase receivables	13,348,197	13,052,001	7,464,572	8,130,184
- other fixed rate loans/financing	17,745,722	16,543,030	10,326,613	10,144,309
Variable rate:				
- BLR/BFR plus	62,930,045	49,199,021	51,816,270	43,218,223
- cost-plus	37,358,039	33,126,678	35,715,358	31,088,223
- other variable rates	8,422,966	7,142,139	5,324,087	4,753,283
	141,327,736	120,082,497	111,498,144	97,563,787



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
(e) By purpose				
Purchase of securities	13,531,675	11,057,313	13,531,675	11,057,313
Purchase of transport vehicles	12,222,703	11,863,165	6,122,060	6,636,403
Purchase of landed property:				
- residential	31,467,991	25,516,867	25,412,842	21,103,911
- non-residential	10,470,961	7,367,419	9,356,160	6,945,553
Purchase of property, plant and equipment other than land and building	3,675,777	3,350,106	2,782,323	2,652,214
Personal use	7,650,256	7,193,757	6,270,575	6,106,322
Credit card	1,994,710	2,004,163	1,770,794	1,804,532
Purchase of consumer durables	28,926	31,513	28,920	31,503
Construction	4,914,115	3,114,303	4,256,028	2,417,366
Working capital	36,206,818	29,612,077	27,881,940	24,535,858
Merger and acquisition	3,227,805	3,215,709	2,772,946	3,083,302
Other purposes	15,935,999	15,756,105	11,311,881	11,189,510
	141,327,736	120,082,497	111,498,144	97,563,787
(f) By remaining contractual maturities				
Maturity within one year	47,412,371	42,429,415	43,183,764	38,159,722
One year to three years	8,338,602	8,906,271	4,991,549	6,612,215
Three years to five years	11,447,995	10,125,104	7,447,491	6,175,168
Over five years	74,128,768	58,621,707	55,875,340	46,616,682
	141,327,736	120,082,497	111,498,144	97,563,787

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
(g) Impaired loans, advances and financing				
(i) Movement in impaired loans, advances and financing				
Balance as at the beginning of the financial year	3,347,712	3,090,090	2,850,589	2,600,833
Classified as impaired during the financial year	3,501,847	4,053,558	3,000,886	3,560,559
Reclassified as non-impaired during the financial year	(2,450,741)	(2,459,599)	(2,067,413)	(2,150,448)
Amount recovered	(655,545)	(730,651)	(536,657)	(607,867)
Amount written off	(1,019,003)	(614,408)	(853,561)	(555,693)
Exchange difference	5,311	8,722	(151)	3,205
Balance as at the end of the financial year	2,729,581	3,347,712	2,393,693	2,850,589
(ii) By purpose				
Purchase of securities	129,450	113,291	129,450	113,291
Purchase of transport vehicles	180,120	218,391	119,630	124,193
Purchase of landed property:				
- residential	783,908	876,196	651,929	751,396
- non-residential	112,590	99,645	95,017	72,345
Purchase of property, plant and equipment other than land and building	38,835	45,207	25,690	35,104
Personal use	153,432	150,363	150,158	147,523
Credit card	36,911	41,332	31,703	36,552
Purchase of consumer durables	1,425	1,724	1,425	1,724
Construction	115,694	118,246	115,694	117,286
Working capital	1,139,888	1,536,528	1,062,901	1,382,487
Other purposes	37,328	146,789	10,096	68,688
	2,729,581	3,347,712	2,393,693	2,850,589
(iii) By geographical distribution				
Malaysia	2,594,152	3,173,526	2,262,000	2,740,429
Labuan Offshore	-	49,901	-	-
Singapore operations	101,577	85,599	101,577	85,599
Thailand operations	21,871	16,025	21,871	16,025
Brunei operations	8,245	8,536	8,245	8,536
Cambodia operations	3,736	14,125	-	-
	2,729,581	3,347,712	2,393,693	2,850,589

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
(g) Impaired loans, advances and financing (Continued)				
(iv) Movement in allowance for impaired loans, advances and financing				
<u>Individual impairment allowance</u>				
Balance as at the beginning of the financial year	891,294	780,081	723,024	648,256
Net allowance made during the financial year	4,594	306,575	28,899	271,595
Reclassified (to)/from collective impairment allowance	(64)	2,509	1,677	(2,141)
Amount written off	(481,317)	(203,000)	(362,446)	(196,363)
Transfer to impairment of financial investments HTM	(9,871)	-	(9,871)	-
Exchange difference	5,038	5,129	1,486	1,677
Balance as at the end of the financial year	409,674	891,294	382,769	723,024
<u>Collective impairment allowance</u>				
Balance as at the beginning of the financial year	1,272,637	1,397,971	1,088,121	1,182,802
Net allowance made during the financial year	410,921	190,415	352,069	184,603
Reclassified from/(to) individual impairment allowance	64	(2,509)	(1,677)	2,141
Amount written off	(339,179)	(316,200)	(308,587)	(281,978)
Exchange difference	2,441	2,960	1,052	553
Balance as at the end of the financial year	1,346,884	1,272,637	1,130,978	1,088,121

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

8 OTHER ASSETS

	Note	Group		Bank	
		31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Other receivables		355,837	187,920	234,748	134,488
Collateral pledged for derivative transactions		600,081	252,535	600,081	252,535
Deposits		49,169	44,661	43,670	39,908
Prepayments		40,686	38,397	33,693	37,348
Amount due from holding company	(i)	131	2,781	131	2,781
Amounts due from subsidiaries	(i)	-	-	219,543	207,820
Amounts due from related companies	(i)	25,978	21,249	25,957	21,249
		1,071,882	547,543	1,157,823	696,129

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

9 DERIVATIVE ASSETS/(LIABILITIES)

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

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

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Derivative assets:				
- trading derivatives	1,281,868	418,624	1,281,587	425,518
- fair value hedging derivatives	1,987	-	1,987	-
	1,283,855	418,624	1,283,574	425,518
Derivative liabilities:				
- trading derivatives	(1,193,538)	(267,037)	(1,214,797)	(288,935)
- fair value hedging derivatives	-	(2,987)	-	(2,987)
	(1,193,538)	(270,024)	(1,214,797)	(291,922)
	90,317	148,600	68,777	133,596



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

9 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

	Group			Bank		
	Contract or underlying principal amount RM'000	Financial Year-end positive fair value RM'000	Financial Year-end negative fair value RM'000	Contract or underlying principal amount RM'000	Financial Year-end positive fair value RM'000	Financial Year-end negative fair value RM'000
31.12.2014						
Trading derivatives:						
Foreign exchange related contracts:						
- forwards/swaps	23,207,241	437,665	(376,859)	23,189,132	435,634	(376,860)
- options	4,673,319	41,623	(41,590)	4,673,319	41,623	(41,590)
- cross currency interest rate swaps	12,144,920	662,616	(637,833)	12,144,920	664,341	(637,789)
	<u>40,025,480</u>			<u>40,007,371</u>		
Interest rate related contracts:						
- swaps	34,198,945	139,964	(137,256)	37,152,966	139,989	(158,558)
Fair value hedging derivatives:						
Interest rate related contracts:						
- swaps	650,000	1,987	-	650,000	1,987	-
		<u>1,283,855</u>	<u>(1,193,538)</u>		<u>1,283,574</u>	<u>(1,214,797)</u>
31.12.2013						
Trading derivatives:						
Foreign exchange related contracts:						
- forwards/swaps	11,014,318	131,848	(77,041)	10,520,261	131,848	(77,041)
- options	174,339	771	(772)	174,339	771	(772)
- cross currency interest rate swaps	6,900,287	109,600	(54,490)	6,900,287	109,600	(54,490)
	<u>18,088,944</u>			<u>17,594,887</u>		
Interest rate related contracts:						
- swaps	26,165,542	176,405	(134,734)	29,570,871	183,299	(156,632)
Fair value hedging derivatives:						
Interest rate related contracts:						
- swaps	1,145,000	-	(2,987)	1,145,000	-	(2,987)
		<u>418,624</u>	<u>(270,024)</u>		<u>425,518</u>	<u>(291,922)</u>

Fair value hedging are used by the Group and the Bank for protection against the changes in fair value of financial assets and financial liabilities due to movements in market interest rates. The Group and the Bank uses interest rate swap to hedge against interest rate risk of specific identified fixed rate long-term as well as portfolio homogenous pools of loans, advances and financing. Included in the other operating income (Note 28) is the net gains and losses arising from fair value hedges for the financial year as follows:

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Gain on hedging instruments	3,878	38,418	1,953	6,396
Loss on hedged items attributable to the hedged risk	(1,504)	(37,726)	(1,748)	(4,912)
	<u>2,374</u>	<u>692</u>	<u>205</u>	<u>1,484</u>

**NOTES TO THE FINANCIAL STATEMENTS
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10 STATUTORY DEPOSITS

	Note	Group		Bank	
		31.12.2014 RM'000	31.2.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Statutory deposits with BNM	(a)	4,967,560	3,674,790	3,903,860	2,884,790
Statutory deposits with the Monetary Authority of Singapore	(b)	136,629	211,716	136,629	211,716
Statutory deposits with the Ministry of Finance, Negara Brunei Darussalam	(c)	14,740	13,717	14,740	13,717
Statutory deposits with the Labuan Offshore Financial Services Authority ("LOFSA")	(d)	100	100	-	-
Statutory deposit and reserve deposit with National Bank of Cambodia ("NBC")	(e)	81,762	54,496	-	-
Statutory deposit with National Bank of Lao ("BOL")	(f)	379	-	-	-
		5,201,170	3,954,819	4,055,229	3,110,223

- (a) Non-interest bearing statutory deposits maintained with BNM in compliance with Section 26 (2)(c) of the Central Bank of Malaysia Act, 2009.
- (b) Non-interest bearing statutory deposits maintained with the Monetary Authority of Singapore in compliance with Banking Act, Cap. 19 and Singapore Finance Companies Act, Cap.108.
- (c) Non-interest bearing statutory deposits maintained with the Ministry of Finance, Negara Brunei Darussalam compliance with Section 6A of the Banking Act.
- (d) Non-interest bearing statutory deposits maintained with LOFSA relating to a trust subsidiary which is maintained in accordance with Section 61(2)(b)(ii) of the Labuan Financial Services and Securities Act 2012.
- (e) Included in the statutory deposits and reserve deposit with NBC are:
- (i) Interest bearing statutory deposits of RM18.1 million (2013: RM17.0 million) maintained with NBC in compliance with NBC's Prakas B7-01-136 dated 15 October 2001 as capital guarantee. This deposit bears interest at 0.18% per annum, and is not available for use in day-to-day operations but it is refundable when RHB Indochina Bank Limited ('RHB Indochina Bank') voluntarily ceases to operate its banking business in Cambodia.
 - (ii) Non-interest bearing deposit of RM63.6 million (2013: RM37.5 million) maintained with NBC as reserve requirements, computed at 8.0% and 12.5% (2013: 8.0% and 12.5%) of customer deposits in Cambodian Riel (KHR) and in foreign currencies, respectively.
- (f) Non-interest bearing statutory deposits maintained with BOL as reserve requirements, computed at 5% and 10% of customer deposits in Lao Kip (LAK) and in foreign currencies, respectively.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

11 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Deferred tax assets	9,956	12,160	-	-
Deferred tax liabilities	(40,818)	(35,376)	(40,814)	(35,372)
	(30,862)	(23,216)	(40,814)	(35,372)
Deferred tax assets:				
- settled more than 12 months	9,960	10,001	76	88
- settled within 12 months	92,020	81,541	86,394	74,159
Deferred tax liabilities:				
- settled more than 12 months	(100,757)	(79,414)	(100,753)	(79,410)
- settled within 12 months	(32,085)	(35,344)	(26,531)	(30,209)
	(30,862)	(23,216)	(40,814)	(35,372)

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

Group	Note	Property, plant and equipment and other intangible assets RM'000	Financial investments AFS RM'000	Loans, advances and financing RM'000	Other liabilities RM'000	Other temporary differences RM'000	Total RM'000
31.12.2014							
Balance as at the beginning of the financial year		(54,056)	(50,271)	-	81,013	98	(23,216)
Transfer (to)/from income statements	34	(4,929)	-	-	11,327	(12)	6,386
Transfer from equity		-	(13,587)	-	-	-	(13,587)
Exchange difference		-	-	-	(445)	-	(445)
Balance as at the end of the financial year		(58,985)	(63,858)	-	91,895	86	(30,862)
31.12.2013							
Balance as at the beginning of the financial year		(51,953)	(73,889)	7,525	75,781	84	(42,452)
Transfer (to)/from income statements	34	(2,103)	-	(7,525)	5,251	14	(4,363)
Transfer to equity		-	23,618	-	-	-	23,618
Exchange difference		-	-	-	(19)	-	(19)
Balance as at the end of the financial year		(54,056)	(50,271)	-	81,013	98	(23,216)

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11 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Bank	Note	Property, plant and equipment and other intangible assets RM'000	Financial investments AFS RM'000	Other liabilities RM'000	Other temporary differences RM'000	Total RM'000
31.12.2014						
Balance as at the beginning of the financial year		(49,580)	(60,040)	74,159	89	(35,372)
Transfer (to)/from income statements	34	(4,393)	-	12,678	(12)	8,273
Transfer from equity		-	(13,271)	-	-	(13,271)
Exchange difference		-	-	(444)	-	(444)
Balance as at the end of the financial year		(53,973)	(73,311)	86,393	77	(40,814)
31.12.2013						
Balance as at the beginning of the financial year		(47,876)	(72,645)	69,529	89	(50,903)
Transfer (to)/from income statements	34	(1,704)	-	4,649	-	2,945
Transfer to equity		-	12,605	-	-	12,605
Exchange difference		-	-	(19)	-	(19)
Balance as at the end of the financial year		(49,580)	(60,040)	74,159	89	(35,372)

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

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Unabsorbed tax losses carried forward	735,195	735,192	735,124	735,124

12 INVESTMENT IN SUBSIDIARIES

	Bank	
	31.12.2014 RM'000	31.12.2013 RM'000
Unquoted shares, at cost:		
- in Malaysia	1,460,909	1,460,909
- outside Malaysia	404,349	280,149
	1,865,258	1,741,058
Less: Accumulated impairment losses	(744)	(744)
	1,864,514	1,740,314



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12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The following are the subsidiaries of the Bank:

Name of companies	Paid-up capital	Effective interest		Principal activities
		2014 %	2013 %	
RHB Bank (L) Ltd ¹	US\$54,000,000	100	100	Offshore banking
- RHB International Trust (L) Ltd	US\$40,000	100	100	Offshore trust company
- RHB Corporate Services Sdn Bhd	RM150,000	100	100	Corporate secretarial services
RHB Islamic Bank Berhad ²	RM1,173,424,002	100	100	Islamic Banking
RHB Indochina Bank Limited ^{* 1}	US\$52,000,000	100	100	Commercial banking
- RHB OSK Indochina Securities Limited [*]	US\$12,500,000	100	100	Securities underwriting, dealing, brokerage and investment advisory service
RHB Bank Lao Limited ^{* 3}	LAK301,500,000	100	-	Commercial banking
RHB Capital Nominees (Tempatan) Sdn Bhd	RM10,000	100	100	Nominee services for Malaysian beneficial shareholders
- RHB Capital Nominees (Asing) Sdn Bhd	RM10,000	100	100	Nominee services for foreign beneficial shareholders
UMBC Sdn Bhd	RM499,999,818	100	100	Dormant company
RHB Delta Sdn Bhd [*]	RM175,000,000	100	100	Dormant company
RHB Leasing Sdn Bhd	RM10,000,000	100	100	Leasing
RHB Capital Properties Sdn Bhd	RM21,800,000	100	100	Property investment
Utama Gilang Sdn Bhd ⁺	RM800,000,000	100	100	Dormant company
Utama Assets Sdn Bhd	RM2,300,000	100	100	Property investment
RHB Investment Ltd [*]	S\$19,000,000	100	100	Property investment and rental
Banfora Pte Ltd [*]	S\$25,000,000	100	100	Property investment and rental
RHB Bank Nominees Pte Ltd [*]	S\$100,000	100	100	Nominee services
RHB Trade Services Limited [#]	HK\$2.00	100	100	Processing of letters of credit reissuance favouring Hong Kong beneficiaries

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

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

+ The Company has commenced member's voluntary winding-up on 16 February 2011.

All of the subsidiaries are incorporated in Malaysia except for the followings:

- (a) RHB Investment Ltd, Banfora Pte Ltd and RHB Bank Nominees Pte Ltd which are incorporated in Singapore.
- (b) RHB Trade Services Limited which is incorporated in Hong Kong.
- (c) RHB Indochina Bank Limited and RHB OSK Indochina Securities Limited which are incorporated in Cambodia.
- (d) RHB Bank Lao Limited which is incorporated in Lao.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The following are the subsidiaries of the Bank: (Continued)

Note:

- ¹ On 9 November 2012, RHB Capital Berhad, the ultimate holding company of the Bank, has completed the acquisition of 100% equity interest in OSK Investment Bank Berhad and OSK Investment Bank Labuan (“OSKL”) from OSK Holdings Berhad. As a result, RHB Indochina Bank Limited (“RHBIBL”), a subsidiary of OSK Investment Bank Berhad, then became a wholly owned subsidiary of RHB Capital Berhad. As part of the Group’s internal reorganisation, the following common controls transactions have taken place during the financial year.
 - (a) On 9 April 2013, RHBIBL became a wholly owned subsidiary of the Bank, upon acquisition of 100%, equity interest of RHBIBL for a cash consideration of RM267,342,000.
 - (b) On 30 December 2013, OSKL transferred assets and liabilities over to RHB Bank (L) Ltd, a subsidiary of the Bank, for a cash consideration of RM21,600,000.
- ² The Bank increased its investment in RHB Islamic Bank Berhad from RM973,424,000 to RM1,173,424,000 in 2013.
- ³ On 6 June 2014, RHB Bank Lao Limited was incorporated in Lao, a wholly-owned subsidiary of RHB Bank, with share capital of RM124,200,000 (LAK301,500,000).

NOTES TO THE FINANCIAL STATEMENTS
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13 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		Less than 50 years RM'000	50 years or more RM'000						
31.12.2014									
Cost									
Balance as at the beginning of the financial year	77,011	1,426	130,968	247,867	355,515	240,857	464,669	12,090	1,530,403
Additions	-	-	-	-	39,588	7,464	36,551	2,073	85,676
Disposals/Written off	(3,257)	-	-	(7,892)	(882)	(1,350)	(17,975)	(2,585)	(33,941)
Reclassifications	-	-	-	-	(7,951)	6,145	5,060	-	3,254
Exchange difference	33	-	2,164	1,183	1,512	831	661	144	6,528
Balance as at the end of the financial year	73,787	1,426	133,132	241,158	387,782	253,947	488,966	11,722	1,591,920
Less: Accumulated depreciation									
Balance as at the beginning of the financial year	-	784	6,671	75,059	192,970	212,067	363,297	10,178	861,026
Charge for the financial year	-	35	507	5,112	23,571	15,944	38,923	853	84,945
Disposals/Written off	-	-	-	(1,507)	(870)	(1,334)	(17,889)	(2,578)	(24,178)
Exchange difference	-	-	26	409	775	621	514	114	2,459
Balance as at the end of the financial year	-	819	7,204	79,073	216,446	227,298	384,845	8,567	924,252
Less: Accumulated impairment loss									
Balance as at the beginning of the financial year	-	-	-	2,641	-	-	-	-	2,641
Written back	-	-	-	(1,421)	-	-	-	-	(1,421)
Exchange difference	-	-	-	22	-	-	-	-	22
Balance as at the end of the financial year	-	-	-	1,242	-	-	-	-	1,242
Net book value as at the end of the financial year	73,787	607	125,928	160,843	171,336	26,649	104,121	3,155	666,426

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		Less than 50 years RM'000	50 years or more RM'000						
31.12.2013									
Cost									
Balance as at the beginning of the financial year	76,954	1,426	127,293	245,899	334,087	228,606	445,194	11,494	1,470,953
Additions	-	-	-	-	27,480	5,709	26,764	493	60,446
Disposals/Written off	-	-	-	-	(8)	(1,863)	(21,273)	-	(23,144)
Reclassifications	-	-	-	-	(7,391)	7,388	13,432	-	13,429
Exchange difference	57	-	3,675	1,968	1,347	1,017	552	103	8,719
Balance as at the end of the financial year	77,011	1,426	130,968	247,867	355,515	240,857	464,669	12,090	1,530,403
Less: Accumulated depreciation									
Balance as at the beginning of the financial year	-	749	6,174	69,528	168,966	199,153	338,870	9,413	792,853
Charge for the financial year	-	35	461	4,894	23,316	13,915	39,212	685	82,518
Disposals/Written off	-	-	-	-	(2)	(1,679)	(21,143)	-	(22,824)
Reclassifications	-	-	-	-	-	(2)	5,929	-	5,927
Exchange difference	-	-	36	637	690	680	429	80	2,552
Balance as at the end of the financial year	-	784	6,671	75,059	192,970	212,067	363,297	10,178	861,026
Less: Accumulated impairment loss									
Balance as at the beginning of the financial year	-	-	-	2,985	-	-	-	-	2,985
Written back	-	-	-	(379)	-	-	-	-	(379)
Exchange difference	-	-	-	35	-	-	-	-	35
Balance as at the end of the financial year	-	-	-	2,641	-	-	-	-	2,641
Net book value as at the end of the financial year	77,011	642	124,297	170,167	162,545	28,790	101,372	1,912	666,736



NOTES TO THE FINANCIAL STATEMENTS
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13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		Less than 50 years RM'000	50 years or more RM'000						
31.12.2014									
Cost									
Balance as at the beginning of the financial year	76,062	879	19,989	200,994	325,030	221,695	448,756	8,690	1,302,095
Additions	-	-	-	-	33,842	6,124	32,127	1,134	73,227
Disposals/Written off	(3,257)	-	-	(3,055)	(713)	(1,333)	(17,903)	(2,571)	(28,832)
Reclassifications	-	-	-	-	(7,815)	6,009	5,051	-	3,245
Exchange difference	31	-	-	492	761	266	370	56	1,976
Balance as at the end of the financial year	72,836	879	19,989	198,431	351,105	232,761	468,401	7,309	1,351,711
Less: Accumulated depreciation									
Balance as at the beginning of the financial year	-	519	3,945	66,796	180,552	198,667	350,972	7,829	809,280
Charge for the financial year	-	23	279	4,478	20,481	14,227	36,610	441	76,539
Disposals/Written off	-	-	-	(1,128)	(713)	(1,330)	(17,818)	(2,571)	(23,560)
Exchange difference	-	-	-	286	363	236	300	57	1,242
Balance as at the end of the financial year	-	542	4,224	70,432	200,683	211,800	370,064	5,756	863,501
Less: Accumulated impairment loss									
Balance as at the beginning of the financial year	-	-	-	351	-	-	-	-	351
Written back	-	-	-	(47)	-	-	-	-	(47)
Balance as at the end of the financial year	-	-	-	304	-	-	-	-	304
Net book value as at the end of the financial year	72,836	337	15,765	127,695	150,422	20,961	98,337	1,553	487,906

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
		Less than 50 years RM'000	50 years or more RM'000						
31.12.2013									
Cost									
Balance as at the beginning of the financial year	76,009	879	19,989	200,157	304,312	212,045	438,797	8,644	1,260,832
Additions	-	-	-	-	25,411	5,413	24,198	-	55,022
Disposals/Written off	-	-	-	-	(8)	(1,512)	(20,867)	-	(22,387)
Net transfer from a subsidiary company	-	-	-	-	-	-	39	-	39
Reclassifications	-	-	-	-	(5,405)	5,405	6,187	-	6,187
Exchange difference	53	-	-	837	720	344	402	46	2,402
Balance as at the end of the financial year	76,062	879	19,989	200,994	325,030	221,695	448,756	8,690	1,302,095
Less: Accumulated depreciation									
Balance as at the beginning of the financial year	-	495	3,711	61,854	159,365	188,090	333,749	7,442	754,706
Charge for the financial year	-	24	234	4,479	20,799	11,765	37,602	341	75,244
Disposals/Written off	-	-	-	-	(2)	(1,509)	(20,743)	-	(22,254)
Net transfer from a subsidiary company	-	-	-	-	-	-	23	-	23
Exchange difference	-	-	-	463	390	321	341	46	1,561
Balance as at the end of the financial year	-	519	3,945	66,796	180,552	198,667	350,972	7,829	809,280
Less: Accumulated impairment loss									
Balance as at the beginning/end of the financial year	-	-	-	351	-	-	-	-	351
Net book value as at the end of the financial year	76,062	360	16,044	133,847	144,478	23,028	97,784	861	492,464



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Accumulated depreciation and impairment loss				
Balances as at the beginning of the financial year	863,667	795,838	809,631	755,057
Balances as at the end of the financial year	925,494	863,667	863,805	809,631

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

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Cost				
Renovations	19,393	9,765	19,393	8,439

14 GOODWILL AND OTHER INTANGIBLE ASSETS

	Note	Group		Bank	
		31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Goodwill on consolidation:	(a)	1,120,318	1,120,318	905,519	905,519
Other intangible assets:					
Computer software license	(b)	196,605	146,824	185,781	134,725
		1,316,923	1,267,142	1,091,300	1,040,244

(a) Goodwill on consolidation

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

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
CGUs				
Corporate banking	200,859	200,859	182,461	182,461
Retail banking	307,919	307,919	292,837	292,837
Business banking	174,777	174,777	174,777	174,777
Treasury and money market	268,600	268,600	255,444	255,444
Islamic banking business	51,862	51,862	-	-
RHB Indochina Bank Limited	116,301	116,301	-	-
	1,120,318	1,120,318	905,519	905,519

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14 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill on consolidation (Continued)

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flows projections based on financial budgets or forecasts approved by directors covering a four-year (2013: four-year) period. Cash flows beyond the four-year period are extrapolated using the estimated growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The cash flows projections are derived based on a number of key factors including the past performance and the management's expectations of the market developments.

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

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

	Discount rate		Growth rate	
	31.12.2014 %	31.12.2013 %	31.12.2014 %	31.12.2013 %
CGUs				
Corporate banking	8.1	7.8	3.0	3.0
Retail banking	8.1	7.8	3.0	3.0
Business banking	8.1	7.8	3.0	3.0
Treasury and money market	8.1	7.8	3.0	3.0
Islamic banking business	8.1	7.8	3.0	3.0
RHB Indochina Bank Limited	18.3	16.1	7.0	7.0

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

**NOTES TO THE FINANCIAL STATEMENTS
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14 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Computer software license

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Cost				
Balance as at the beginning of the financial year	677,101	626,247	629,322	576,517
Additions	98,913	66,866	93,917	61,863
Disposals/Written off	(936)	(3,524)	(936)	(3,524)
Reclassifications	(3,254)	(13,462)	(3,245)	(6,187)
Exchange difference	910	974	625	653
Balance as at the end of the financial year	772,734	677,101	719,683	629,322
Less: Accumulated amortisation				
Balance as at the beginning of the financial year	505,332	479,806	494,597	464,314
Charge for the financial year	44,862	34,240	39,763	33,218
Disposals/Written off	(934)	(3,524)	(934)	(3,524)
Reclassifications	-	(5,960)	-	-
Exchange difference	725	770	476	589
Balance as at the end of the financial year	549,985	505,332	533,902	494,597
Less: Accumulated impairment loss				
Balance as at the beginning of the financial year	24,945	24,945	-	-
Charge for the financial year	1,199	-	-	-
Balance as at the end of the financial year	26,144	24,945	-	-
Net book value as at the end of the financial year	196,605	146,824	185,781	134,725

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

15 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
(i) By type of deposits				
Demand deposits	26,420,489	24,679,473	23,340,867	21,926,084
Savings deposits	7,927,118	7,532,754	6,788,828	6,560,214
Fixed/investment deposits	120,506,630	103,394,512	97,683,648	83,300,020
Negotiable instruments of deposits	2,274	8,398	2,274	8,398
	154,856,511	135,615,137	127,815,617	111,794,716
(ii) By type of customer				
Government and statutory bodies	10,601,035	11,450,071	6,953,171	6,296,863
Business enterprises	95,419,158	81,264,703	76,077,473	65,658,605
Individuals	42,815,080	38,339,984	39,470,312	35,694,868
Others	6,021,238	4,560,379	5,314,661	4,144,380
	154,856,511	135,615,137	127,815,617	111,794,716
(iii) By maturity structure of the fixed/investment deposits and negotiable instrument of deposits				
Due within six months	99,416,368	90,768,874	79,569,121	72,350,607
Six months to one year	20,292,663	12,172,795	17,632,469	10,515,667
One year to three years	782,244	432,270	467,453	422,099
Three years to five years	17,629	28,971	16,879	20,045
	120,508,904	103,402,910	97,685,922	83,308,418

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Licensed banks	14,868,881	10,201,228	14,834,962	9,516,893
Islamic banks	221,130	609,614	-	-
Licensed investments banks	1,491,249	253,063	746,776	253,063
Bank Negara Malaysia	515,027	800,698	514,252	800,094
Others	860,083	614,560	105,560	574
	17,956,370	12,479,163	16,201,550	10,570,624

**NOTES TO THE FINANCIAL STATEMENTS
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17 OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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

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

	Group and Bank	
	31.12.2014 RM'000	31.12.2013 RM'000
Financial investments held-to-maturity	500,000	168,571

18 OTHER LIABILITIES

	Note	Group		Bank	
		31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Amount due to holding company	(i)	126	21,699	-	-
Amounts due to subsidiaries	(i)	-	-	27,675	25,331
Amounts due to related companies	(i)	3,847	6,365	3,417	5,940
Amount due to Danaharta	(ii)	1,935	1,864	1,935	1,864
Prepaid instalments		71,037	73,852	71,037	73,852
Lessee deposits		27,029	29,774	-	-
Accrual for operational expenses		140,452	163,224	125,682	143,997
Short term employee benefits		239,510	177,566	225,033	163,459
Other creditors and accruals		730,600	496,384	461,676	356,031
		1,214,536	970,728	916,455	770,474

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

(ii) Amount due to Danaharta mainly comprises collections in respect of ex-Sime Bank's overseas branches non-performing loans sold to Danaharta which is managed by the overseas branches.

19 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS

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

**NOTES TO THE FINANCIAL STATEMENTS
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20 BORROWINGS

	Note	Group and Bank	
		31.12.2014 RM'000	31.12.2013 RM'000
Unsecured:			
Revolving credits - USD	(a)	174,863	-
Term loans - USD	(b)	495,029	571,049
		669,892	571,049
Scheduled repayment of borrowings are as follows:			
Repayable within one year		289,647	107,961
One year to three years		227,273	213,103
Three years to five years		135,489	180,317
Over five years		17,483	69,668
		669,892	571,049

(a) Revolving credits

The unsecured USD revolving credit facilities of the Group and the Bank bears interest at 3.49% per annum.

(b) Term loans

On 7 April 2006, the Bank entered into an agreement with Japan Bank for International Cooperation ("JBIC"), to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 11 years. Disbursement of USD50 million and USD30 million was done on 29 June 2006 and 20 October 2006 respectively. Final disbursement of USD20 million was done on 31 January 2007. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing on 8 March 2008 until 8 September 2017 and bears a floating interest rate of British Bankers Association Interest Settlement Rate in USD (BBA LIBOR) plus 0.395% per annum. The average interest rate ranges from 0.72% to 1.13% (2013: 0.78% to 1.13%) per annum.

On 24 March 2008, the Bank entered into another agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 10 years. Disbursement of USD100 million was done on 30 May 2008. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing 8 September 2010 to 8 March 2020 and bears a floating interest rate of BBA LIBOR plus 0.315% per annum. The average interest rate ranges from 0.64% to 1.05% (2013: 0.70% to 1.05%) per annum.

On 28 May 2009, the Bank entered into the third agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 8 years. Disbursement of USD100 million was done on 28 July 2009. The said loan is repayable on 10 April and 10 October each year for 16 equal instalments commencing 10 October 2011 to 10 April 2019 and bears a floating interest rate of BBA LIBOR plus 0.80% per annum. The average interest rate ranges from 1.12% to 1.53% per annum (2013: 1.16% to 1.53%) per annum.

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21 SUBORDINATED OBLIGATIONS

	Note	Group		Bank	
		31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
5.5% RM700 million Subordinated Notes 2007/2022	(i)	703,586	703,481	703,586	703,481
5.0% RM700 million Subordinated Notes 2010/2020	(ii)	706,137	706,137	706,137	706,137
5.6% RM300 million Subordinated Notes 2010/2025	(ii)	302,946	302,946	302,946	302,946
4.25% RM250 million Subordinated Notes 2011/2021	(iii)	251,276	251,002	251,276	251,002
4.30% RM750 million Subordinated Notes 2012/2022	(iv)	754,367	754,171	754,367	754,171
4.40% RM1,300 million Subordinated Notes 2012/2022	(iv)	1,304,537	1,304,131	1,304,537	1,304,131
4.99% RM1,000 million Subordinated Notes 2014/2024	(v)	1,024,061	-	1,024,061	-
4.95% RM500 million Subordinated Sukuk Murabahah 2014/2024	(vi)	503,051	-	-	-
		5,549,961	4,021,868	5,046,910	4,021,868

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

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2007/2022	700	30 November 2022 (Callable with step-up on 2017)	5.5% per annum chargeable to 30 November 2017 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi-annually in arrears

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

- (ii) On 29 April 2010, the Bank issued RM1.0 billion nominal value of Subordinated Notes, being the remaining balance of the issuance of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme. The RM1.0 billion Subordinated Notes comprise:

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2010/2020	700	29 April 2020 (Callable with step-up on 2015)	5.0% per annum chargeable to 29 April 2015 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi-annually in arrears
2010/2025	300	29 April 2025 (Callable with step-up on 2020)	5.6% per annum chargeable to 29 April 2020 (but exclusive of payment date), thereafter on step-up coupon rate of 0.5% per annum	Accrued and payable semi-annually in arrears

**NOTES TO THE FINANCIAL STATEMENTS
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21 SUBORDINATED OBLIGATIONS (CONTINUED)

- (iii) On 31 October 2011, the Bank issued RM250 million nominal value of Subordinated Notes, being part of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Multi-Currency Medium Term Note Programme. The details of the RM250 million Subordinated Notes in nominal value are as follows:

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

- (iv) On 7 May 2012 and 30 November 2012, the Bank issued RM750 million and RM1,300 million respectively nominal value of Subordinated Notes, being part of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Multi-Currency Medium Term Note Programme. The details of the RM750 million and RM1,300 million Subordinated Notes in nominal value are as follows:

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

- (v) On 8 July 2014, the Bank issued RM1.0 billion nominal value of Subordinated Notes, being the remaining balance of the issuance of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme. The details of the RM1.0 billion Subordinated Notes in nominal value are as follows:

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

- (vi) On 15 May 2014, RHB Islamic Bank issued RM500 million nominal value of Subordinated Sukuk Murabahah under a RM1.0 billion Subordinated Sukuk Programme. The details of the RM500 million Subordinated Notes in nominal value are as follows:

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



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22 HYBRID TIER-1 CAPITAL SECURITIES

	Note	Group and Bank	
		31.12.2014 RM'000	31.12.2013 RM'000
RM370 million Hybrid Tier-1 Capital Securities due in 2039, callable with step-up in 2019	(i)	368,107	375,577
RM230 million Hybrid Tier-1 Capital Securities due in 2039, callable with step-up in 2019	(ii)	238,422	230,638
		606,529	606,215

- (i) On 31 March 2009, the Bank completed the first issuance of RM370 million nominal value of Hybrid Tier-1 Capital Securities (“HT-1 Capital Securities”) out of its RM600 million Hybrid Tier-1 Capital Securities Programme. The RM370 million HT-1 Capital Securities will mature in 2039 and is callable with step-up in 2019. The HT-1 Capital Securities bear interest at the rate of 8.0% per annum commencing from the first issue date and thereafter at a stepped up rate of 9.0% per annum from 2019 if not called. The interest is payable semi-annually in arrears.
- (ii) On 17 December 2009, the Bank issued the remaining RM230 million nominal value of HT-1 Capital Securities which will mature in 2039 and is callable with step-up in 2019. The second issuance of HT-1 Capital Securities bear interest at the rate of 6.75% per annum commencing from the first issue date and thereafter at a stepped up rate of 7.75% per annum from 2019 if not called. The interest is payable semi-annually in arrears.

23 SENIOR DEBT SECURITIES

	Note	Group and Bank	
		31.12.2014 RM'000	31.12.2013 RM'000
USD300 million senior debt securities due in 2017	(i)	1,049,892	982,867
USD200 million senior debt securities due in 2017	(ii)	707,214	664,767
USD300 million senior debt securities due in 2019	(iii)	1,053,549	-
		2,810,655	1,647,634

- (i) On 11 May 2012, the Bank completed the first issuance of USD500 million nominal value under Euro Medium Term Notes Programme. The USD300 million Senior Notes will mature in 2017. The Senior Notes bear interest rate of 3.25% per annum commencing from the first issue date.
- (ii) On 28 September 2012, the Bank issued the remaining USD200 million nominal value of Senior Notes which will mature in 2017. The second issuance of Senior Notes bear interest rate of 3.25% per annum commencing from May 2012 which follow the date of the first issuance of Senior Notes. The interest is payable semi-annually in arrears.
- (iii) On 3 October 2014, the Bank issued USD300 million nominal value of Senior Notes under RM5.0 billion Euro Medium Term Notes Programme which will mature in 2019. The Senior Notes bear interest rate of 3.088% per annum commencing from the first issue date. The interest is payable semi-annually in arrears.

**NOTES TO THE FINANCIAL STATEMENTS
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24 SHARE CAPITAL

Group and Bank	Number of shares		Nominal value	
	31.12.2014 '000	31.12.2013 '000	31.12.2014 RM'000	31.12.2013 RM'000
Authorised:				
Balance as at the beginning/end of the financial year				
- Ordinary shares of 50 sen each	8,000,000	8,000,000	4,000,000	4,000,000
- Preference shares of RM1.00 each	2,000,000	2,000,000	2,000,000	2,000,000
	10,000,000	10,000,000	6,000,000	6,000,000
Issued and fully paid:				
Balance as at the beginning				
- Ordinary shares of 50 sen each	6,636,170	6,636,170	3,318,085	3,318,085
- Issuance of Rights Issue (Note (a))	94,802	-	47,401	-
Balance as at the end of the financial year	6,730,972	6,636,170	3,365,486	3,318,085

- (a) During the financial year, the Bank increased its issued and paid up share capital from RM3,318,085,121 to RM3,365,486,335 via the issuance of rights issue of 94,802,428 new ordinary shares of RM0.50 sen each at an issued price of RM1.8459 per share, amounting to RM175 million to preserve its capital adequacy for business growth purposes.

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

25 RESERVES

	Note	Group		Bank	
		31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Share premium		136,162	8,563	136,162	8,563
Statutory reserves	(i)	4,031,903	3,919,746	3,478,138	3,478,138
Translation reserves	(ii)	135,471	19,469	109,350	55,541
Available-for-sale reserves	(iii)	190,466	150,571	219,930	180,119
Retained profits	(iv)	7,575,175	5,995,662	6,377,265	5,035,720
		12,069,177	10,094,011	10,320,845	8,758,081

- (i) The statutory reserves are maintained in compliance with Section 47(2)(f) of Financial Services Act 2013 of RM3,478,138,000 (31.12.2013: RM3,478,138,000), Section 57(2)(f) of Islamic Financial Services Act 2013 of RM553,765,000 (31.12.2013: RM441,608,000), and Section 18 of the Singapore Finance Companies (Amendment) Act 1994, and are not distributable as cash dividends.
- (ii) Translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations and subsidiaries.
- (iii) Available-for-sale reserves arise from a change in the fair value of financial investments classified as available-for-sale. The unrealised gains or losses are transferred to the income statements upon disposal, de-recognition or impairment of such securities.



**NOTES TO THE FINANCIAL STATEMENTS
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25 RESERVES (CONTINUED)

(iv) Pursuant to the Finance Act, 2007 which was gazetted on 28 November 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Bank, but are exempted from tax to the shareholders ("single tier system"). As at 31 December 2014, the Bank has sufficient tax exempt account balances to pay tax exempt dividends out of its retained earnings.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax exempt income of RM1,804,047,508 under Section 12 of the Income Tax (Amendment) Act 1999 to pay dividends out of its retained profits as at 31 December 2014.

26 INTEREST INCOME

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Loans and advances	5,717,956	5,263,870	5,548,434	5,135,435
Money at call and deposit placements with banks and other financial institutions	177,107	265,067	372,907	376,417
Securities purchased under resale agreements	268	617	268	617
Financial assets held-for-trading	32,308	11,342	32,308	11,342
Financial investments available-for-sale	429,459	319,649	425,719	316,088
Financial investments held-to-maturity	713,436	625,133	706,746	618,753
Others	1,536	920	1,536	920
	7,072,070	6,486,598	7,087,918	6,459,572
Of which:				
Interest income accrued on impaired financial assets	160,492	154,129	146,497	137,158

27 INTEREST EXPENSE

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Deposits and placements of banks and other financial institutions	293,097	155,894	286,310	150,840
Deposits from customers	3,099,639	2,703,699	3,075,019	2,680,774
Subordinated obligations	215,154	191,062	215,154	191,062
Recourse obligation on loans sold to Cagamas	46,418	43,130	46,418	43,130
Hybrid Tier-1 Capital Securities	45,440	45,416	45,440	45,416
Senior Debt Securities	60,906	51,315	60,906	51,315
Borrowings	4,533	8,119	4,533	6,066
Others	64,563	53,562	64,563	53,562
	3,829,750	3,252,197	3,798,343	3,222,165

**NOTES TO THE FINANCIAL STATEMENTS
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28 OTHER OPERATING INCOME

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Fee income:				
Commission	184,914	160,232	184,190	155,007
Service charges and fees	223,209	269,916	222,245	267,296
Guarantee fees	66,636	48,708	63,954	48,708
Commitment fees	56,408	48,897	48,224	45,539
Underwriting fees	2	463	2	463
Other fees	20,857	17,291	18,696	17,489
	552,026	545,507	537,311	534,502
Net gain arising from financial assets held-for-trading	14,708	29,601	14,708	29,601
Net (loss)/gain on revaluation of derivatives	(27,223)	(1,803)	(22,794)	7,213
Net gain on fair value hedges (Note 9)	2,374	692	205	1,484
Net gain arising from financial investments available-for-sale:				
- net gain on disposal	18,237	85,285	17,964	83,318
- gross dividends income	4,451	6,137	4,444	6,137
	22,688	91,422	22,408	89,455
Net gain arising from financial investment held-to-maturity:				
- net gain on early redemption	12,508	10,566	12,508	10,566
Gross dividend income from a subsidiary	-	-	10,646	-
Other income:				
Net foreign exchange gain:				
- realised	307,100	203,206	307,077	204,014
- unrealised	41,121	97,479	41,121	97,479
Gain on disposal of property, plant and equipment	17,558	130	4,520	130
Other operating income	60,599	65,078	58,171	61,844
Other non-operating income	6,219	7,005	3,859	4,497
	432,597	372,898	414,748	367,964
	1,009,678	1,048,883	989,740	1,040,785



**NOTES TO THE FINANCIAL STATEMENTS
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29 NET INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	31.12.2014 RM'000	31.12.2013 RM'000
Income derived from investment of depositors' funds	1,325,425	1,100,857
Income derived from investment of shareholder's funds	130,034	118,857
Total distributable income	1,455,459	1,219,714
Income attributable to depositors	(722,597)	(633,226)
Income from Islamic Banking Business	732,862	586,488
Of which:		
Financing income earned on impaired financing and advances	13,995	16,971

30 OTHER OPERATING EXPENSES

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Personnel costs				
Salaries, allowances and bonuses	1,135,368	995,748	1,052,940	902,374
Contributions to Employees' Provident Fund	169,175	154,558	158,653	138,483
Other staff related costs	115,634	91,663	108,203	85,525
	1,420,177	1,241,969	1,319,796	1,126,382
Establishment costs				
Property, plant and equipment:				
- depreciation	84,945	82,518	76,539	75,244
- written off	20	21	6	21
Amortisation of computer software license	44,862	34,240	39,763	33,218
Rental of premises	121,276	114,706	116,380	109,482
Rental of equipment	6,266	5,147	6,120	5,060
Insurance	29,259	23,612	25,215	20,624
Water and electricity	27,508	24,435	24,768	21,716
Repair and maintenance	27,615	25,139	24,090	21,513
Security and escorting expenses	58,500	52,035	54,080	47,298
Information technology expenses	129,837	121,478	118,402	110,531
Others	656	1,123	-	-
	530,744	484,454	485,363	444,707
Marketing expenses				
Sales commission	55,341	47,394	48,076	35,423
Advertisement and publicity	66,604	84,111	60,608	74,501
Others	67,417	63,117	61,496	57,341
	189,362	194,622	170,180	167,265
Administration and general expenses				
Communication expenses	106,395	103,718	96,226	93,442
Auditors' remuneration (Note (i))	3,874	4,440	3,149	3,687
Legal and professional fee	71,733	17,012	68,477	12,674
Others	89,824	74,240	11,409	22,908
	271,826	199,410	179,261	132,711
	2,412,109	2,120,455	2,154,600	1,871,065

**NOTES TO THE FINANCIAL STATEMENTS
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30 OTHER OPERATING EXPENSES (CONTINUED)

Included in the personnel costs is the Managing Directors' remuneration (excluding benefits-in-kind) totalling RM4,180,000 (2013: RM2,461,000) for the Group and the Bank, as disclosed in Note 31.

Included in administration and general expenses of the Group and the Bank are other directors' remuneration (excluding benefits-in-kind) totalling RM1,991,000 (2013: RM1,968,000) and RM1,784,000 (2013: RM1,797,000) respectively, as disclosed in Note 31.

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Auditors' remuneration				
(a) Audit				
Statutory audit:				
- Malaysia	1,741	1,550	1,438	1,273
- Overseas	965	882	714	737
Limited review	355	355	300	300
Other audit related	300	470	200	290
	3,361	3,257	2,652	2,600
(b) Non-audit:				
- Malaysia	513	1,183	497	1,087
- Overseas	-	-	-	-
	513	1,183	497	1,087
	3,874	4,440	3,149	3,687

31 DIRECTORS' REMUNERATION

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

Group and Bank	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
31.12.2014				
Managing Director				
Dato' Khairussaleh Ramli	1,780	15	2,400	4,195
	1,780	15	2,400	4,195
31.12.2013				
Managing Director				
Dato' Khairussaleh Ramli (appointed on 13 December 2013)	101	-	-	101
En Johari Abdul Muid (resigned on 18 July 2013)	1,160	131	1,200	2,491
	1,261	131	1,200	2,592



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31 DIRECTORS' REMUNERATION (CONTINUED)

Group	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others* RM'000	Total RM'000
31.12.2014				
Non-Executive Directors				
Tan Sri Azlan Zainol (Chairman)	180	31	20	231
Tuan Haji Khairuddin Ahmad	150	-	151	301
Mr Ong Seng Pheow	150	31	72	253
Mr Choong Tuck Oon	270	-	183	453
En Abdul Aziz Peru Mohamed	150	-	69	219
Dato' Mohamed Khadar Merican	150	31	79	260
Tan Sri Ong Leong Huat @ Woong Joo Hwa	150	31	20	201
Mr Mohamed Ali Ismaeil Ali Alfahim (appointed on 9 May 2014)	98	-	12	110
Mr Chin Yoong Kheong (appointed on 1 August 2014)	63	-	7	70
Dato' Mohd Ali Mohd Tahir (resigned on 31 January 2014)	12	-	5	17
	1,373	124	618	2,115
31.12.2013				
Non-Executive Directors				
Tan Sri Azlan Zainol (Chairman)	180	31	17	228
Tuan Haji Khairuddin Ahmad	171	-	138	309
Mr Ong Seng Pheow	150	-	82	232
Mr Choong Tuck Oon	200	-	136	336
Dato' Mohd Ali Mohd Tahir	180	-	90	270
En Abdul Aziz Peru Mohamed	150	-	69	219
Dato' Mohamed Khadar Merican	150	-	84	234
Tan Sri Ong Leong Huat @ Woong Joo Hwa	150	-	21	171
	1,331	31	637	1,999

* Others comprise of committee members' allowance and attending allowance.

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31 DIRECTORS' REMUNERATION (CONTINUED)

Bank	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others* RM'000	Total RM'000
31.12.2014				
Non-Executive Directors				
Tan Sri Azlan Zainol (Chairman)	180	31	20	231
Tuan Haji Khairuddin Ahmad	150	-	151	301
Mr Ong Seng Pheow	150	31	72	253
Mr Choong Tuck Oon	150	-	96	246
En Abdul Aziz Peru Mohamed	150	-	69	219
Dato' Mohamed Khadar Merican	150	31	79	260
Tan Sri Ong Leong Huat @ Woong Joo Hwa	150	31	20	201
Mr Mohamed Ali Ismaeil Ali Alfahim (appointed on 9 May 2014)	98	-	12	110
Mr Chin Yoong Kheong (appointed on 1 August 2014)	63	-	7	70
Dato' Mohd Ali Mohd Tahir (resigned on 31 January 2014)	12	-	5	17
	1,253	124	531	1,908
31.12.2013				
Non-Executive Directors				
Tan Sri Azlan Zainol (Chairman)	180	31	17	228
Tuan Haji Khairuddin Ahmad	150	-	121	271
Mr Ong Seng Pheow	150	-	82	232
Mr Choong Tuck Oon	150	-	104	254
Dato' Mohd Ali Mohd Tahir	150	-	69	219
En Abdul Aziz Peru Mohamed	150	-	69	219
Dato' Mohamed Khadar Merican	150	-	84	234
Tan Sri Ong Leong Huat @ Woong Joo Hwa	150	-	21	171
	1,230	31	567	1,828

* Others comprise of committee members' allowance and attending allowance.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

32 ALLOWANCE FOR IMPAIRMENT ON LOANS AND FINANCING

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Allowance for impaired loans and financing:				
- individual impairment allowance	4,594	306,575	28,899	271,595
- collective impairment allowance	410,921	190,415	352,069	184,603
Impaired loans and financing recovered	(376,525)	(330,573)	(332,495)	(292,181)
Impaired loans written off	204,292	256,163	185,029	219,003
	243,282	422,580	233,502	383,020

33 IMPAIRMENT WRITE-BACK ON OTHER ASSETS

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Charged for the financial year:				
Financial investments:				
- available-for-sale	-	9,883	-	9,182
- held-to-maturity	233	-	233	-
Foreclosed properties	-	275	-	275
Intangible assets	1,199	-	-	-
Reversal for the financial year:				
Financial investments:				
- available-for-sale	(119,613)	(10,868)	(118,990)	(10,868)
- held-to-maturity	(6,001)	(11,299)	(6,001)	(11,299)
Foreclosed properties	-	(355)	-	(355)
Property, plant & equipment	(1,421)	(379)	(47)	-
	(125,603)	(12,743)	(124,805)	(13,065)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

34 TAXATION

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Income tax based on profit for the financial year:				
- Malaysian income tax	576,241	566,452	498,947	512,142
- Overseas tax	26,841	6,882	18,134	6,041
(Over)/Under provision in respect of prior financial years:				
- Malaysian income tax	(7,942)	(1,482)	(9,180)	-
- Overseas tax	(352)	(748)	(155)	(748)
Deferred tax (Note 11)	(6,386)	4,363	(8,273)	(2,945)
	588,402	575,467	499,473	514,490

The numerical reconciliation between the effective tax rate and the applicable statutory income tax rate are as follows:

	Group		Bank	
	31.12.2014 %	31.12.2013 %	31.12.2014 %	31.12.2013 %
Tax at Malaysia statutory income tax rate	25.0	25.0	25.0	25.0
Tax effects in respect of:				
Non-allowable expenses	0.6	0.7	0.9	0.5
Non-taxable income	(0.4)	(0.8)	(0.5)	(0.8)
Effect of different tax rates in Labuan/other countries	(0.4)	(0.3)	0.9	0.6
Reversal of temporary differences recognised in prior years	0.1	-	0.1	-
Over provision in prior financial years	(1.2)	(0.1)	(1.6)	-
Effective tax rate	23.7	24.5	24.8	25.3

	RM'000	RM'000	RM'000	RM'000
Tax losses:				
Tax savings as a result of the utilisation of tax losses brought forward from previous financial year for which the related credit is recognised during the financial year	-	5	-	5



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

35 EARNINGS PER SHARE (“EPS”)

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Group		Bank	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Net profit for the financial year (RM'000)	1,866,670	1,764,013	1,516,545	1,522,682
Weighted average number of ordinary shares in issue ('000)	6,652,273	6,636,170	6,652,273	6,636,170
Basic earnings per share (sen)	28.06	26.58	22.80	22.95

(b) Diluted earnings per share

The diluted EPS of the Group is calculated by dividing the net profit attributable to equity holders of the Bank for the financial year ended 31 December 2014 by the weighted average number of ordinary shares in issue and adjusted for the number of shares that could have been issued pursuant to the recapitalisation of the 2nd interim dividend of the Bank.

The dilution effect on the basic EPS arising from the recapitalisation of the 2nd interim dividend is immaterial. As a result, the diluted EPS is equal to the basic EPS for the financial year ended 31 December 2014.

Other than the above, there were no other dilutive potential ordinary shares outstanding as at 31 December 2014.

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

	31.12.2014			31.12.2013		
	Before tax RM'000	Tax effects RM'000	Net of tax RM'000	Before tax RM'000	Tax effects RM'000	Net of tax RM'000
Group						
Financial investments available-for-sale:						
- net fair value gain/(loss) and net amount transfer to income statements	53,482	(13,587)	39,895	(94,043)	23,618	(70,425)
Bank						
Financial investments available-for-sale:						
- net fair value gain/(loss) and net amount transfer to income statements	53,082	(13,271)	39,811	(50,419)	12,605	(37,814)

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

37 ORDINARY DIVIDENDS

Dividend declared or proposed are as follows:

	31.12.2014		31.12.2013	
	Gross dividend per share (sen)	Amount of dividends, single-tier RM'000	Gross dividend per share (sen)	Amount of dividends, single-tier RM'000
Ordinary shares:				
Interim dividend - 2014/2013	2.637	175,000	2.560	170,000
2 nd interim dividend - 2014	8.665	583,272	-	-
	11.302	758,272	2.560	170,000

The Directors have declared a single-tier 2nd interim dividend of 8.665 sen amounting to RM583,272,000 in respect of the financial year ended 31 December 2014. The 2nd interim dividend was approved by the Board of Directors on 29 January 2015. Subject to relevant authority approval, 75% of the 2nd interim dividend will be recapitalised into the Bank to preserve its capital adequacy for business growth purposes.

The financial statements for the current financial year do not reflect the declared single-tier 2nd interim dividend. This dividend payment will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2015.

The directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2014.

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

	31.12.2014		31.12.2013	
	Gross dividend per share (sen)	Amount of dividends, single-tier RM'000	Gross dividend per share (sen)	Amount of dividends, single-tier/net of tax RM'000
Ordinary shares:				
Interim dividend for 2014	2.637	175,000	-	-
Interim dividend for 2013	-	-	2.560	170,000
Final dividend for 2012	-	-	3.870	238,000
	2.637	175,000	6.430	408,000



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

38 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

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

Related parties	Relationships
RHB Capital Berhad	Ultimate holding company
Subsidiaries of RHB Capital Berhad as disclosed in its financial statements	Subsidiaries of the ultimate holding company
Employees' Provident Fund ("EPF")	Substantial shareholder, a fund body that is significantly influenced by the government
Subsidiaries and associates of EPF as disclosed in its financial statements	Reporting entities that EPF has control or significant influence
Subsidiaries of the Bank as disclosed in Note 12	Subsidiaries
Key management personnel	The key management personnel of the Group and the Bank consists of: - all directors of the Bank and its key subsidiaries; and - members of the Group Management Committee ("GMC")
Related parties of key management personnel (deemed as related to the Bank)	(i) Close family members and dependents of key management personnel; and (ii) Entities that are controlled, jointly controlled or significantly influenced, by or for which significant voting power in such entity resides with, directly or indirectly key management personnel or its close family members

(b) Significant related party balances and transactions

In line with the Group's re-alignment of the Group's structure, the authority and responsibility for planning, directing and controlling the activities of the Group is now under the purview of the GMC. In the past, the same purview resided in the respective entities' management committees. Hence, the Group now considers the members of GMC of the Group as key management personnel.

In addition to related party disclosures mentioned in Notes 8 and 18, set out below are other significant related party transactions and balances.

Other related parties of the Group and the Bank comprise of transactions and balances with the subsidiaries of RHB Capital Berhad.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)
(b) Significant related party balances and transactions (Continued)

Group	Ultimate holding company RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	Other related companies RM'000
31.12.2014				
Income				
Interest on deposits and placements with other financial institutions	-	-	-	2,006
Interest on loans, advances and financing	36,977	50,691	120	1,125
Other income	-	2	1	45,883
	36,977	50,693	121	49,014
Expenditure				
Interest on deposits and placements of banks and other financial institutions	-	-	-	1,953
Interest on deposits from customers	586	3,727	255	3,765
Rental of premises	-	-	-	14,828
Management fee	-	-	-	3,854
Other expenses	-	-	-	55,677
	586	3,727	255	80,077
Amounts due from				
Money at call and deposit placements	-	-	-	560,715
Deposits and placements with banks and other financial institutions	-	-	-	10,586
Derivative assets	-	-	-	25,494
Loans, advances and financing	1,055,505	1,280,989	2,894	89,538
Other assets	131	-	-	25,978
	1,055,636	1,280,989	2,894	712,311
Amounts due to				
Deposits from customers	24,939	650,119	23,136	355,092
Deposits and placements of banks and other financial institutions	-	-	-	3,800
Derivative liabilities	-	-	-	4,956
Other liabilities	126	-	-	3,847
Hybrid Tier-1 Capital Securities	-	-	-	5,014
	25,065	650,119	23,136	372,709



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group	Ultimate holding company RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	Other related companies RM'000
31.12.2013				
Income				
Interest on deposits and placements with other financial institutions	-	-	-	748
Interest on loans, advances and financing	12,737	71,919	165	265
Other income	-	6	2	11,922
	12,737	71,925	167	12,935
Expenditure				
Interest on deposits and placements of banks and other financial institutions	-	-	-	16,946
Interest on deposits from customers	1,533	17,665	310	8,699
Rental of premises	-	-	-	13,603
Management fee	-	-	-	3,210
Other expenses	-	-	90	19,029
	1,533	17,665	400	61,487
Amounts due from				
Derivative assets	-	-	-	4,150
Loans, advances and financing	745,873	1,647,280	3,737	14,999
Other assets	2,781	-	-	21,249
	748,654	1,647,280	3,737	40,398
Amounts due to				
Deposits from customers	16,973	2,648,558	30,243	322,528
Deposits and placements of banks and other financial institutions	-	-	-	101,487
Derivative liabilities	-	-	-	3,629
Other liabilities	21,699	-	-	6,365
Hybrid Tier-1 Capital Securities	-	-	-	5,014
	38,672	2,648,558	30,243	439,023

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)
(b) Significant related party balances and transactions (Continued)

Bank	Ultimate holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
31.12.2014					
Income					
Interest on deposits and placements with other financial institutions	-	-	205,007	-	2,006
Interest on loans, advances and financing	36,977	27,612	829	104	511
Other income	-	2	11,415	-	45,304
	36,977	27,614	217,251	104	47,821
Expenditure					
Interest on deposits and placements of banks and other financial institutions	-	-	673	-	1,522
Interest on deposits from customers	586	3,203	2,696	245	3,294
Rental of premises	-	-	5,598	-	14,828
Management fee	-	-	-	-	3,624
Reimbursement of operating expense from a subsidiary	-	-	(112,075)	-	-
Other expenses	-	-	9	-	53,610
	586	3,203	(103,099)	245	76,878
Amounts due from					
Money at call and deposit placements	-	-	253,571	-	560,715
Deposits and placements with banks and other financial institutions	-	-	6,721,061	-	10,586
Derivative assets	-	-	25,888	-	25,494
Loans, advances and financing	1,055,505	683,306	141,063	2,712	35,695
Other assets	131	-	219,543	-	25,957
	1,055,636	683,306	7,361,126	2,712	658,447
Amounts due to					
Deposits from customers	24,939	509,587	124,347	21,405	336,576
Deposits and placements of banks and other financial institutions	-	-	996,317	-	3,800
Derivative liabilities	-	-	21,755	-	4,956
Other liabilities	-	-	27,675	-	3,417
Hybrid Tier-1 Capital Securities	-	-	-	-	5,014
	24,939	509,587	1,170,094	21,405	353,763



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank	Ultimate holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
31.12.2013					
Income					
Interest on deposits and placements with other financial institutions	-	-	121,031	-	745
Interest on loans, advances and financing	12,737	42,519	807	47	265
Other income	-	6	8,220	-	11,701
	12,737	42,525	130,058	47	12,711
Expenditure					
Interest on deposits and placements of banks and other financial institutions	-	-	153	-	16,946
Interest on deposits from customers	1,533	17,283	1,963	204	5,368
Rental of premises	-	-	5,115	-	13,603
Management fee	-	-	-	-	3,210
Reimbursement of operating expense from a subsidiary	-	-	(85,364)	-	-
Other expenses	-	-	9	69	17,642
	1,533	17,283	(78,124)	273	56,769
Amounts due from					
Money at call and deposit placements	-	-	2,342	-	-
Deposits and placements with banks and other financial institutions	-	-	3,838,742	-	-
Derivative assets	-	-	7,240	-	4,150
Loans, advances and financing	745,873	1,032,255	141,803	1,531	14,999
Other assets	2,781	-	207,820	-	21,249
	748,654	1,032,255	4,197,947	1,531	40,398
Amounts due to					
Deposits from customers	16,973	2,592,280	138,845	21,714	304,196
Deposits and placements of banks and other financial institutions	-	-	192,125	-	101,487
Derivative liabilities	-	-	23,457	-	3,629
Other liabilities	-	-	25,331	-	5,940
Hybrid Tier-1 Capital Securities	-	-	-	-	5,014
	16,973	2,592,280	379,758	21,714	420,266

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)
(b) Significant related party balances and transactions (Continued)

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
The approved limit on loans, advances and financing for key management personnel	15,619	21,340	14,319	13,941

(c) Key management personnel

The remuneration of key management personnel are as follows:

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Short-term employee benefits				
- Fees	1,373	1,331	1,253	1,230
- Salary and other remuneration	14,677	14,541	12,907	10,106
- Contributions to EPF	2,073	2,372	1,842	1,613
- Benefits-in-kind	146	56	139	53
	18,269	18,300	16,141	13,002

(d) Credit exposures arising from transactions with connected parties

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

	Group		Bank	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Outstanding credit exposure with connected parties (RM'000)	7,774,174	9,360,286	7,253,965	8,319,658
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	4.65	6.54	5.41	7.07
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	0.01	0.07	0.01	0.08

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



**NOTES TO THE FINANCIAL STATEMENTS
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39 COMMITMENTS AND CONTINGENCIES

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to customers.

Risk weighted exposures of the Group are as follows:

	31.12.2014			31.12.2013		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes [#]	2,659,088	2,628,097	1,656,364	3,843,994	3,810,979	2,144,445
Transaction-related contingent items [#]	4,829,166	2,388,120	1,308,323	3,035,866	1,524,593	995,458
Short-term self-liquidating trade-related contingencies	1,822,569	362,511	177,431	1,567,318	311,555	175,489
Obligations under underwriting agreements	-	-	-	76,000	38,000	38,000
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	517,610	517,610	27,897	-	-	-
Irrevocable commitments to extend credit:						
- maturity more than one year	30,645,996	14,277,260	9,875,579	27,168,189	14,219,840	10,075,164
- maturity less than one year	1,428,561	144,588	50,232	10,549,976	6,154,978	4,584,560
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	15,137,896	605,393	240,215	3,854,405	640,656	249,790
Foreign exchange related contracts [®] :						
- less than one year	28,320,308	926,671	559,625	10,821,151	249,039	196,894
- one year to less than five years	11,236,064	1,696,626	753,543	7,267,793	1,114,996	436,998
- more than five years	469,108	596,943	444,525	-	-	-
Interest rate related contracts [®] :						
- less than one year	6,289,805	14,886	4,557	3,905,460	8,941	4,095
- one year to less than five years	27,571,220	812,079	281,569	21,929,189	664,292	271,961
- more than five years	987,920	73,660	34,400	1,475,893	103,342	38,207
Total	131,915,311	25,044,444	15,414,260	95,495,234	28,841,211	19,211,061

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines. Foreign exchange, interest rate related and commodity contracts are subject to market risk and credit risk.

Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of RM4,829,166,000 and RM3,139,158,000 as at 31 December 2014 and 31 December 2013 respectively, of which fair value at the time of issuance is zero.

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

The credit equivalent amount ("CE") and risk weighted amount ("RWA") of the Group are an aggregate of CE and RWA of the Bank, which is computed in accordance with BNM's Guidelines on Capital Adequacy Framework (Basel II - RWA): IRB Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II) and the CE and RWA of its Islamic bank subsidiary, which is computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks (CAFIB): Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

NOTES TO THE FINANCIAL STATEMENTS
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39 COMMITMENTS AND CONTINGENCIES (CONTINUED)

In the normal course of business, the Group and the Bank make various commitments and incur certain contingent liabilities with legal recourse to customers. (Continued)
 Risk weighted exposures of the Bank are as follows:

	31.12.2014			31.12.2013		
	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes*	2,622,714	2,591,723	1,624,312	3,843,994	3,810,979	2,144,445
Transaction-related contingent items#	4,295,883	2,121,478	1,125,821	2,494,386	1,225,351	767,345
Short-term self-liquidating trade-related contingencies	1,767,022	351,401	175,167	1,464,026	290,896	155,017
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	517,610	517,610	27,897	-	-	-
Irrevocable commitments to extend credit:						
- maturity more than one year	26,380,190	11,925,958	7,957,393	24,181,885	12,575,583	8,667,441
- maturity less than one year	1,374,689	133,814	40,829	8,442,457	5,518,158	4,066,811
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	13,059,575	514,983	172,408	3,441,308	560,075	189,354
Foreign exchange related contracts®:						
- less than one year	28,302,199	924,363	533,150	10,327,094	248,520	195,807
- one year to less than five years	11,236,064	1,698,406	737,627	7,267,793	1,114,996	436,998
- more than five years	469,108	596,943	444,525	-	-	-
Interest rate related contracts®:						
- less than one year	6,918,826	16,490	4,871	4,505,460	12,036	4,714
- one year to less than five years	29,806,220	863,268	291,807	24,309,518	729,095	284,863
- more than five years	1,077,920	78,160	35,300	1,900,893	125,492	42,637
Total	127,828,020	22,334,597	13,171,107	92,178,814	26,211,181	16,955,432

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines. Foreign exchange, interest rate related and commodity contracts are subject to market risk and credit risk.

Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of RM4,295,883,000 and RM2,932,996,000 as at 31 December 2014 and 31 December 2013 respectively, of which fair value at the time of issuance is zero.

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

The CE and RWA of the Bank are computed in accordance with BNM's Guidelines on Capital Adequacy Framework (Base II - RWA): IRB Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Base II).



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

40 OPERATING LEASE COMMITMENTS

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

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Within one year	57,271	50,133	62,760	55,059
Between one and five years	50,547	50,915	58,692	49,206
More than five years	-	916	-	916
	107,818	101,964	121,452	105,181

41 CAPITAL COMMITMENTS

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Capital expenditure for property, plant and equipment:				
Authorised and contracted for	92,562	51,278	92,562	51,278
Authorised but not contracted for	191,674	208,728	148,761	141,886
	284,236	260,006	241,323	193,164
Proposed acquisition of Bank Mestika*	-	538,620	-	538,620
	284,236	798,626	241,323	731,784

* The amended Conditional Sale and Purchase Agreement ("Amended CSPA") for the proposed acquisition of Bank Mestika has lapsed on 30 June 2014 and the Amended CSPA was terminated on the same date (as per Note 46).

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

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

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

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

Effective risk management is fundamental to being able to generate profits consistently while sustaining competitive advantage, and is thus a central part of the financial and operational management of the Group.

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 up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk-adjusted returns.

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

- (i) Risk governance from the Boards of Directors of various operating entities within the Group

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

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

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

- (ii) Clear understanding of risk management ownership

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



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (Continued)

(iii) Institutionalisation of a risk-focused organisation

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

(iv) Alignment of risk management to business strategies

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

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

(v) Optimisation of risk-adjusted return

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

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

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

Major Areas of Risk

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

- (i) Market risk - the risk of loss arising from adverse movements in market indicators, such as interest/profit rate, credit spreads, equity prices, currency exchange rates and commodity prices.
- (ii) Liquidity risk - the risk of the Bank and the Group being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due and transact at a reasonable cost.
- (iii) Credit risk - the risk that arises as a result of customer's or counterparties' inability to fulfil their financial and contractual obligations as and when they arise. These obligations arise from the Bank and the Group direct lending/financing obligations, trade finance and its funding, investment and trading activities.
- (iv) Operational risk - the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT, legal and Shariah non-compliance risk but exclude strategic and reputational risk.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (Continued)

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

Market risk

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

Liquidity risk

- The Group ALCO plays a fundamental role in the asset and liability management of the banking subsidiaries, and establishes strategies to assist in controlling and reducing any potential exposures to liquidity risk.
- The liquidity 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.
- Limits on the minimum portion of maturing funds available to meet obligations and the minimum level of inter-bank and other borrowing facilities are set to ensure adequate cover for withdrawals arising from unexpected levels of demand.
- Defined liquidity management ratios are maintained and monitored.
- The liquidity framework is subject to periodic stress tests and the results are reviewed to ensure compliance with BNM’s Liquidity Framework.
- The Bank and the Group has established a Liquidity Incident Management Master Plan to manage any potential adverse liquidity incidences, and which can be implemented on a timely basis so that appropriate actions can be taken to mitigate against any unexpected market developments.

Credit risk

- The Bank and the Group abides to the Board approved credit policy which supports the development of a strong credit culture and with the objective of maintaining a well diversified portfolio that addresses credit risk, and mitigates concern for unexpected losses. International best practices are incorporated into this policy.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (Continued)

Credit risk (Continued)

- Group Credit Committee (“GCC”) is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. GCC also approves and renews financing facilities and submits to the Board Credit Committee (“BCC”) for affirmation or veto if the financing facilities exceed a pre-defined threshold.
- The Bank and the Group also ensures that internal processes and credit underwriting standards are adhered to before credit proposal are approved. All credit proposals are first evaluated by the originating business units before evaluated prior to submission to the relevant committees for approval. For financing applications submitted for joint approvals, there is proper check and control as the joint approval is between business units and Group Credit Management.
- Internal credit rating models are an integral part of the Bank’s credit risk management, decision-making process, and regulatory capital calculations. Client’s accounts are reviewed at regular intervals and weakening credit are transferred to Loan Recovery for more effective management.
- Counterparty, industry and product exposure limits/directions are set and risk reward relationship are mapped with the aim of maintaining a diverse credit profile and track the changing risk concentrations in response to market changes and external events.
- The Bank has obtained BNM’s approval to apply the Internal Ratings-Based (“IRB”) approach for credit risk, whereby more advanced Basel II approaches and key program components are implemented, which includes (i) enhancing the returns of the Bank using established credit risk framework and methodologies, (ii) implementing and using empirical credit scoring models for consumer financing and credit grading models for business loans/financing, and (iii) designing and implementing modelling of expected and unexpected losses.
- Plans are underway to migrate other material portfolios to the IRB approach for credit risk.

Operational risk

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)
(b) Financial instruments by category

Group	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available- for-sale RM'000	Held-to- maturity RM'000	Total RM'000
31.12.2014					
Assets					
Cash and short-term funds	15,536,640	-	-	-	15,536,640
Securities purchased under resale agreements	376,418	-	-	-	376,418
Deposits and placements with banks and other financial institutions	2,045,284	-	-	-	2,045,284
Financial assets held-for-trading	-	2,043,302	-	-	2,043,302
Financial investments available-for-sale	-	-	15,783,001	-	15,783,001
Financial investments held-to-maturity	-	-	-	19,698,097	19,698,097
Loans, advances and financing	139,544,308	-	-	-	139,544,308
Other financial assets	976,525	-	-	-	976,525
Derivative assets	-	1,283,855	-	-	1,283,855
	158,479,175	3,327,157	15,783,001	19,698,097	197,287,430

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities			
Deposits from customers	-	154,856,511	154,856,511
Deposits and placements of banks and other financial institutions	-	17,956,370	17,956,370
Obligations on securities sold under repurchase agreements	-	489,506	489,506
Bills and acceptances payable	-	476,322	476,322
Other financial liabilities	-	811,478	811,478
Derivative liabilities	1,193,538	-	1,193,538
Recourse obligation on loans sold to Cagamas	-	3,315,335	3,315,335
Borrowings	-	669,892	669,892
Subordinated obligations	-	5,549,961	5,549,961
Hybrid Tier-1 Capital Securities	-	606,529	606,529
Senior Debt Securities	-	2,810,655	2,810,655
	1,193,538	187,542,559	188,736,097



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (Continued)

Group	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available- for-sale RM'000	Held-to- maturity RM'000	Total RM'000
31.12.2013					
Assets					
Cash and short-term funds	9,231,558	-	-	-	9,231,558
Securities purchased under resale agreements	184,560	-	-	-	184,560
Deposits and placements with banks and other financial institutions	2,517,976	-	-	-	2,517,976
Financial assets held-for-trading	-	2,367,098	-	-	2,367,098
Financial investments available-for-sale	-	-	13,258,584	-	13,258,584
Financial investments held-to-maturity	-	-	-	21,813,036	21,813,036
Loans, advances and financing	117,891,870	-	-	-	117,891,870
Other financial assets	419,529	-	-	-	419,529
Derivative assets	-	418,624	-	-	418,624
	130,245,493	2,785,722	13,258,584	21,813,036	168,102,835

Group	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities			
Deposits from customers	-	135,615,137	135,615,137
Deposits and placements of banks and other financial institutions	-	12,479,163	12,479,163
Obligations on securities sold under repurchase agreements	-	165,098	165,098
Bills and acceptances payable	-	2,076,481	2,076,481
Other financial liabilities	-	612,947	612,947
Derivative liabilities	270,024	-	270,024
Recourse obligation on loans sold to Cagamas	-	2,269,353	2,269,353
Borrowings	-	571,049	571,049
Subordinated obligations	-	4,021,868	4,021,868
Hybrid Tier-1 Capital Securities	-	606,215	606,215
Senior Debt Securities	-	1,647,634	1,647,634
	270,024	160,064,945	160,334,969

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)
(b) Financial instruments by category (Continued)

Bank	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available- for-sale RM'000	Held-to- maturity RM'000	Total RM'000
31.12.2014					
Assets					
Cash and short-term funds	11,493,133	-	-	-	11,493,133
Securities purchased under resale agreements	320,480	-	-	-	320,480
Deposits and placements with banks and other financial institutions	7,737,974	-	-	-	7,737,974
Financial assets held-for-trading	-	1,691,414	-	-	1,691,414
Financial investments available-for-sale	-	-	13,313,563	-	13,313,563
Financial investments held-to-maturity	-	-	-	17,594,801	17,594,801
Loans, advances and financing	109,982,719	-	-	-	109,982,719
Other financial assets	908,659	-	-	-	908,659
Derivative assets	-	1,283,574	-	-	1,283,574
	130,442,965	2,974,988	13,313,563	17,594,801	164,326,317

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities			
Deposits from customers	-	127,815,617	127,815,617
Deposits and placements of banks and other financial institutions	-	16,201,550	16,201,550
Obligations on securities sold under repurchase agreements	-	489,506	489,506
Bills and acceptances payable	-	467,486	467,486
Other financial liabilities	-	732,688	732,688
Derivative liabilities	1,214,797	-	1,214,797
Recourse obligation on loans sold to Cagamas	-	2,167,659	2,167,659
Borrowings	-	669,892	669,892
Subordinated obligations	-	5,046,910	5,046,910
Hybrid Tier-1 Capital Securities	-	606,529	606,529
Senior Debt Securities	-	2,810,655	2,810,655
	1,214,797	157,008,492	158,223,289



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (Continued)

Bank	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available- for-sale RM'000	Held-to- maturity RM'000	Total RM'000
31.12.2013					
Assets					
Cash and short-term funds	5,575,273	-	-	-	5,575,273
Securities purchased under resale agreements	184,560	-	-	-	184,560
Deposits and placements with banks and other financial institutions	5,056,311	-	-	-	5,056,311
Financial assets held-for-trading	-	1,573,539	-	-	1,573,539
Financial investments available-for-sale	-	-	10,802,836	-	10,802,836
Financial investments held-to-maturity	-	-	-	19,097,086	19,097,086
Loans, advances and financing	95,752,900	-	-	-	95,752,900
Other financial assets	569,298	-	-	-	569,298
Derivative assets	-	425,518	-	-	425,518
	107,138,342	1,999,057	10,802,836	19,097,086	139,037,321

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Liabilities			
Deposits from customers	-	111,794,716	111,794,716
Deposits and placements of banks and other financial institutions	-	10,570,624	10,570,624
Obligations on securities sold under repurchase agreements	-	165,098	165,098
Bills and acceptances payable	-	2,061,391	2,061,391
Other financial liabilities	-	539,644	539,644
Derivative liabilities	291,922	-	291,922
Recourse obligation on loans sold to Cagamas	-	961,020	961,020
Borrowings	-	571,049	571,049
Subordinated obligations	-	4,021,868	4,021,868
Hybrid Tier-1 Capital Securities	-	606,215	606,215
Senior Debt Securities	-	1,647,634	1,647,634
	291,922	132,939,259	133,231,181

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

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

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

(i) Interest/profit rate sensitivity analysis

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

	Group		Bank	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
31.12.2014				
+100 bps	(16,742)	(399,024)	15,387	(321,563)
-100 bps	22,085	425,711	(11,319)	340,599
31.12.2013				
+100 bps	(17,095)	(374,520)	3,068	(296,002)
-100 bps	18,580	400,235	(1,762)	313,915

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

Impact on the profit after tax is the sum of valuation changes on fixed income instruments held in the trading portfolio and earnings movement for all short term interest/profit rate sensitive assets and liabilities (with maturity or re-pricing tenure of up to one year) that is not held in the trading portfolio. Earnings movement for the short term interest/profit rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 100 bps interest rate (100 bps for 2013) change impact. For assets and liabilities with non fixed maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of these interest/profit bearing assets and liabilities.

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

(ii) Foreign currency sensitivity analysis

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

	Group	Bank
	Impact on profit after tax RM'000	Impact on profit after tax RM'000
31.12.2014		
+5%	6,485	6,653
-5%	(6,485)	(6,653)
31.12.2013		
+5%	14,289	12,656
-5%	(14,289)	(12,656)

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

Interest/Profit rate risk

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

Group	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 3 years RM'000	Over 3 years RM'000		
31.12.2014								
ASSETS								
Cash and short-term funds	12,478,026	-	-	-	-	-	-	15,536,640
Securities purchased under resale agreements	376,365	-	-	-	-	-	-	376,418
Deposits and placements with banks and other financial institutions	-	830,097	655,596	137,766	417,494	-	-	2,045,284
Financial assets held-for-trading	-	-	-	-	-	-	2,043,302	2,043,302
Financial investments available-for-sale	291,034	267,302	541,210	606,975	6,938,687	6,485,405	-	15,783,001
Financial investments held-to-maturity	1,485,251	580,127	1,433,282	543,198	4,154,043	11,439,232	-	19,698,097
Loans, advances and financing:								
- performing	93,858,448	14,856,357	3,051,439	922,326	6,425,129	19,157,148	-	138,571,285
- impaired	-	-	-	-	-	-	-	973,023*
Other assets	-	-	-	-	-	-	-	1,071,882
Derivative assets	-	-	-	-	-	1,987	-	1,281,868
Statutory deposits	-	-	-	-	-	-	-	5,201,170
Tax recoverable	-	-	-	-	-	-	-	59,792
Deferred tax assets	-	-	-	-	-	-	-	9,956
Property, plant and equipment	-	-	-	-	-	-	-	666,426
Goodwill and other intangible assets	-	-	-	-	-	-	-	1,316,923
TOTAL ASSETS	108,489,124	16,533,883	5,681,527	2,210,265	17,935,353	37,083,772	13,377,960	204,637,054

Consist of impairment loss.

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



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

Interest/Profit rate risk (Continued)

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

Group	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000		
31.12.2014									
LIABILITIES									
Deposits from customers	65,296,078	24,649,406	19,961,956	20,292,663	782,244	17,629	23,856,535	-	154,856,511
Deposits and placements of banks and other financial institutions	5,859,423	7,678,072	3,148,490	329,382	613,777	274,609	52,617	-	17,956,370
Obligations on securities sold under repurchase agreements	-	-	-	489,506	-	-	-	-	489,506
Bills and acceptances payable	259,866	39,021	-	-	-	-	177,435	-	476,322
Other liabilities	3,224	-	-	-	-	168	1,211,144	-	1,214,536
Derivative liabilities	-	-	-	-	-	-	-	1,193,538	1,193,538
Recourse obligation on loans sold to Cagamas	-	-	-	-	1,576,631	1,725,000	13,704	-	3,315,335
Taxation liabilities	-	-	-	-	-	-	22,418	-	22,418
Deferred tax liabilities	-	-	-	-	-	-	40,818	-	40,818
Borrowings	-	34,965	196,678	56,818	227,273	152,972	1,186	-	669,892
Subordinated obligations	-	-	700,000	-	2,998,187	1,800,000	51,774	-	5,549,961
Hybrid Tier-1 Capital Securities	-	-	-	-	-	598,349	8,180	-	606,529
Senior Debt Securities	-	-	-	-	1,749,215	1,045,721	15,719	-	2,810,655
TOTAL LIABILITIES	71,418,591	32,401,464	24,007,124	21,168,369	7,947,327	5,614,448	25,451,530	1,193,538	189,202,391
Total equity	-	-	-	-	-	-	15,434,663	-	15,434,663
TOTAL LIABILITIES AND EQUITY	71,418,591	32,401,464	24,007,124	21,168,369	7,947,327	5,614,448	40,886,193	1,193,538	204,637,054
On-balance sheet interest sensitivity gap	37,070,533	(15,867,581)	(18,325,597)	(18,958,104)	9,988,026	31,469,324	-	-	-
Off-balance sheet interest sensitivity gap	(165,072)	(896,266)	(1,806,325)	272,754	2,849,159	1,544,535	-	-	-
TOTAL INTEREST-SENSITIVITY GAP	36,905,461	(16,763,847)	(20,131,922)	(18,685,350)	12,837,185	33,013,859			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

Interest/Profit rate risk (Continued)

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

Group	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000		
31.12.2013									
ASSETS									
Cash and short-term funds	7,530,250	60,031	-	-	-	-	1,641,277	-	9,231,558
Securities purchased under resale agreements	184,544	-	-	-	-	-	16	-	184,560
Deposits and placements with banks and other financial institutions	-	1,508,070	364,517	87,934	195,885	356,370	5,200	-	2,517,976
Financial assets held-for-trading	-	-	-	-	-	-	-	2,367,098	2,367,098
Financial investments available-for-sale	1,165,964	1,952,809	1,681,008	106,902	979,327	6,974,807	397,767	-	13,258,584
Financial investments held-to-maturity	960,063	2,048,844	642,059	1,204,773	3,092,444	13,806,284	58,569 [#]	-	21,813,036
Loans, advances and financing:									
- performing	74,167,917	8,975,190	3,979,820	3,035,928	6,530,076	19,882,971	136,187	-	116,708,089
- impaired	-	-	-	-	-	-	1,183,781 [*]	-	1,183,781
Other assets	-	-	157	817	1,992	70	544,507	-	547,543
Derivative assets	-	-	-	-	-	-	-	418,624	418,624
Statutory deposits	-	-	-	-	-	-	3,954,819	-	3,954,819
Tax recoverable	-	-	-	-	-	-	26,155	-	26,155
Deferred tax assets	-	-	-	-	-	-	12,160	-	12,160
Property, plant and equipment	-	-	-	-	-	-	666,736	-	666,736
Goodwill and other intangible assets	-	-	-	-	-	-	1,267,142	-	1,267,142
TOTAL ASSETS	84,008,738	14,544,944	6,667,561	4,436,354	10,799,724	41,020,502	9,894,316	2,785,722	174,157,861

[#] Consist of impairment loss.

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



NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

Interest/Profit rate risk (Continued)

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

Group	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 3 years RM'000	Over 3 years RM'000	Non- interest sensitive RM'000		
31.12.2013									
LIABILITIES									
Deposits from customers	59,639,159	22,838,779	16,564,607	12,173,313	432,270	28,971	23,938,038	-	135,615,137
Deposits and placements of banks and other financial institutions	4,568,568	6,091,702	746,559	97,931	284,350	649,400	40,653	-	12,479,163
Obligations on securities sold under repurchase agreements	-	-	164,084	-	-	-	1,014	-	165,098
Bills and acceptances payable	773,800	860,008	145,376	-	-	-	297,297	-	2,076,481
Other liabilities	839	-	-	-	-	-	969,889	-	970,728
Derivative liabilities	-	-	155	804	1,960	69	-	267,036	270,024
Recourse obligation on loans sold to Cagamas	-	-	-	500,000	457,678	1,301,664	10,011	-	2,269,353
Taxation liabilities	-	-	-	-	-	-	17,639	-	17,639
Deferred tax liabilities	-	-	-	-	-	-	35,376	-	35,376
Borrowings	-	344,242	225,397	-	-	-	1,410	-	571,049
Subordinated obligations	-	-	-	-	949,198	3,048,271	24,399	-	4,021,868
Hybrid Tier-1 Capital Securities	-	-	-	-	-	598,035	8,180	-	606,215
Senior Debt Securities	-	-	-	-	-	1,640,235	7,399	-	1,647,634
TOTAL LIABILITIES	64,982,366	30,134,731	17,846,178	12,772,048	2,125,456	7,266,645	25,351,305	267,036	160,745,765
Total equity	-	-	-	-	-	-	13,412,096	-	13,412,096
TOTAL LIABILITIES AND EQUITY	64,982,366	30,134,731	17,846,178	12,772,048	2,125,456	7,266,645	38,763,401	267,036	174,157,861
On-balance sheet interest sensitivity gap	19,026,372	(15,589,787)	(11,178,617)	(8,335,694)	8,674,268	33,753,857			
Off-balance sheet interest sensitivity gap	(2,122,707)	(518,601)	(1,683,159)	750,577	1,510,583	2,087,409			
TOTAL INTEREST- SENSITIVITY GAP	16,903,665	(16,108,388)	(12,861,776)	(7,585,117)	10,184,851	35,841,266			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

42 FINANCIAL RISK MANAGEMENT (CONTINUED)
(c) Market risk (Continued)

Interest/Profit rate risk (Continued)

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

Bank	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000		
31.12.2014									
ASSETS									
Cash and short-term funds	9,083,782	-	-	-	-	-	2,409,351	-	11,493,133
Securities purchased under resale agreements	320,454	-	-	-	-	-	26	-	320,480
Deposits and placements with banks and other financial institutions	-	863,606	3,784,524	-	500,000	2,350,000	239,844	-	7,737,974
Financial assets held-for-trading	-	-	-	-	-	-	-	1,691,414	1,691,414
Financial investments available-for-sale	214,111	257,281	521,184	489,814	6,342,870	4,856,528	631,775	-	13,313,563
Financial investments held-to-maturity	1,269,867	470,098	1,178,403	325,264	3,840,757	10,468,864	41,548*	-	17,594,801
Loans, advances and financing:									
- performing	77,611,418	13,007,011	2,804,177	714,717	5,220,546	9,533,725	211,179	-	109,102,773
- impaired	-	-	-	-	-	-	879,946*	-	879,946
Other assets	-	-	-	-	-	-	1,157,823	-	1,157,823
Derivative assets	-	-	-	-	-	1,987	-	1,281,587	1,283,574
Statutory deposits	-	-	-	-	-	-	4,055,229	-	4,055,229
Tax recoverable	-	-	-	-	-	-	59,771	-	59,771
Investment in subsidiaries	-	-	-	-	-	-	1,864,514	-	1,864,514
Property, plant and equipment	-	-	-	-	-	-	487,906	-	487,906
Goodwill and other intangible assets	-	-	-	-	-	-	1,091,300	-	1,091,300
TOTAL ASSETS	88,499,632	14,597,996	8,288,288	1,529,795	15,904,173	27,211,104	13,130,212	2,973,001	172,134,201

Consist of impairment loss.

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

Interest/Profit rate risk (Continued)

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

Bank	Non-trading book						Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 3 years RM'000	Over 3 years RM'000		
31.12.2014								
LIABILITIES								
Deposits from customers	50,116,134	19,978,694	18,008,203	17,632,469	467,453	16,879	21,595,785	127,815,617
Deposits and placements of banks and other financial institutions	5,926,760	6,880,724	2,620,238	226,859	196,283	274,609	76,077	16,201,550
Obligations on securities sold under repurchase agreements	-	-	-	489,506	-	-	-	489,506
Bills and acceptances payable	259,866	39,021	-	-	-	-	168,599	467,486
Other liabilities	-	-	-	-	-	168	916,287	916,455
Derivative liabilities	-	-	-	-	-	-	-	1,214,797
Recourse obligation on loans sold to Cagamas	-	-	-	-	435,188	1,725,000	7,471	2,167,659
Deferred tax liabilities	-	-	-	-	-	-	40,814	40,814
Borrowings	-	34,965	196,678	56,818	227,273	152,972	1,186	669,892
Subordinated obligations	-	-	700,000	-	2,998,187	1,300,000	48,723	5,046,910
Hybrid Tier-1 Capital Securities	-	-	-	-	-	598,349	8,180	606,529
Senior Debt Securities	-	-	-	-	1,749,215	1,045,721	15,719	2,810,655
TOTAL LIABILITIES	56,302,760	26,933,404	21,525,119	18,405,652	6,073,599	5,113,698	22,878,841	158,447,870
Total equity	-	-	-	-	-	-	13,686,331	13,686,331
TOTAL LIABILITIES AND EQUITY	56,302,760	26,933,404	21,525,119	18,405,652	6,073,599	5,113,698	36,565,172	172,134,201
On-balance sheet interest sensitivity gap	32,196,872	(12,335,408)	(13,236,831)	(16,875,857)	9,830,574	22,097,406	-	-
Off-balance sheet interest sensitivity gap	(165,072)	(896,266)	(1,806,325)	272,754	2,849,159	1,544,535	-	-
TOTAL INTEREST-SENSITIVITY GAP	32,031,800	(13,231,674)	(15,043,156)	(16,603,103)	12,679,733	23,641,941	-	-

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

Interest rate risk

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

Bank	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000		
31.12.2013									
ASSETS									
Cash and short-term funds	4,109,319	-	-	-	-	-	1,465,954	-	5,575,273
Securities purchased under resale agreements	184,544	-	-	-	-	-	16	-	184,560
Deposits and placements with banks and other financial institutions	-	1,126,893	717,937	138,630	-	2,956,941	115,910	-	5,056,311
Financial assets held-for-trading	-	-	-	-	-	-	-	1,573,539	1,573,539
Financial investments available-for-sale	1,093,837	1,843,353	1,681,008	25,297	506,755	5,477,415	175,171	-	10,802,836
Financial investments held-to-maturity	851,872	1,257,875	403,932	1,129,662	2,546,773	12,868,852	38,120*	-	19,097,086
Loans, advances and financing:									
- performing	64,932,515	7,441,875	3,814,190	1,550,117	5,501,502	11,385,571	87,686	-	94,713,456
- impaired	-	-	-	-	-	-	1,039,444*	-	1,039,444
Other assets	-	-	157	817	1,992	70	693,093	-	696,129
Derivative assets	-	-	-	-	-	-	-	425,518	425,518
Statutory deposits	-	-	-	-	-	-	3,110,223	-	3,110,223
Tax recoverable	-	-	-	-	-	-	26,152	-	26,152
Investment in subsidiaries	-	-	-	-	-	-	1,740,314	-	1,740,314
Property, plant and equipment	-	-	-	-	-	-	492,464	-	492,464
Goodwill and other intangible assets	-	-	-	-	-	-	1,040,244	-	1,040,244
TOTAL ASSETS	71,172,087	11,669,996	6,617,224	2,844,523	8,557,022	32,688,849	10,024,791	1,999,057	145,573,549

Consist of impairment loss.

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



NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

Interest rate risk (Continued)

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

Bank	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 3 years RM'000	Over 3 years RM'000	Non- interest sensitive RM'000		
31.12.2013									
LIABILITIES									
Deposits from customers	45,761,695	18,498,732	14,129,834	10,515,667	422,099	20,045	22,446,644	-	111,794,716
Deposits and placements of banks and other financial institutions	3,929,100	5,651,384	531,437	36,200	88,465	293,030	41,008	-	10,570,624
Obligations on securities sold under repurchase agreements	-	-	164,084	-	-	-	1,014	-	165,098
Bills and acceptances payable	773,800	860,008	145,376	-	-	-	282,207	-	2,061,391
Other liabilities	-	-	-	-	-	-	770,474	-	770,474
Derivative liabilities	-	-	155	804	1,960	69	-	288,934	291,922
Recourse obligation on loans sold to Cagamas	-	-	-	500,000	457,678	-	3,342	-	961,020
Deferred tax liabilities	-	-	-	-	-	-	35,372	-	35,372
Borrowings	-	344,242	225,397	-	-	-	1,410	-	571,049
Subordinated obligations	-	-	-	-	949,198	3,048,271	24,399	-	4,021,868
Hybrid Tier-1 Capital Securities	-	-	-	-	-	598,035	8,180	-	606,215
Senior Debt Securities	-	-	-	-	-	1,640,235	7,399	-	1,647,634
TOTAL LIABILITIES	50,464,595	25,354,366	15,196,283	11,052,671	1,919,400	5,599,685	23,621,449	288,934	133,497,383
Total equity	-	-	-	-	-	-	12,076,166	-	12,076,166
TOTAL LIABILITIES AND EQUITY	50,464,595	25,354,366	15,196,283	11,052,671	1,919,400	5,599,685	35,697,615	288,934	145,573,549
On-balance sheet interest sensitivity gap	20,707,492	(13,684,370)	(8,579,059)	(8,208,148)	6,637,622	27,089,164	-	-	-
Off-balance sheet interest sensitivity gap	(2,122,707)	(518,601)	(1,702,830)	750,577	1,530,254	2,087,409	-	-	-
TOTAL INTEREST- SENSITIVITY GAP	18,584,785	(14,202,971)	(10,281,889)	(7,457,571)	8,167,876	29,176,573	-	-	-

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

42 FINANCIAL RISK MANAGEMENT (CONTINUED)
(d) Liquidity risk

Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds upon maturity, extensions of credit and working capital needs. Liquidity risk is measured primarily using BNM's New Liquidity Framework and depositors' concentration ratios.

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

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

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2014								
ASSETS								
Cash and short-term funds	8,711,628	6,825,012	-	-	-	-	-	15,536,640
Securities purchased under resale agreements	376,418	-	-	-	-	-	-	376,418
Deposits and placements with banks and other financial institutions	-	-	816,361	643,855	167,574	417,494	-	2,045,284
Financial assets held-for-trading	-	106,471	454,541	177,308	-	1,304,982	-	2,043,302
Financial investments available-for-sale	1,747	230,664	305,959	573,161	607,890	13,263,608	799,972	15,783,001
Financial investments held-to-maturity	263,733	1,134,929	656,062	1,484,154	544,260	15,614,959	-	19,698,097
Loans, advances and financing	4,426,378	7,239,386	7,210,693	4,021,474	4,306,174	112,340,203	-	139,544,308
Other assets	107,401	39,106	98,764	64,272	73,231	391,392	297,716	1,071,882
Derivative assets	4,065	75,780	57,095	158,441	206,559	781,915	-	1,283,855
Statutory deposits	-	-	-	-	-	-	5,201,170	5,201,170
Tax recoverable	-	-	-	-	-	-	59,792	59,792
Deferred tax assets	-	-	-	-	-	-	9,956	9,956
Property, plant and equipment	-	-	-	-	-	-	666,426	666,426
Goodwill and other intangible assets	-	-	-	-	-	-	1,316,923	1,316,923
TOTAL ASSETS	13,891,370	15,651,348	9,599,475	7,122,665	5,905,688	144,114,553	8,351,955	204,637,054

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

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

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2014								
LIABILITIES								
Deposits from customers	50,706,452	37,804,997	24,886,635	20,685,519	19,984,041	788,867	-	154,856,511
Deposits and placements of banks and other financial institutions	1,790,051	3,941,419	7,817,254	3,186,927	332,333	888,386	-	17,956,370
Obligations on securities sold under repurchase agreements	-	-	-	-	489,506	-	-	489,506
Bills and acceptances payable	292,682	144,619	39,021	-	-	-	-	476,322
Other liabilities	107,171	282,039	93,222	38,213	134,098	221,997	337,796	1,214,536
Derivative liabilities	62,357	63,302	149,693	95,492	97,316	725,378	-	1,193,538
Recourse obligation on loans sold to Cagamas	-	-	2,645	4,825	-	3,307,865	-	3,315,335
Taxation liabilities	-	-	-	-	-	-	22,418	22,418
Deferred tax liabilities	-	-	-	-	-	-	40,818	40,818
Borrowings	-	-	35,603	197,226	56,818	380,245	-	669,892
Subordinated obligations	-	24,061	-	727,713	-	4,798,187	-	5,549,961
Hybrid Tier-1 Capital Securities	-	-	7,542	638	-	598,349	-	606,529
Senior Debt Securities	-	-	-	15,719	-	2,794,936	-	2,810,655
TOTAL LIABILITIES	52,958,713	42,260,437	33,031,615	24,952,272	21,094,112	14,504,210	401,032	189,202,391
Total equity	-	-	-	-	-	-	15,434,663	15,434,663
TOTAL LIABILITIES AND EQUITY	52,958,713	42,260,437	33,031,615	24,952,272	21,094,112	14,504,210	15,835,695	204,637,054

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

42 FINANCIAL RISK MANAGEMENT (CONTINUED)
(d) Liquidity risk (Continued)

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

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2013								
ASSETS								
Cash and short-term funds	5,013,581	4,217,977	-	-	-	-	-	9,231,558
Securities purchased under resale agreements	184,560	-	-	-	-	-	-	184,560
Deposits and placements with banks and other financial institutions	-	-	1,512,228	365,410	88,082	552,256	-	2,517,976
Financial assets held-for-trading	-	37,486	1,159,805	631,834	-	537,973	-	2,367,098
Financial investments available-for-sale	1,488	117,002	356,455	115,777	513,712	11,395,583	758,567	13,258,584
Financial investments held-to-maturity	500,705	343,191	2,141,408	738,351	1,395,073	16,694,308	-	21,813,036
Loans, advances and financing	3,720,375	5,022,343	5,529,618	4,590,374	4,957,453	94,071,707	-	117,891,870
Other assets	50,148	35,695	17,971	28,171	9,696	259,406	146,456	547,543
Derivative assets	2,767	13,600	64,720	32,762	21,197	283,578	-	418,624
Statutory deposits	-	-	-	-	-	-	3,954,819	3,954,819
Tax recoverable	-	-	-	-	-	-	26,155	26,155
Deferred tax assets	-	-	-	-	-	-	12,160	12,160
Property, plant and equipment	-	-	-	-	-	-	666,736	666,736
Goodwill and other intangible assets	-	-	-	-	-	-	1,267,142	1,267,142
TOTAL ASSETS	9,473,624	9,787,294	10,782,205	6,502,679	6,985,213	123,794,811	6,832,035	174,157,861



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

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

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2013								
LIABILITIES								
Deposits from customers	50,813,315	32,507,905	22,868,970	16,495,731	12,466,076	463,140	-	135,615,137
Deposits and placements of banks and other financial institutions	742,716	3,601,054	6,110,751	747,943	98,061	1,178,638	-	12,479,163
Obligations on securities sold under repurchase agreements	-	-	-	165,098	-	-	-	165,098
Bills and acceptances payable	488,542	582,555	860,008	145,376	-	-	-	2,076,481
Other liabilities	66,995	216,121	93,399	7,764	124,114	164,157	298,178	970,728
Derivative liabilities	2,285	26,330	25,008	9,450	10,321	196,630	-	270,024
Recourse obligation on loans sold to Cagamas	-	561	2,782	-	500,000	1,766,010	-	2,269,353
Taxation liabilities	-	-	-	-	-	-	17,639	17,639
Deferred tax liabilities	-	-	-	-	-	-	35,376	35,376
Borrowings	-	-	33,589	21,097	53,276	463,087	-	571,049
Subordinated obligations	-	-	-	24,399	-	3,997,469	-	4,021,868
Hybrid Tier-1 Capital Securities	-	-	7,542	638	-	598,035	-	606,215
Senior Debt Securities	-	-	-	7,399	-	1,640,235	-	1,647,634
TOTAL LIABILITIES	52,113,853	36,934,526	30,002,049	17,624,895	13,251,848	10,467,401	351,193	160,745,765
Total equity	-	-	-	-	-	-	13,412,096	13,412,096
TOTAL ASSETS	52,113,853	36,934,526	30,002,049	17,624,895	13,251,848	10,467,401	13,763,289	174,157,861

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

42 FINANCIAL RISK MANAGEMENT (CONTINUED)
(d) Liquidity risk (Continued)

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

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2014								
ASSETS								
Cash and short-term funds	6,127,236	5,365,897	-	-	-	-	-	11,493,133
Securities purchased under resale agreements	320,480	-	-	-	-	-	-	320,480
Deposits and placements with banks and other financial institutions	-	-	849,610	3,798,417	29,127	3,060,820	-	7,737,974
Financial assets held for trading	-	106,471	453,104	176,218	-	955,621	-	1,691,414
Financial investments available-for-sale	-	226,591	290,230	547,025	490,729	11,162,273	596,715	13,313,563
Financial investments held-to-maturity	160,078	1,133,845	534,815	1,223,816	326,326	14,215,921	-	17,594,801
Loans, advances and financing	2,946,738	6,310,962	6,557,608	3,291,112	3,698,668	87,177,631	-	109,982,719
Other assets	45,989	185,925	98,750	64,278	127,042	391,288	244,551	1,157,823
Derivative assets	4,069	75,733	55,800	158,095	206,212	783,665	-	1,283,574
Statutory deposits	-	-	-	-	-	-	4,055,229	4,055,229
Tax recoverable	-	-	-	-	-	-	59,771	59,771
Investment in subsidiaries	-	-	-	-	-	-	1,864,514	1,864,514
Property, plant and equipment	-	-	-	-	-	-	487,906	487,906
Goodwill and other intangible assets	-	-	-	-	-	-	1,091,300	1,091,300
TOTAL ASSETS	9,604,590	13,405,424	8,839,917	9,258,961	4,878,104	117,747,219	8,399,986	172,134,201

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

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

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2014								
LIABILITIES								
Deposits from customers	41,969,074	29,170,497	20,182,938	18,710,041	17,309,517	473,550	-	127,815,617
Deposits and placements of banks and other financial institutions	1,678,265	4,139,592	7,019,489	2,663,518	229,794	470,892	-	16,201,550
Obligations on securities sold under repurchase agreements	-	-	-	-	489,506	-	-	489,506
Bills and acceptances payable	283,846	144,619	39,021	-	-	-	-	467,486
Other liabilities	102,157	265,697	61,007	38,467	107,424	211,840	129,863	916,455
Derivative liabilities	62,351	63,309	149,693	95,042	97,998	746,404	-	1,214,797
Recourse obligation on loans sold to Cagamas	-	-	2,645	4,825	-	2,160,189	-	2,167,659
Deferred tax liabilities	-	-	-	-	-	-	40,814	40,814
Borrowings	-	-	35,603	197,226	56,818	380,245	-	669,892
Subordinated obligations	-	24,061	-	724,662	-	4,298,187	-	5,046,910
Hybrid Tier-1 Capital Securities	-	-	7,542	638	-	598,349	-	606,529
Senior Debt Securities	-	-	-	15,719	-	2,794,936	-	2,810,655
TOTAL LIABILITIES	44,095,693	33,807,775	27,497,938	22,450,138	18,291,057	12,134,592	170,677	158,447,870
Total equity	-	-	-	-	-	-	13,686,331	13,686,331
TOTAL LIABILITIES AND EQUITY	44,095,693	33,807,775	27,497,938	22,450,138	18,291,057	12,134,592	13,857,008	172,134,201

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

42 FINANCIAL RISK MANAGEMENT (CONTINUED)
(d) Liquidity risk (Continued)

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

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2013								
ASSETS								
Cash and short-term funds	2,455,234	3,120,039	-	-	-	-	-	5,575,273
Securities purchased under resale agreements	184,560	-	-	-	-	-	-	184,560
Deposits and placements with banks and other financial institutions	-	1,129,146	720,542	138,977	3,067,646	-	-	5,056,311
Financial assets held-for-trading	-	37,486	582,183	-	489,595	-	-	1,573,539
Financial investments available-for-sale	895	111,195	241,773	110,764	432,107	9,352,475	553,627	10,802,836
Financial investments held-to-maturity	500,705	340,172	1,338,453	494,191	1,319,962	15,103,603	-	19,097,086
Loans, advances and financing	3,457,079	4,654,096	5,023,696	3,965,249	2,821,496	75,831,284	-	95,752,900
Other assets	7,988	194,893	17,949	28,172	53,924	259,406	133,797	696,129
Derivative assets	2,767	37,057	41,263	32,416	22,796	289,219	-	425,518
Statutory deposits	-	-	-	-	-	-	3,110,223	3,110,223
Tax recoverable	-	-	-	-	-	-	26,152	26,152
Investment in subsidiaries	-	-	-	-	-	-	1,740,314	1,740,314
Property, plant and equipment	-	-	-	-	-	-	492,464	492,464
Goodwill and other intangible assets	-	-	-	-	-	-	1,040,244	1,040,244
TOTAL ASSETS	6,609,228	8,494,938	8,256,555	5,933,517	4,789,262	104,393,228	7,096,821	145,573,549



NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

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

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
31.12.2013								
LIABILITIES								
Deposits from customers	43,029,277	24,957,335	18,510,712	14,050,147	10,801,276	445,969	-	111,794,716
Deposits and placements of banks and other financial institutions	579,312	3,124,555	5,670,790	533,254	36,330	626,383	-	10,570,624
Obligations on securities sold under repurchase agreements	-	-	-	165,098	-	-	-	165,098
Bills and acceptances payable	473,452	582,555	860,008	145,376	-	-	-	2,061,391
Other liabilities	63,841	202,764	52,224	23,218	98,442	158,421	171,564	770,474
Derivative liabilities	2,285	33,570	17,769	7,890	10,321	220,087	-	291,922
Recourse obligation on loans sold to Cagamas	-	561	2,782	-	500,000	457,677	-	961,020
Deferred tax liabilities	-	-	-	-	-	-	35,372	35,372
Borrowings	-	-	33,589	21,097	53,276	463,087	-	574,049
Subordinated obligations	-	-	-	24,399	-	3,997,469	-	4,021,868
Hybrid Tier-1 Capital Securities	-	-	7,542	638	-	598,035	-	606,215
Senior Debt Securities	-	-	-	7,399	-	1,640,235	-	1,647,634
TOTAL LIABILITIES	44,148,167	28,901,340	25,155,416	14,978,516	11,499,645	8,607,363	206,936	133,497,383
Total equity	-	-	-	-	-	-	12,076,166	12,076,166
TOTAL LIABILITIES AND EQUITY	44,148,167	28,901,340	25,155,416	14,978,516	11,499,645	8,607,363	12,283,102	145,573,549

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

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

Group	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2014							
LIABILITIES							
Deposits from customers	88,677,326	46,064,197	20,438,970	1,308,686	1,975,145	-	158,464,324
Deposits and placements of banks and other financial institutions	5,795,180	11,008,217	349,711	698,686	279,288	-	18,131,082
Obligations on securities sold under repurchase agreements	-	-	493,654	-	-	-	493,654
Bills and acceptances payable	437,301	39,021	-	-	-	-	476,322
Other financial liabilities	356,117	160,852	73,960	165,293	33,557	21,699	811,478
Derivative liabilities:							
- gross settled derivatives:							
- inflow	(1,543,203)	(5,852,939)	(1,498,468)	(3,556,357)	(2,831,877)	(289,164)	(15,572,008)
- outflow	1,655,940	6,000,207	1,457,615	3,738,402	2,915,382	243,849	16,011,395
- net settled derivatives	(3,749)	11,059	30,159	(9,918)	(26,753)	66	864
Recourse obligation on loans sold to Cagamas	23,363	141,401	166,089	1,621,679	1,884,895	-	3,837,427
Borrowings	-	234,501	58,774	232,503	137,078	17,541	680,397
Subordinated obligations	24,950	807,563	615,013	2,683,800	1,827,700	308,400	6,267,426
Hybrid Tier-1 Capital Securities	-	22,563	22,563	90,250	675,450	-	810,826
Senior Debt Securities	-	44,605	44,605	1,898,260	1,113,733	-	3,101,203
TOTAL FINANCIAL LIABILITIES	95,423,225	58,681,247	22,252,645	8,871,284	7,983,598	302,391	193,514,390

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

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

Group	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2013							
LIABILITIES							
Deposits from customers	83,151,020	39,876,226	12,768,532	450,166	34,733	-	136,280,677
Deposits and placements of banks and other financial institutions	4,540,686	6,893,504	105,088	317,019	717,687	-	12,573,984
Obligations on securities sold under repurchase agreements	-	165,903	-	-	-	-	165,903
Bills and acceptances payable	1,071,098	1,005,383	-	-	-	-	2,076,481
Other financial liabilities	250,360	130,310	61,686	135,042	21,130	14,420	612,948
Derivative liabilities:							
- gross settled derivatives:							
- inflow	(1,587,006)	(1,220,451)	(836,236)	(1,278,967)	(2,587,313)	-	(7,509,973)
- outflow	1,620,336	1,216,743	807,230	1,142,937	2,678,735	-	7,465,981
- net settled derivatives	5,696	11,085	16,893	16,542	(9,224)	1,624	42,616
Recourse obligation on loans sold to Cagamas	25,391	113,252	640,015	912,728	791,472	-	2,482,858
Borrowings	-	56,195	55,966	221,016	183,897	70,205	587,279
Subordinated obligations	-	95,188	95,188	1,063,250	3,278,687	342,000	4,874,313
Hybrid Tier-1 Capital Securities	-	22,563	22,563	90,250	90,250	675,450	901,076
Senior Debt Securities	-	26,638	26,638	53,276	1,665,888	-	1,772,440
TOTAL FINANCIAL LIABILITIES	89,077,581	48,392,539	13,763,563	3,123,259	6,865,942	1,103,699	162,326,583

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

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

Bank	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2014							
LIABILITIES							
Deposits from customers	71,267,143	39,276,329	17,667,995	974,871	1,974,241	-	131,160,579
Deposits and placements of banks and other financial institutions	5,882,783	9,687,223	238,182	208,612	279,288	-	16,296,088
Obligations on securities sold under repurchase agreements	-	-	493,654	-	-	-	493,654
Bills and acceptances payable	428,465	39,021	-	-	-	-	467,486
Other financial liabilities	335,011	127,894	49,804	164,723	33,557	21,699	732,688
Derivative liabilities:							
- gross settled derivatives:							
- inflow	(1,542,318)	(5,852,319)	(1,498,369)	(3,550,769)	(2,831,877)	(289,164)	(15,564,816)
- outflow	1,655,053	5,997,386	1,456,968	3,647,132	2,915,382	243,849	15,915,770
- net settled derivatives	(3,853)	3,423	26,389	(18,979)	(28,140)	98	(21,062)
Recourse obligation on loans sold to Cagamas	-	60,507	60,769	590,648	1,884,895	-	2,596,819
Borrowings	-	234,501	58,774	232,503	137,078	17,541	680,397
Subordinated obligations	24,950	795,188	102,638	2,683,800	1,827,700	308,400	5,742,676
Hybrid Tier-1 Capital Securities	-	22,563	22,563	90,250	675,450	-	810,826
Senior Debt Securities	-	44,605	44,605	1,898,260	1,113,733	-	3,101,203
TOTAL FINANCIAL LIABILITIES	78,047,234	50,436,321	18,723,972	6,921,051	7,981,307	302,423	162,412,308



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

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

Bank	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
31.12.2013							
LIABILITIES							
Deposits from customers	67,847,653	32,983,897	11,061,836	439,011	23,949	-	112,356,346
Deposits and placements of banks and other financial institutions	3,932,248	6,236,697	39,223	98,594	297,355	-	10,604,117
Obligations on securities sold under repurchase agreements	-	165,903	-	-	-	-	165,903
Bills and acceptances payable	1,056,008	1,005,383	-	-	-	-	2,061,391
Other financial liabilities	234,709	103,632	36,447	129,306	21,130	14,420	539,644
Derivative liabilities:							
- gross settled derivatives:							
- inflow	(1,587,006)	(1,220,451)	(836,236)	(1,278,967)	(2,587,313)	-	(7,509,973)
- outflow	1,620,336	1,216,743	807,230	1,142,937	2,678,735	-	7,465,981
- net settled derivatives	5,042	10,867	17,767	19,714	(15,556)	(420)	37,414
Recourse obligation on loans sold to Cagamas	1,896	30,641	532,578	470,845	-	-	1,035,960
Borrowings	-	56,195	55,966	221,016	183,897	70,205	587,279
Subordinated obligations	-	95,188	95,188	1,063,250	3,278,687	342,000	4,874,313
Hybrid Tier-1 Capital Securities	-	22,563	22,563	90,250	90,250	675,450	901,076
Senior Debt Securities	-	26,638	26,638	53,276	1,665,888	-	1,772,440
TOTAL FINANCIAL LIABILITIES	73,110,886	40,733,896	11,859,200	2,449,232	5,637,022	1,101,655	134,891,891

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)
(d) Liquidity risk (Continued)

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

Group	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
31.12.2014			
Direct credit substitutes	617,764	2,041,324	2,659,088
Transaction-related contingent items	719,300	4,109,866	4,829,166
Short-term self-liquidating trade-related contingencies	869,837	952,732	1,822,569
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	-	517,610	517,610
Irrevocable commitments to extend credit	1,428,561	30,645,996	32,074,557
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	350,742	14,787,154	15,137,896
TOTAL COMMITMENTS AND CONTINGENCIES	3,986,204	53,054,682	57,040,886
31.12.2013			
Direct credit substitutes	1,858,684	1,985,310	3,843,994
Transaction-related contingent items	456,457	2,579,409	3,035,866
Short-term self-liquidating trade-related contingencies	1,256,615	310,703	1,567,318
Obligations under underwriting agreements	76,000	-	76,000
Irrevocable commitments to extend credit	10,549,976	27,168,189	37,718,165
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	247,877	3,606,528	3,854,405
TOTAL COMMITMENTS AND CONTINGENCIES	14,445,609	35,650,139	50,095,748



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

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

Bank	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
31.12.2014			
Direct credit substitutes	591,880	2,030,834	2,622,714
Transaction-related contingent items	696,523	3,599,360	4,295,883
Short-term self-liquidating trade-related contingencies	866,185	900,837	1,767,022
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	-	517,610	517,610
Irrevocable commitments to extend credit	1,374,689	26,380,190	27,754,879
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	348,841	12,710,734	13,059,575
TOTAL COMMITMENTS AND CONTINGENCIES	3,878,118	46,139,565	50,017,683
31.12.2013			
Direct credit substitutes	1,858,684	1,985,310	3,843,994
Transaction-related contingent items	340,801	2,153,585	2,494,386
Short-term self-liquidating trade-related contingencies	1,153,323	310,703	1,464,026
Irrevocable commitments to extend credit	8,442,457	24,181,885	32,624,342
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	247,877	3,193,431	3,441,308
TOTAL COMMITMENTS AND CONTINGENCIES	12,043,142	31,824,914	43,868,056

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk

(i) Maximum exposure to credit risk

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

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Credit risk exposure:				
Short-term funds (exclude cash in hand)	14,921,892	8,307,584	10,571,299	4,672,289
Securities purchased under resale agreements	376,418	184,560	320,480	184,560
Deposits and placements with banks and other financial institutions	2,045,284	2,517,976	7,737,974	5,056,311
Financial assets and investments portfolios (exclude shares and perpetual notes/sukuk):				
- held-for-trading	2,043,302	2,367,098	1,691,414	1,573,539
- available-for-sale	14,983,029	12,500,017	12,716,848	10,249,209
- held-to-maturity	19,698,097	21,813,036	17,594,801	19,097,086
Loans, advances and financing	139,544,308	117,891,870	109,982,719	95,752,900
Other financial assets	976,525	419,529	908,659	569,298
Derivative assets	1,283,855	418,624	1,283,574	425,518
	195,872,710	166,420,294	162,807,768	137,580,710
Commitments and contingencies	57,040,886	50,095,748	50,017,683	43,868,056
Total maximum credit risk exposure	252,913,596	216,516,042	212,825,451	181,448,766



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

(ii) Collaterals

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

- (a) Fixed deposits/Commodity Murabahah deposits, Mudharabah General Investment Account, negotiable instrument of deposits and cash deposits/margins
- (b) Land/Land and buildings
- (c) Vessels and automobiles
- (d) Quoted shares, unit trusts, government bonds and securities and private debt securities
- (e) Endowment life policies with cash surrender value
- (f) Other tangible business assets, such as inventory and equipment

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

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing as at 31 December 2014 for the Group and the Bank are 60.6% (2013: 63.4%) and 63.2% (2013: 64.2%) respectively. The financial effect of collateral held for the other financial assets is not significant.

(iii) Credit quality

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

Credit quality description is summarised as follows:

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

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

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

(iii) Credit quality (Continued)

(a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Neither past due nor impaired	132,063,194	110,692,347	103,346,633	89,231,052
Past due but not impaired	6,508,091	6,015,742	5,756,140	5,482,404
Individually impaired	2,729,581	3,347,712	2,393,693	2,850,589
Gross loans, advances and financing	141,300,866	120,055,801	111,496,466	97,564,045
Less: Individual impairment allowance	(409,674)	(891,294)	(382,769)	(723,024)
Collective impairment allowance	(1,346,884)	(1,272,637)	(1,130,978)	(1,088,121)
Net loans, advances and financing	139,544,308	117,891,870	109,982,719	95,752,900

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

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

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Good	77,737,522	67,393,240	62,840,293	57,110,964
Fair	9,425,979	7,718,410	9,337,826	7,531,349
No Rating	44,899,693	35,580,697	31,168,514	24,588,739
	132,063,194	110,692,347	103,346,633	89,231,052

Loans, advances and financing classified as non-rated mainly comprise loans/financing under the Standardised Approach for credit risk including financing of Amanah Saham Bumiputera ("ASB") units, Islamic housing financing and Islamic hire purchase.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (Continued)

(a) Loans, advances and financing (Continued)

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

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

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Past due up to 30 days	2,139,972	2,061,945	2,100,341	2,032,902
Past due 31 to 60 days	3,109,478	2,734,381	2,560,314	2,360,194
Past due 61 to 90 days	1,258,641	1,219,416	1,095,485	1,089,308
Past due but not impaired	6,508,091	6,015,742	5,756,140	5,482,404

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

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Individually impaired	2,729,581	3,347,712	2,393,693	2,850,589

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

42 FINANCIAL RISK MANAGEMENT (CONTINUED)
(e) Credit risk (Continued)

(iii) Credit quality (Continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets are analysed as follows:

Group	Short-term funds and deposits with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
31.12.2014							
Neither past due nor impaired	16,967,176	376,418	2,043,302	14,982,900	19,692,872	976,525	1,283,855
Impaired	-	-	-	116,404	118,007	-	-
Less: Impairment losses	-	-	-	(116,275)	(112,782)	-	-
	16,967,176	376,418	2,043,302	14,983,029	19,698,097	976,525	1,283,855
31.12.2013							
Neither past due nor impaired	10,825,560	184,560	2,367,098	12,411,868	21,805,895	419,529	418,624
Impaired	-	-	-	372,280	115,365	-	-
Less: Impairment losses	-	-	-	(284,131)	(108,224)	-	-
	10,825,560	184,560	2,367,098	12,500,017	21,813,036	419,529	418,624

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

(iii) Credit quality (Continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets are analysed as follows: (Continued)

	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
31.12.2014							
Neither past due nor impaired	18,309,273	320,480	1,691,414	12,716,719	17,589,576	908,659	1,283,574
Impaired	-	-	-	116,404	118,007	-	-
Less: Impairment losses	-	-	-	(116,275)	(112,782)	-	-
	18,309,273	320,480	1,691,414	12,716,848	17,594,801	908,659	1,283,574
31.12.2013							
Neither past due nor impaired	9,728,600	184,560	1,573,539	10,161,060	19,089,945	569,298	425,518
Impaired	-	-	-	372,280	115,365	-	-
Less: Impairment losses	-	-	-	(284,131)	(108,224)	-	-
	9,728,600	184,560	1,573,539	10,249,209	19,097,086	569,298	425,518

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)
(e) Credit risk (Continued)

(iii) Credit quality (Continued)

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

Group	Short-term funds and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
31.12.2014							
AAA to AA3	1,968,830	376,418	502,281	6,790,354	4,542,626	-	304,674
A1 to A3	227,064	-	6,968	1,721,960	242,455	-	166,881
Baa1 to Baa3	-	-	-	887,577	296,850	-	230
P1 to P3	10,038,814	-	223,860	-	-	-	-
Non-rated includings:	4,732,468	-	1,310,193	5,583,009	14,610,941	976,525	812,070
- Bank Negara Malaysia	3,803,056	-	-	-	-	-	-
- Malaysian Government Securities	-	-	557,950	740,436	2,322,570	-	-
- Malaysian Government Investment Issues	-	-	728,286	1,859,753	5,254,804	-	-
- Private debt securities	-	-	3,841	2,916,894	4,183,712	-	-
- Khazanah bonds	-	-	-	8,285	91,554	-	-
- Negotiable instruments of deposits	-	-	-	-	2,027,550	-	-
- Others	929,412	-	20,116	57,641	730,751	976,525	812,070
	16,967,176	376,418	2,043,302	14,982,900	19,692,872	976,525	1,283,855

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

(iii) Credit quality (Continued)

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

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
31.12.2013							
AAA to AA3	1,248,487	184,560	491,882	5,509,624	5,012,595	-	202,947
A1 to A3	773,090	-	-	1,539,731	329,566	-	92,636
Baa1 to Baa3	466,161	-	6,372	666,399	312,840	-	1,967
P1 to P3	4,116,177	-	-	-	-	-	348
Non-rated includings:	4,221,645	-	1,868,844	4,696,114	16,150,894	419,529	120,726
- Bank Negara Malaysia	3,417,735	-	1,151,172	-	-	-	-
- Malaysian Government Securities	-	-	370,838	644,380	2,618,574	-	-
- Malaysian Government Investment Issues	-	-	145,440	1,557,301	6,325,725	-	-
- Private debt securities	-	-	2,708	2,129,518	4,200,140	-	-
- Bankers' acceptances	-	-	-	-	33,634	-	-
- Khazanah bonds	-	-	-	15,929	69,288	-	-
- Negotiable instruments of deposits	-	-	198,686	99,488	2,449,025	-	-
- Others	803,910	-	-	249,498	454,508	419,529	120,726
	10,825,560	184,560	2,367,098	12,411,868	21,805,895	419,529	418,624

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

(iii) Credit quality (Continued)

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

Bank	Short-term funds and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
31.12.2014							
AAA to AA3	7,675,986	320,480	502,281	5,648,956	4,171,561	-	330,558
A1 to A3	16,967	-	6,968	1,710,107	242,455	-	166,881
Baa1 to Baa3	-	-	-	887,577	275,710	-	230
P1 to P3	9,257,422	-	223,860	-	-	-	-
Non-rated including:	1,358,898	-	958,305	4,470,079	12,899,850	908,659	785,905
- Bank Negara Malaysia	930,172	-	-	-	-	-	-
- Malaysian Government Securities	-	-	557,950	740,436	2,322,570	-	-
- Malaysian Government Investment Issues	-	-	376,398	1,275,744	4,629,323	-	-
- Private debt securities	-	-	3,841	2,396,258	3,716,378	-	-
- Khazanah bonds	-	-	-	-	63,107	-	-
- Negotiable instruments of deposits	-	-	-	-	2,027,550	-	-
- Others	428,726	-	20,116	57,641	140,922	908,659	785,905
	18,309,273	320,480	1,691,414	12,716,719	17,589,576	908,659	1,283,574

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

(iii) Credit quality (Continued)

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

Bank	Short-term funds and deposits with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
31.12.2013							
AAA to AA3	4,036,548	184,560	466,438	4,423,128	4,663,718	-	210,187
A1 to A3	652,324	-	-	1,511,572	329,566	-	92,636
Baa1 to Baa3	466,161	-	6,372	666,399	293,053	-	1,967
P1 to P3	3,423,927	-	-	-	-	-	2
Non-rated includings:	1,149,640	-	1,100,729	3,559,961	13,803,608	569,298	120,726
- Bank Negara Malaysia	850,071	-	604,821	-	-	-	-
- Malaysian Government Securities	-	-	370,838	644,380	2,618,574	-	-
- Malaysian Government Investment Issues	-	-	122,362	1,033,134	5,481,811	-	-
- Private debt securities	-	-	2,708	1,834,847	3,699,584	-	-
- Khazanah bonds	-	-	-	-	60,307	-	-
- Negotiable instruments of deposits	-	-	-	-	1,803,165	-	-
- Others	299,569	-	-	47,600	140,167	569,298	120,726
	9,728,600	184,560	1,573,539	10,161,060	19,089,945	569,298	425,518

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

42 FINANCIAL RISK MANAGEMENT (CONTINUED)
(e) Credit risk (Continued)

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

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held for trading RM'000	Financial investments available-for-sale [@] RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing [#] RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
31.12.2014									
Agriculture	-	-	-	1,450,921	191,230	5,122,796	396,517	1,649,228	8,810,692
Mining and quarrying	-	-	-	-	-	1,415,522	-	1,616,235	3,031,757
Manufacturing	-	-	-	318,196	161,446	8,360,062	46,185	8,658,573	17,544,462
Electricity, gas and water	-	-	-	1,126,653	1,203,579	2,689,109	230	882,273	5,901,844
Construction	-	-	49,870	218,083	597,339	6,409,176	2	6,653,183	13,927,653
Real estate	-	-	-	335,496	180,570	4,328,750	-	2,399,385	7,244,201
Purchase of landed property	-	-	-	-	-	7,539,503	-	13,527,978	21,067,481
General commerce	-	-	-	75,311	599,022	9,150,654	896	5,812,352	15,638,235
Transport, storage and communication	-	-	-	940,046	1,062,181	7,943,227	702	1,622,627	11,568,783
Finance, insurance and business services	13,020,692	55,938	177,831	6,117,016	4,500,770	15,351,362	631,325	5,523,068	45,378,002
Government and government agencies	3,862,822	320,480	1,815,601	4,243,363	10,907,794	7,263,677	-	6,623	28,420,360
Purchase of securities	-	-	-	-	-	-	-	2,151,782	2,151,782
Purchase of transport vehicles	-	-	-	-	-	-	-	151,950	151,950
Consumption credit	-	-	-	-	-	2,184,209	-	4,558,959	6,743,168
Others	83,662	-	-	157,944	294,166	63,133,145	1,184,523	1,826,670	66,680,110
	16,967,176	376,418	2,043,302	14,983,029	19,698,097	140,891,192	2,260,380	57,040,886	254,260,480

Excludes collective impairment allowance amounting to RM1,346,884,000.

@ Excludes equity instrument and perpetual notes/sukuk amounting to RM799,972,000.

* Other financial assets include other assets amounting to RM976,525,000 and derivative assets amounting to RM1,283,855,000.



NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

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

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale [@] RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing [#] RM'000	Other financial assets RM'000	Commitments and contingencies RM'000	Total RM'000
31.12.2013									
Agriculture	-	-	-	1,328,850	282,893	4,253,145	81,224	1,403,503	7,349,615
Mining and quarrying	-	-	-	-	-	623,822	-	1,196,307	1,820,129
Manufacturing	-	-	-	145,517	62,052	8,704,843	1,090	8,809,614	17,723,116
Electricity, gas and water	-	-	-	943,047	1,155,272	2,805,843	9,668	693,414	5,607,244
Construction	-	-	-	157,535	822,406	4,398,959	-	5,618,940	10,997,840
Real estate	-	-	-	242,660	241,110	2,473,855	-	953,738	3,911,363
Purchase of landed property	-	-	-	-	-	5,798,104	-	10,772,837	16,570,941
General commerce	-	-	-	58,858	405,650	7,901,484	-	5,713,783	14,079,775
Transport, storage and communication	-	-	-	738,318	615,920	5,045,650	1,000	1,718,654	8,119,542
Finance, insurance and business services	6,814,920	-	770,822	4,848,527	4,442,182	12,384,230	104,456	3,908,515	33,273,652
Government and government agencies	4,010,640	184,560	1,570,832	3,787,495	13,473,306	8,283,937	-	-	31,310,770
Purchase of securities	-	-	-	-	-	-	-	1,843,527	1,843,527
Purchase of transport vehicles	-	-	-	-	-	44	-	742,059	742,103
Consumption credit	-	-	-	-	-	1,993,864	-	4,721,158	6,715,022
Others	-	-	25,444	249,210	312,245	54,496,727	640,715	1,999,699	57,724,040
	10,825,560	184,560	2,367,098	12,500,017	21,813,036	119,164,507	838,153	50,096,748	217,788,679

Excludes collective impairment allowance amounting to RM1,272,637,000.

@ Excludes equity instrument and perpetual notes/sukuk amounting to RM758,567,000.

* Other financial assets include other assets amounting to RM419,529,000 and derivative assets amounting to RM418,624,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

42 FINANCIAL RISK MANAGEMENT (CONTINUED)
(e) Credit risk (Continued)

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

Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held for trading RM'000	Financial investments available for sale [@] RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing [#] RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
31.12.2014									
Agriculture	-	-	-	1,301,190	191,230	4,328,577	396,517	906,212	7,123,726
Mining and quarrying	-	-	-	-	-	603,682	-	1,566,201	2,169,883
Manufacturing	-	-	-	318,196	161,446	7,462,144	46,185	7,776,004	15,763,975
Electricity, gas and water	-	-	-	836,431	1,028,914	2,343,129	230	836,377	5,045,081
Construction	-	-	49,870	203,040	413,833	5,257,509	2	6,430,753	12,355,007
Real estate	-	-	-	190,034	-	4,064,744	-	2,397,511	6,652,289
Purchase of landed property	-	-	-	-	-	1,310,207	-	11,351,298	12,661,505
General commerce	-	-	-	75,311	599,022	8,182,989	896	5,463,587	14,321,905
Transport, storage and communication	-	-	-	662,235	959,952	4,043,023	702	1,267,215	6,933,127
Finance, insurance and business services	17,889,541	-	177,831	5,594,897	4,255,763	12,123,673	631,043	4,641,793	45,314,541
Government and government agencies	419,732	320,480	1,463,713	3,535,514	9,984,641	3,969,249	-	6,623	19,699,952
Purchase of securities	-	-	-	-	-	-	-	2,151,782	2,151,782
Purchase of transport vehicles	-	-	-	-	-	-	-	73,738	73,738
Consumption credit	-	-	-	-	-	2,184,209	-	4,101,480	6,285,689
Others	-	-	-	-	-	55,240,562	1,116,658	1,047,109	57,404,329
	18,309,273	320,480	1,691,414	12,716,848	17,594,801	111,113,697	2,192,233	50,017,683	213,956,429

Excludes collective impairment allowance amounting to RM1,130,978,000.

@ Excludes equity instrument and perpetual notes/sukuk amounting to RM596,715,000.

* Other financial assets include other assets amounting to RM908,659,000 and derivative assets amounting to RM1,283,574,000.



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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

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

Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial investments held-for-trading RM'000	Financial investments available-for-sale [@] RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing [#] RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
31.12.2013									
Agriculture	-	-	-	1,214,553	282,893	3,894,079	81,224	1,071,009	6,543,758
Mining and quarrying	-	-	-	-	-	485,806	-	1,132,704	1,618,510
Manufacturing	-	-	-	145,517	62,052	7,268,388	1,090	8,171,676	15,648,723
Electricity, gas and water	-	-	-	661,768	1,011,754	2,382,424	9,668	628,542	4,694,156
Construction	-	-	-	157,535	822,406	4,184,176	-	5,307,465	10,471,582
Real estate	-	-	-	118,564	52,077	2,292,053	-	953,643	3,416,337
Purchase of landed property	-	-	-	-	-	1,212,514	-	9,000,846	10,213,360
General commerce	-	-	-	58,858	405,650	7,019,445	-	5,182,034	12,665,987
Transport, storage and communication	-	-	-	459,126	553,702	3,613,520	1,000	1,567,295	6,194,643
Finance, insurance and business services	8,913,630	-	2,707	4,417,220	4,204,901	9,536,861	134,808	3,446,047	30,656,174
Government and government agencies	814,970	184,560	1,570,832	3,016,068	11,701,651	4,988,007	-	-	22,276,088
Purchase of securities	-	-	-	-	-	-	-	1,843,527	1,843,527
Purchase of transport vehicles	-	-	-	-	-	44	-	337,805	337,849
Consumption credit	-	-	-	-	-	1,993,864	-	4,314,819	6,308,683
Others	-	-	-	-	-	47,969,840	767,026	910,644	49,647,510
	9,728,600	184,560	1,573,539	10,249,209	19,097,086	96,841,021	994,816	43,868,056	182,536,887

Excludes collective impairment allowance amounting to RM1,088,121,000.

@ Excludes equity instrument and perpetual notes/sukuk amounting to RM553,627,000.

* Other financial assets include other assets amounting to RM569,298,000 and derivative assets amounting to RM425,518,000.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value of measurement

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

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

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

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

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2014				
Financial assets				
Financial assets held-for-trading:	3,841	2,039,461	-	2,043,302
- money market instruments	-	1,815,601	-	1,815,601
- quoted securities	3,841	-	-	3,841
- unquoted securities	-	223,860	-	223,860
Financial investments available-for-sale:	10,719	14,905,036	867,246	15,783,001
- money market instruments	-	3,874,115	-	3,874,115
- quoted securities	10,719	-	-	10,719
- unquoted securities	-	11,030,921	867,246	11,898,167
Derivative assets:				
- money market instruments	-	1,283,855	-	1,283,855
	14,560	18,228,352	867,246	19,110,158
Financial liabilities				
Derivative liabilities:				
- money market instruments	-	1,193,538	-	1,193,538



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value of measurement (Continued)

The table below analyses instruments carried at fair value (recurring measurement) analysed by level within the fair value hierarchy:
(Continued)

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2013				
Financial assets				
Financial assets held-for-trading:	2,708	2,364,390	-	2,367,098
- money market instruments	-	2,338,946	-	2,338,946
- quoted securities	2,708	-	-	2,708
- unquoted securities	-	25,444	-	25,444
Financial investments available-for-sale:	12,322	12,338,866	907,396	13,258,584
- money market instruments	-	3,426,115	-	3,426,115
- quoted securities	12,322	-	-	12,322
- unquoted securities	-	8,912,751	907,396	9,820,147
Derivative assets:				
- money market instruments	-	418,624	-	418,624
	15,030	15,121,880	907,396	16,044,306
Financial liabilities				
Derivative liabilities:				
- money market instruments	-	270,024	-	270,024

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)
(f) Fair value of measurement (Continued)

The table below analyses financial instruments carried at fair value (recurring measurement) analysed by level within the fair value hierarchy: (Continued)

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2014				
Financial assets				
Financial assets held-for-trading:	3,841	1,687,573	-	1,691,414
- money market instruments	-	1,463,713	-	1,463,713
- quoted securities	3,841	-	-	3,841
- unquoted securities	-	223,860	-	223,860
Financial investments available-for-sale:	8,736	12,716,719	588,108	13,313,563
- money market instruments	-	3,210,054	-	3,210,054
- quoted securities	8,736	-	-	8,736
- unquoted securities	-	9,506,665	588,108	10,094,773
Derivative assets:				
- money market instruments	-	1,283,574	-	1,283,574
	12,577	15,687,866	588,108	16,288,551
Financial liabilities				
Derivative liabilities:				
- money market instruments	-	1,214,797	-	1,214,797



**NOTES TO THE FINANCIAL STATEMENTS
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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value of measurement (Continued)

The table below analyses financial instruments carried at fair value (recurring measurement) analysed by level within the fair value hierarchy: (Continued)

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2013				
Financial assets				
Financial assets held-for-trading:	2,708	1,570,831	-	1,573,539
- money market instruments	-	1,570,831	-	1,570,831
- quoted securities	2,708	-	-	2,708
Financial investments available-for-sale:	8,713	10,161,060	633,063	10,802,836
- money market instruments	-	2,698,413	-	2,698,413
- quoted securities	8,713	-	-	8,713
- unquoted securities	-	7,462,647	633,063	8,095,710
Derivative assets:				
- money market instruments	-	425,518	-	425,518
	11,421	12,157,409	633,063	12,801,893
Financial liabilities				
Derivative liabilities:				
- money market instruments	-	291,922	-	291,922

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

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value of measurement (Continued)

(i) Valuation techniques and sensitivity analysis

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

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determine fair value based upon valuation techniques that use as inputs, market parameters including but not limited to yield curves, volatilities and foreign exchange rates. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio-economic reasons, non-transferable and non-tradable perpetual notes/sukuk and impaired securities.

(ii) Reconciliation of movements in Level 3 financial instruments:

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2014 and 31 December 2013 for the Group and the Bank.

Financial investments available-for-sale

	Group		Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Balance as at the beginning of the financial year	907,396	553,082	633,063	484,329
Total gains recognised in other comprehensive income	43,065	106,355	43,065	106,355
Purchases	15,897	289,899	-	85,530
Settlements	(217,905)	(44,696)	(201,950)	(40,992)
Impairment losses	113,930	(2,159)	113,930	(2,159)
Exchange difference	4,863	4,915	-	-
Balance as at the end of the financial year	867,246	907,396	588,108	633,063



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of each financial assets and liabilities presented on the statements of financial position of the Group and the Bank approximates the carrying amount as at the reporting date, except for the followings:

	Group		Bank	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
31.12.2014				
Financial assets				
Deposits and placements with banks and other financial institutions	2,045,284	1,955,837	7,737,974	7,458,664
Financial investments held-to-maturity	19,698,097	19,523,392	17,594,801	17,444,732
Loans, advances and financing	139,544,308	139,856,742	109,982,719	110,093,257
Financial liabilities				
Deposits from customers	154,856,511	154,867,776	127,815,617	127,854,201
Deposits and placements of banks and other financial institutions	17,956,370	17,877,218	16,201,550	16,164,427
Recourse obligation on loans sold to Cagamas	3,315,335	3,295,986	2,167,659	2,193,993
Subordinated obligations	5,549,961	5,571,689	5,046,910	5,064,843
Hybrid Tier-1 Capital Securities	606,529	665,366	606,529	665,366
Senior Debt Securities	2,810,655	2,882,767	2,810,655	2,882,767
31.12.2013				
Financial assets				
Deposits and placements with banks and other financial institutions	2,517,976	2,517,976	5,056,311	5,030,716
Financial investments held-to-maturity	21,813,036	21,663,216	19,097,086	18,971,132
Loans, advances and financing	117,891,870	118,344,468	95,752,900	95,917,084
Financial liabilities				
Deposits from customers	135,615,137	135,635,992	111,794,716	111,815,303
Deposits and placements of banks and other financial institutions	12,479,163	12,460,888	10,570,624	10,540,944
Recourse obligation on loans sold to Cagamas	2,269,353	2,231,757	961,020	966,900
Subordinated obligations	4,021,868	4,067,753	4,021,868	4,067,753
Hybrid Tier-1 Capital Securities	606,215	684,754	606,215	684,754
Senior Debt Securities	1,647,634	1,666,240	1,647,634	1,666,240

**NOTES TO THE FINANCIAL STATEMENTS
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43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table analyses within the fair value hierarchy the Group's assets and liabilities not measured at fair value at 31 December 2014 and 31 December 2013 but for which fair value is disclosed.

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2014				
Financial assets				
Deposits and placements with banks and other financial institutions	-	1,955,837	-	1,955,837
Financial investments held-to-maturity	-	18,528,256	995,136	19,523,392
Loans, advances and financing	-	139,856,742	-	139,856,742
Financial liabilities				
Deposits from customers	-	154,867,776	-	154,867,776
Deposits and placements of banks and other financial institutions	-	17,877,218	-	17,877,218
Recourse obligation on loans sold to Cagamas	-	3,295,986	-	3,295,986
Subordinated obligations	-	5,571,689	-	5,571,689
Hybrid Tier-1 Capital Securities	-	665,366	-	665,366
Senior Debt Securities	-	2,882,767	-	2,882,767
31.12.2013				
Financial assets				
Deposits and placements with banks and other financial institutions	-	2,517,976	-	2,517,976
Financial investments held-to-maturity	-	20,582,796	1,080,420	21,663,216
Loans, advances and financing	-	118,344,468	-	118,344,468
Financial liabilities				
Deposits from customers	-	135,635,992	-	135,635,992
Deposits and placements of banks and other financial institutions	-	12,460,888	-	12,460,888
Recourse obligation on loans sold to Cagamas	-	2,231,757	-	2,231,757
Subordinated obligations	-	4,067,753	-	4,067,753
Hybrid Tier-1 Capital Securities	-	684,754	-	684,754
Senior Debt Securities	-	1,666,240	-	1,666,240



**NOTES TO THE FINANCIAL STATEMENTS
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43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table analyses within the fair value hierarchy the Bank's assets and liabilities not measured at fair value at 31 December 2014 and 31 December 2013 but for which fair value is disclosed.

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2014				
Financial assets				
Deposits and placements with banks and other financial institutions	-	7,458,664	-	7,458,664
Financial investments held-to-maturity	-	16,566,390	878,342	17,444,732
Loans, advances and financing	-	110,093,257	-	110,093,257
Financial liabilities				
Deposits from customers	-	127,854,201	-	127,854,201
Deposits and placements of banks and other financial institutions	-	16,164,427	-	16,164,427
Recourse obligation on loans sold to Cagamas	-	2,193,993	-	2,193,993
Subordinated obligations	-	5,064,843	-	5,064,843
Hybrid Tier-1 Capital Securities	-	665,366	-	665,366
Senior Debt Securities	-	2,882,767	-	2,882,767
31.12.2013				
Financial assets				
Deposits and placements with banks and other financial institutions	-	5,030,716	-	5,030,716
Financial investments held-to-maturity	-	18,304,624	666,508	18,971,132
Loans, advances and financing	-	95,917,084	-	95,917,084
Financial liabilities				
Deposits from customers	-	111,815,303	-	111,815,303
Deposits and placements of banks and other financial institutions	-	10,540,944	-	10,540,944
Recourse obligation on loans sold to Cagamas	-	966,900	-	966,900
Subordinated obligations	-	4,067,753	-	4,067,753
Hybrid Tier-1 Capital Securities	-	684,754	-	684,754
Senior Debt Securities	-	1,666,240	-	1,666,240

**NOTES TO THE FINANCIAL STATEMENTS
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43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The fair values are based on the following methodologies and assumptions:

(i) Cash and short-term funds and deposits and placements with financial institutions

For cash and short-term funds and deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(ii) Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using prevailing market rates for the remaining term to maturity.

(iii) Financial assets held-for-trading, financial investments held-to-maturity and financial investments available-for-sale.

The estimated fair value for financial assets held-for-trading, financial investments held-to-maturity and financial investments available-for-sale is based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been assessed by reference to market indicate yield or net tangible asset backing of the investee. Where discounted cash flow technique is used, the estimated future cash flows are discounted using the prevailing market rates for similar instrument at the date of statements of financial position.

(iv) Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risk and maturities.

The fair values of impaired loans are represented by their carrying value, net of impairment allowance.

(v) Other assets and liabilities

The carrying value less any estimated impairment allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

(vi) Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposits with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

(vii) Deposits and placements of banks and other financial institutions, bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.



**NOTES TO THE FINANCIAL STATEMENTS
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43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(viii) Recourse obligation on loans sold to Cagamas

For amounts due to Cagamas with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amount due to Cagamas with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

(ix) Borrowings

For floating rate borrowings, the carrying value is generally a reasonable estimate of fair value.

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

(x) Subordinated obligations

The estimated fair value of subordinated obligations is generally based on quoted and observable market prices at the date of statements of financial position.

(xi) Hybrid Tier-1 Capital Securities

The estimated fair value of hybrid capital securities is generally based on quoted and observable market prices at the date of statements of financial position.

(xii) Senior Debt Securities

The estimated fair value of senior debt securities is generally based on quoted and observable market prices at the date of statements of financial position.

(xiii) Credit related commitments and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

(xiv) Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive or pay to terminate the contracts at the date of statements of financial position.

**NOTES TO THE FINANCIAL STATEMENTS
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44 CAPITAL ADEQUACY

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

RHB Indochina Bank Limited (“RHBIBL”), a wholly owned subsidiary of RHB Bank is subject to National Bank of Cambodia’s capital adequacy requirements.

	RHB Bank*		RHB Islamic Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Common Equity Tier-I (“CET-I”)/Tier-I Capital				
Paid-up ordinary share capital	3,365,486	3,318,085	1,173,424	1,173,424
Share premium	136,162	8,563	-	-
Retained profits	6,860,657	5,424,998	553,560	441,401
Other reserves	3,589,300	3,492,002	553,765	441,609
AFS reserves	218,816	179,873	(28,352)	(29,302)
	14,170,421	12,423,521	2,252,397	2,027,132
Less: Goodwill	(905,519)	(905,519)	-	-
Net deferred tax assets	-	-	(15,497)	(17,281)
Other intangible assets (include associated deferred tax liability)	(166,462)	(109,845)	(1,119)	(5,580)
55% of cumulative gains of AFS financial instruments	(120,349)	(98,930)	-	-
Shortfall of eligible provisions to expected losses under the IRB approach	(307,612)	(280,768)	-	-
Investments in subsidiaries***	(332,839)	-	-	-
Other deduction#	(29,667)	(17,374)	(551)	(92)
Total CET-I Capital	12,307,973	11,011,085	2,235,230	2,004,179
Hybrid Tier-1 Capital Securities**	480,000	540,000	-	-
Total Tier-I Capital	12,787,973	11,551,085	2,235,230	2,004,179
Tier-II Capital				
Subordinated obligations®	3,200,000	3,600,000	-	-
Subordinated obligations meeting all inclusion	1,000,000	-	-	-
Subordinated sukuk^^	-	-	500,000	-
Collective impairment allowance^	258,406	269,973	100,832	81,059
	4,458,406	3,869,973	600,832	81,059
Less: Investments in subsidiaries***	(1,331,358)	(1,539,997)	-	-
Total Tier-II Capital	3,127,048	2,329,976	600,832	81,059
Total Capital	15,915,021	13,881,061	2,836,062	2,085,238

**NOTES TO THE FINANCIAL STATEMENTS
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44 CAPITAL ADEQUACY (CONTINUED)

	RHB Bank [*]		RHB Islamic Bank	
	31.12.2014	31.12.2013	31.12.2014	31.12.2013
Capital ratios				
Before deducting proposed dividends				
CET-I capital ratio	11.678%	11.103%	12.875%	13.864%
Tier-I capital ratio	12.133%	11.647%	12.875%	13.864%
Total capital ratio	15.100%	13.997%	16.336%	14.424%
After deducting proposed dividends				
CET-I capital ratio	11.124%	11.103%	12.875%	13.864%
Tier-I capital ratio	11.580%	11.647%	12.875%	13.864%
Total capital ratio	14.547%	13.997%	16.336%	14.424%

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

	RHB Bank [*]		RHB Islamic Bank	
	31.12.2014 RM'000	31.12.2013 RM'000	31.12.2014 RM'000	31.12.2013 RM'000
Credit risk	94,067,828	88,598,853	16,316,757	13,511,201
Market risk	3,369,497	2,899,375	124,357	160,838
Operational risk	7,957,062	7,670,991	918,886	783,884
Total risk-weighted assets	105,394,387	99,169,219	17,360,000	14,455,923

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

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

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

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

44 CAPITAL ADEQUACY (CONTINUED)

	Group	
	31.12.2014 RM'000	31.12.2013 RM'000
CET-I/Tier-I Capital		
Paid-up ordinary share capital	3,365,486	3,318,085
Share premium	136,162	8,563
Retained profits	7,575,175	5,995,662
Other reserves	4,167,374	3,939,215
AFS reserves	190,466	150,571
	15,434,663	13,412,096
Less: Goodwill	(1,120,318)	(1,120,318)
Net deferred tax assets	-	(7,286)
Other intangible assets (include associated deferred tax liability)	(171,380)	(116,322)
55% of cumulative gains of AFS financial instruments	(104,757)	(82,814)
Shortfall of eligible provisions to expected losses under the IRB approach	(376,960)	(336,828)
Other deduction [#]	(30,218)	(17,467)
Total CET-I Capital	13,631,030	11,731,061
Hybrid Tier-1 Capital Securities ^{**}	480,000	540,000
Total Tier-I Capital	14,111,030	12,271,061
Tier-II Capital		
Subordinated obligations [@]	3,200,000	3,600,000
Subordinated obligations meeting all inclusion	1,000,000	-
Qualifying capital instruments of a subsidiary issued to third parties [*]	321,075	-
Collective impairment allowance [^]	436,711	417,143
Total Tier-II Capital	4,957,786	4,017,143
Total Capital	19,068,816	16,288,204
Capital ratios		
Before deducting proposed dividends		
CET-I capital ratio	11.062%	10.329%
Tier-I capital ratio	11.451%	10.805%
Total capital ratio	15.475%	14.342%
After deducting proposed dividends		
CET-I capital ratio	10.589%	10.329%
Tier-I capital ratio	10.978%	10.805%
Total capital ratio	15.002%	14.342%



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

44 CAPITAL ADEQUACY (CONTINUED)

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

	Group	
	31.12.2014 RM'000	31.12.2013 RM'000
Credit risk	110,761,239	102,147,842
Market risk	3,508,449	2,923,183
Operational risk	8,949,426	8,493,418
Total risk-weighted assets	123,219,114	113,564,443

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

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

^{*} Qualifying subordinated sukuk that are recognised as Tier-II capital instruments held by third parties as prescribed under paragraph 16.3 of the BNM Guidelines Capital Adequacy Framework (Capital Components) which are issued by a fully consolidated subsidiary of the Bank.

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

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

RHB Indochina Bank Limited ("RHBIBL") (formerly known as OSK Indochina Bank Limited), a wholly owned subsidiary of RHB Bank is subject to National Bank of Cambodia's capital adequacy requirements.

	31.12.2014	31.12.2013
Before deducting proposed dividends:		
Core capital ratio	#	#
Solvency ratio	17.042%	18.987%
After deducting proposed dividends:		
Core capital ratio	#	#
Solvency ratio	17.042%	18.987%

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

[#] No equivalent ratio in Cambodia.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

45 SEGMENT REPORTING

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

In line with the Group's internal management reporting framework and re-alignment of the Group's management structure, the operations of Islamic Banking Business is now under the purview and responsibility of Corporate Banking, Retail Banking and Business Banking segment. Thus, the operating results and financial position of such businesses are now reported under Corporate Banking, Retail Banking and Business Banking segment respectively. Previously, it was reported under Islamic Banking Business segment.

Following such changes in the composition of the reportable segments, the Group has restated the corresponding segment information retrospectively.

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

(a) Corporate Banking

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

(b) Retail Banking

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

(c) Business Banking

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

(d) Group Treasury

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

(e) Group International Business

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

(f) Islamic Banking business

Islamic Banking business focuses on providing a full range commercial banking products and services in accordance with the principles of Shariah to individual customers, corporate clients, government and state owned entities as well as small and medium sized enterprises. For the financial year ended 31 December 2014, this business segment has been incorporated in Corporate and Investment Banking, Business Banking, Retail Banking and Treasury. The Bank has restated the corresponding segment information retrospectively.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

45 SEGMENT REPORTING (CONTINUED)

(g) Others

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

45 SEGMENT REPORTING (CONTINUED)

Group	Corporate Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Group Treasury RM'000	International Business RM'000	Others RM'000	Elimination RM'000	Total RM'000
31.12.2014								
External revenue	874,302	2,388,010	900,972	507,141	422,968	(108,533)	-	4,984,860
Inter-segment revenue	(15,058)	-	-	16,230	3,953	828	(5,953)	-
Segment revenue	859,244	2,388,010	900,972	523,371	426,921	(107,705)	(5,953)	4,984,860
Overhead expenses including:	(193,674)	(1,283,975)	(437,530)	(135,859)	(304,218)	(62,806)	5,953	(2,412,109)
Depreciation of property, plant and equipment	(2,284)	(64,195)	(6,596)	(2,725)	(8,953)	(192)	-	(84,945)
Amortisation of computer software license	(2,811)	(24,531)	(9,285)	(5,017)	(3,218)	-	-	(44,862)
Allowance for impairment on loans and financing	199,248	(348,876)	(58,633)	(237)	(18,571)	(16,213)	-	(243,282)
Impairment written back on other assets	123,254	-	623	1,505	1,373	(1,152)	-	125,603
Profit before taxation	988,072	755,159	405,432	388,780	105,505	(187,876)	-	2,455,072
Taxation	-	-	-	-	-	-	-	(588,402)
Net profit for the financial year								1,866,670
31.12.2013								
External revenue	907,615	2,302,142	827,170	420,676	325,242	86,927	-	4,869,772
Inter-segment revenue	(20,240)	-	-	21,397	3,607	820	(5,584)	-
Segment revenue	887,375	2,302,142	827,170	442,073	328,849	87,747	(5,584)	4,869,772
Overhead expenses including:	(174,948)	(1,185,542)	(400,578)	(91,225)	(243,918)	(29,828)	5,584	(2,120,455)
Depreciation of property, plant and equipment	(2,373)	(64,044)	(6,666)	(2,268)	(6,970)	(197)	-	(82,518)
Amortisation of computer software license	(1,884)	(18,530)	(8,503)	(3,501)	(1,822)	-	-	(34,240)
Allowance for impairment on loans and financing	(122,168)	(210,077)	(21,549)	-	(18,262)	(50,524)	-	(422,580)
Impairment written back on other assets	19,158	80	26	(6,900)	379	-	-	12,743
Profit before taxation	609,417	906,603	405,069	343,948	67,048	7,395	-	2,339,480
Taxation	-	-	-	-	-	-	-	(575,467)
Net profit for the financial year								1,764,013



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

45 SEGMENT REPORTING (CONTINUED)

Group	Corporate Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Group Treasury RM'000	Group International Business RM'000	Others RM'000	Elimination RM'000	Total RM'000
31.12.2014								
Segment assets	50,260,028	66,121,767	18,726,577	53,112,438	22,795,976	410,998	(8,170,294)	203,257,490
Deferred tax assets								9,956
Tax recoverable								59,792
Unallocated assets								1,309,816
Total assets								204,637,054
Segment liabilities	34,393,188	44,021,482	13,823,462	69,985,347	17,015,729	17,625,493	(8,500,524)	188,364,177
Deferred tax liabilities								40,818
Taxation liabilities								22,418
Unallocated liabilities								774,978
Total liabilities								189,202,391
Other segment items								
Capital expenditure	9,822	96,087	27,528	9,052	42,100	-	-	184,589
31.12.2013								
Segment assets	43,417,114	57,413,989	15,986,548	44,355,877	15,741,073	243,163	(4,219,268)	172,938,496
Deferred tax assets								12,160
Tax recoverable								26,155
Unallocated assets								1,181,050
Total assets								174,157,861
Segment liabilities	29,645,483	40,773,025	11,977,660	56,858,411	12,704,096	12,607,747	(4,553,735)	160,012,687
Deferred tax liabilities								35,376
Taxation liabilities								17,639
Unallocated liabilities								680,063
Total liabilities								160,745,765
Other segment items								
Capital expenditure	6,205	82,043	14,319	11,650	13,095	-	-	127,312

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

45 SEGMENT REPORTING (CONTINUED)

The geographical information is prepared based on the location of the assets.

	Group	
	31.12.2014 RM'000	31.12.2013 RM'000
Segment revenue		
Malaysia	4,561,892	4,544,530
Outside Malaysia	422,968	325,242
Total	4,984,860	4,869,772
Segment assets		
Malaysia	181,794,941	158,376,774
Outside Malaysia	22,842,113	15,781,087
Total	204,637,054	174,157,861
Capital expenditure		
Malaysia	142,489	114,217
Outside Malaysia	42,100	13,095
Total	184,589	127,312

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Proposed acquisition of PT Bank Mestika Dharma ("Bank Mestika")

On 19 October 2009, RHB Capital Berhad ("RHB Capital") had entered into the following agreement with PT Mestika Benua Mas ("Vendor"):

- (i) a conditional sale and purchase agreement ("CSPA") to acquire 80% of the issued and paid-up share capital in Bank Mestika for a total cash consideration of Rp3,118 billion (approximately RM1,163 million) ("Proposed Acquisition"); and
- (ii) proposed put and call option for 9% of the issued and paid-up share capital in Bank Mestika ("Proposed Option").

RHB Capital had subsequently assigned all of its rights, titles, interests, benefits and entitlements and novated all of its obligations and liabilities contained in the CSPA, option agreement and escrow agreement pertaining thereto to RHB Venture Capital Sdn Bhd (a wholly-owned subsidiary of the RHB Capital), which in turn assigned and novated the same to RHB Bank on 17 December 2010, as the new acquirer for the Proposed Acquisition.

On 13 July 2012, Bank Indonesia issued a new regulation on share ownership in Indonesian commercial banks which stipulates, amongst others, that the maximum limit for shares ownership in a commercial bank by a bank or financial institution shall be 40% of its paid-up capital.

In view of this, RHB Bank had on 30 January 2013 entered into an amended agreement to the CSPA with the Vendor ("Amended CSPA") to revise the proposed acquisition from up to 89% of the issued and paid-up share capital in Bank Mestika to 40%, for a total cash consideration of Rp2,066 billion (approximately RM651 million as at 23 January 2013) ("Revised Purchase Consideration").

Simultaneously, RHB Bank had on even date entered into an option termination agreement with the Vendor to terminate the original Proposed Option.



**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(a) Proposed acquisition of PT Bank Mestika Dharma (“Bank Mestika”) (Continued)

In view that the approval from Otoritas Jasa Keuangan (Financial Services Authority of Indonesia) for the Proposed Acquisition has not been obtained on 30 June 2014 and therefore the conditions precedent of the Amended CSPA have not been satisfied, the parties to the CSPA have decided not to extend the Conditional Period. Accordingly, the Amended CSPA lapsed on even date and terminated in accordance with the terms of the Amended CSPA.

(b) Issuance of Multi-Currency Medium Term Note Programme (“MCMTN Programme”) by RHB Bank

RHB Bank has obtained approval from BNM and the Securities Commission of Malaysia (“SC”) for its respective proposed MCMTN Programme:

	RHB Bank
Programme	Issuance of senior notes and/or subordinated notes of up to RM5.0 billion in nominal value (or its equivalent in other currencies)
Date of approval from BNM	20 December 2013
Date of approval from SC	4 February 2014
Utilisation of proceeds	To be utilised for RHB Bank’s general working capital and other corporate purposes, including but not limited to provision of advances to any of RHB Bank’s subsidiaries and repayment of borrowings and subordinated debts (if any)

The subordinated notes to be issued under both the MCMTN Programme are Basel-III compliant.

As at todate, RHB Bank has yet to issue any part of the MCMTN Programme.

(c) Establishment of a representative office in Myanmar

RHB Bank has on 3 December 2014 been officially granted with the approval by the Directorate of Investment and Company Administration (“DICA”) to operate a Representative Office in the Republic of the Union of Myanmar.

The Representative Office licence was granted by the Central Bank of Myanmar (“CBM”) to RHB Bank on 26 March 2014.

(d) Bancassurance arrangement between RHB Bank and Tokio Marine Life Insurance Berhad (“TM”)

RHB Bank has on 29 December 2014 entered into a new bancassurance agreement (“New Bancassurance Agreement”) with TM. The New Bancassurance Agreement will take effect from 1 January 2015 (“Effective Date”) and shall supersede the existing bancassurance agreement entered with TM on 1 July 2010.

The New Bancassurance Agreement shall be for a period of 10 years commencing from the Effective Date and ending on 31 December 2024, where RHB Bank shall only sell, distribute, market and promote conventional life insurance products developed by TM for sale by RHB Bank to any party or persons including but not limited to RHB Bank’s customers via the distribution network within RHB Bank subject to the terms and conditions stipulated in the New Bancassurance Agreement.

TM shall pay RHB Bank a total facilitation fee of RM210 million based on the terms of the New Bancassurance Agreement and in consideration thereof, RHB Bank shall commit to a 10-year bancassurance relationship with TM and provide TM access to RHB Bank’s customer database.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014**

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(d) Bancassurance arrangement between RHB Bank and Tokio Marine Life Insurance Berhad (“TM”) (Continued)

In furtherance of bancassurance business developments, marketing, sales and various promotional activities incidental to the New Bancassurance Agreement and pursuant to TM’s responsibilities under the New Bancassurance Agreement, TM shall pay RHB Bank commissions on the premiums collected on policies sold by RHB Bank, marketing incentives and special incentives, as well as production bonus and persistency bonus.

The payment of production bonus and the persistency bonus is subject to the limits stipulated by Bank Negara Malaysia.

(e) Proposal to commence negotiation for a merger of business and undertakings

As announced by RHB Capital Berhad (“RHB Capital”) on 10 July 2014, BNM had vide its letter dated on even date stated that it has no objection for RHB Capital to commence negotiations with CIMB Group Holdings Berhad (“CIMB Group”) and Malaysia Building Society Berhad (“MBSB”) for a possible merger of the businesses and undertakings of CIMB Group and RHB Capital, and the merger of Islamic banking businesses with MBSB (“Proposed Merger”). The approval is valid for a period of six months from the date of BNM’s letter.

(RHB Capital, CIMB Group and MBSB collectively defined as the “Parties”)

Pursuant to BNM’s approval, the Parties have on the same day, entered into an exclusivity agreement to negotiate and finalise pricing, structure, and other relevant terms and conditions for the Proposed Merger for a period of ninety (90) days (unless otherwise agreed by the Parties) (“Exclusivity Period”). There will be an automatic extension of the Exclusivity Period upon a submission being made to BNM by the Parties on the Proposed Merger, until the date of execution of the relevant definitive agreement(s) to effect the Proposed Merger.

On 14 January 2015, RHB Capital has been notified by CIMB Group vide its letter of even date that its board of directors have, after deliberation, arrived at a decision to abort the Proposed Merger in light of current economic conditions. CIMB Group and RHB Capital, as well as their subsidiaries have withdrawn their joint application to BNM to seek approval from BNM and/or Minister of Finance through BNM for, amongst others, the Proposed Merger. With that, the Exclusivity Period pursuant to the exclusive agreement between the Parties dated 10 July 2014 has expired.

47 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 5 March 2015.



STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, Tan Sri Azlan Zainol and Dato' Khairussaleh Ramli, being two of the directors of RHB Bank Berhad state that, in the opinion of the directors, the financial statements set out on pages 47 to 191 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2014 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

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

TAN SRI AZLAN ZAINOL
CHAIRMAN

DATO' KHAIRUSSALEH RAMLI
MANAGING DIRECTOR

Kuala Lumpur
5 March 2015

STATUTORY DECLARATION

PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, Yap Choi Foong, the officer primarily responsible for the financial management of RHB Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 47 to 191 are, in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

YAP CHOI FOONG

Subscribed and solemnly declared by the abovenamed Yap Choi Foong, at Kuala Lumpur in Wilayah Persekutuan on 5 March 2015.

before me:

COMMISSIONER FOR OATHS

Kuala Lumpur

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RHB BANK BERHAD

(INCORPORATED IN MALAYSIA) (COMPANY NO. 6171-M)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Bank Berhad on pages 47 to 191, which comprise the statements of financial position as at 31 December 2014 of the Group and the Bank, and the income statements, statements of comprehensive income, changes in equity and cash flow of the Group and the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 47.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 12 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.



**INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RHB BANK BERHAD
(INCORPORATED IN MALAYSIA) (COMPANY NO. 6171-M)**

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)
Chartered Accountants

NG YEE LING

(No. 3032/01/17 (J))
Chartered Accountant

Kuala Lumpur
5 March 2015

Basel II Pillar 3 Disclosures

31 December 2014
Consolidated basis

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STATEMENT BY MANAGING DIRECTOR

In accordance with the requirements of Bank Negara Malaysia's Guideline on Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), and on behalf of the Board of Directors and Senior Management of RHB Bank Berhad, I am pleased to provide an attestation that the Basel II Pillar 3 disclosures of the Bank for the year ended 31 December 2014 are accurate and complete.

DATO' KHAIRUSSALEH BIN RAMLI
MANAGING DIRECTOR

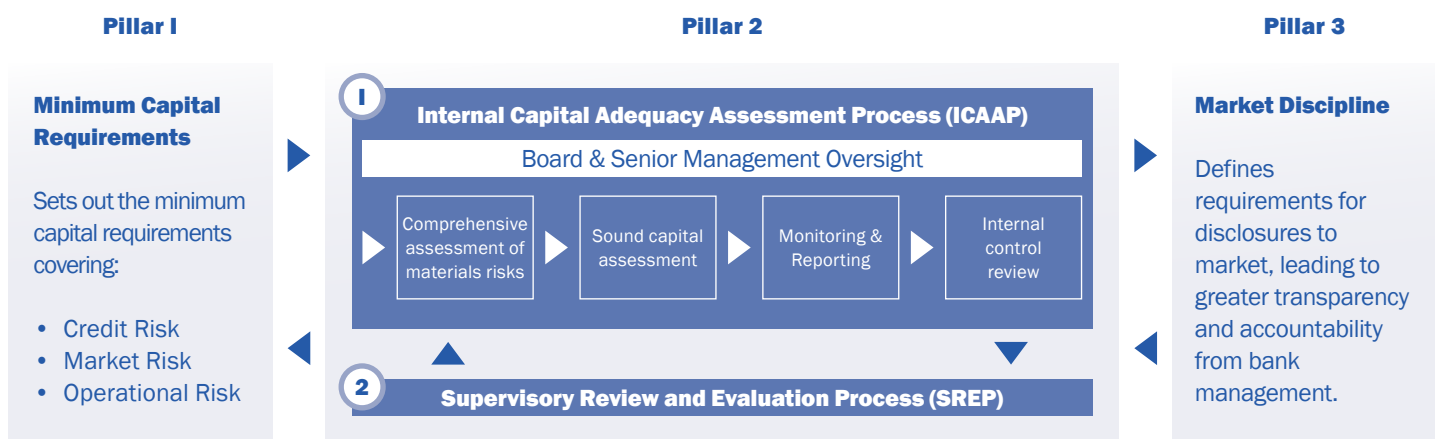
1.0 INTRODUCTION

This document discloses RHB Bank Berhad’s risk profile, risk management practices and capital adequacy position in accordance with the disclosure requirements as outlined in the Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) issued by Bank Negara Malaysia (BNM).

In June 2013 and November 2012 respectively, BNM had issued the revised requirements and guidance under the Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets), which specify the approaches for quantifying the risk-weighted assets for credit risk, market risk and operational risk.

Basel II introduces a more risk-based approach to regulatory capital with a distinct charge for operational risk in addition to the existing credit and market risk capital charges. Basel II is designed to be a catalyst for more advanced risk management techniques, enterprise-wide culture of risk management and improved corporate governance and public disclosure.

The Basel II approach based on the three pillars can be diagrammatically depicted as below:



Pillar I provides guidelines for calculation of risk-weighted assets for credit risk, market risk and operational risk, and the minimum amount of regulatory capital that banks must hold against the risks they assume.

The table below lists the various methodologies applicable to the capital requirements calculation for the various types of risk under Pillar I:

Type of Approaches

Credit Risk	Market Risk	Operational Risk
1. Standardised Approach (SA)	1. Standardised Approach (SA)	1. Basic Indicator Approach (BIA)
2. Foundation Internal Ratings - Based Approach (F-IRB)	2. Internal Models Approach (IMA)	2. The Standardised Approach (TSA)
3. Advanced Internal Ratings - Based Approach (A-IRB)		3. Advanced Measurement Approach (AMA)

Under the Internal Ratings-Based (IRB) Approach for credit risk, banking institutions are allowed to use internal estimates of risk parameters (namely the probability of default, loss given default and exposure at default) to determine regulatory capital requirements. Banking institutions are required to obtain explicit approval from BNM to adopt the IRB Approach. The requirements set out under the IRB Approach are largely based on the Framework on International Convergence of Capital Measurement and Capital Standards: A Revised Framework (commonly referred to as Basel II), issued by the Basel Committee on Banking Supervision.

For purposes of complying with regulatory requirements under Basel II Pillar I, the approaches adopted by the respective entities are summarised as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Bank Berhad	IRB Approach	SA	BIA
RHB Islamic Bank Berhad	SA	SA	BIA

1.0 INTRODUCTION (CONTINUED)

Pillar 2 comprises two components as follows:

1. Placing obligations on banks to develop an Internal Capital Adequacy Assessment Process, and setting capital targets that commensurate with the banking institution's risk profile and control environment; and
2. Placing obligations on the supervisory authority to evaluate how well banking institutions are assessing their capital needs relative to their risks and to intervene, where appropriate.

Pillar 3 covers external communication of risk and capital information by banks. The purpose of the Pillar 3 disclosures is to complement the minimum capital requirements under Pillar 1 and the supervisory review process under Pillar 2 by encouraging market efficiency through a set of disclosure requirements that will allow market participants to assess information on banking institutions' capital structures, risk exposures, risk management processes, and hence, their overall capital adequacy.

The annual Pillar 3 disclosure report is published in accordance with the Pillar 3 Guideline issued by BNM. This disclosure report has been verified and approved internally in line with the RHB Banking Group Pillar 3 Disclosure Policy.

This document covers the qualitative and quantitative information for financial year ended 31 December 2014 with comparative quantitative information of the preceding financial year 2013.

The Bank's Pillar 3 disclosure report is made available under the Investor Relations section of the Bank's website at www.rhbgroup.com as a separate report in the Bank's annual report 2014, after the notes to the Financial Statements.

2.0 SCOPE OF APPLICATION

In this Pillar 3 document, RHB Bank Berhad's information is presented on a consolidated basis, i.e. RHB Bank Berhad with its overseas operations and its subsidiaries, and is referred to as "RHB Bank Group" or "the Bank".

In accordance with the accounting standards for financial reporting, all subsidiaries of the RHB Bank Group are fully consolidated from the date it obtains control until the date such control ceases. Refer to Note 12 to the financial statements for list of consolidated entities.

The Bank's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, except where the types of investment to be deducted from eligible capital are required under Part C of BNM's Guideline on Capital Adequacy Framework (Capital Components).

RHB Bank Group offers Islamic banking financial services via the Bank's wholly-owned subsidiary company, RHB Islamic Bank Berhad (RHB Islamic Bank).

The transfer of funds or regulatory capital within RHB Bank Group is subject to shareholders' and regulatory approval.

During the financial year 2014, there were no capital deficiencies in RHB Bank Berhad or any of its subsidiaries.

3.0 CAPITAL MANAGEMENT

The overall capital management objective is to manage capital prudently to maintain a strong capital position to drive sustainable business growth and seek strategic opportunities to enhance shareholders' value, and be in line with its risk appetite. Capital adequacy is the extent to which capital resources on the Bank's balance sheet are sufficient to cover the business capital requirements now and in the foreseeable future. It also indicates the ability of the Bank to provide financing across the business cycles and in meeting any contingency without compromising the interest of the depositors and investors. The Bank aims to maintain a strong capital position to drive sustainable business growth through an optimal capital structure while meeting regulatory requirements.

With a comprehensive capital management, the Bank aims to have a sound capital management practice that is aligned to BNM's ICAAP requirements.

3.0 CAPITAL MANAGEMENT (CONTINUED)

The management of capital involves capital strategy, capital planning, capital structuring and dividend pay-out.

• **Capital Strategy**

Capital strategy includes the determination of target capital under both normal and stressed market conditions and considers the business risk and strategic objectives, external credit ratings, and capital adequacy requirements. A comprehensive capital adequacy assessment is conducted at least annually to ensure that the target capital level is appropriate.

• **Capital Planning**

Based on strategic direction and regulatory requirements, the Bank formulates a capital plan to support its overall risk profile and forecast the capital demand for material risks for which capital held is deemed appropriate. The capital plan describes the actions required to raise capital in a timely manner in both normal and stressed conditions as assumed in the stress scenarios. For capital planning purposes, capital adequacy is assessed in the multi-year financial projection under both normal and stressed scenarios, the objective of which is to ensure that the Bank maintains adequate capital on a forward-looking basis. The Bank also establishes a capital contingency funding plan that forms part of the capital plan. The capital plan, together with the analysis and proposed actions, are reviewed by the Group Chief Financial Officer and deliberated at the Group Capital and Risk Committee (GCRC) for endorsement, and submitted to Board Risk Committee (BRC) and the Board for approval.

• **Capital Structuring**

Capital structuring affects the Bank through its impact on cash flow and cost of capital. The Bank adopts capital structuring that maximises value and minimises overall cost of capital. In order to achieve optimum capital structure, the Bank determines the levels, mix and structure of internal and regulatory capital in line with its current and planned levels of business activities, risk appetite and desired level of capital adequacy.

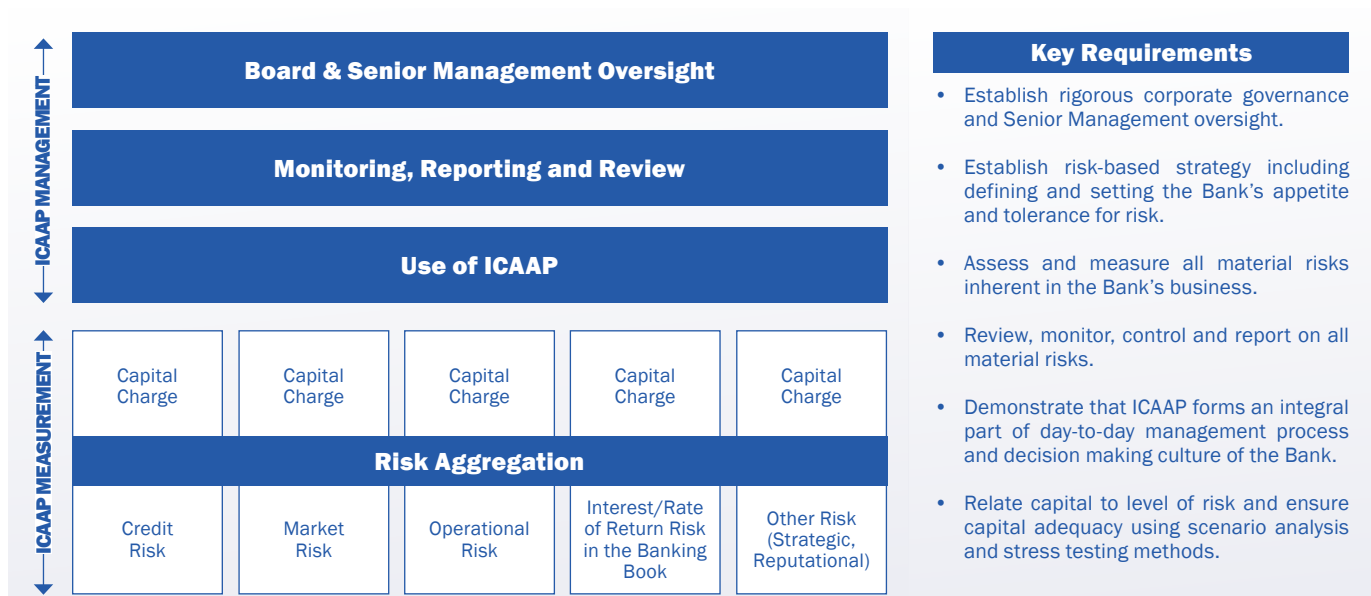
• **Dividend Pay-Out**

The Bank aims to achieve a balance between dividend pay-out and the need to retain earnings in order to be consistent with its capital strength and to support business expansion. The Board reviews the dividend pay-out recommendation on an annual basis.

3.1 Internal Capital Adequacy Assessment Process (ICAAP)

In line with BNM’s Guideline on ICAAP under the Risk-Weighted Capital Adequacy Framework (Basel II) – Internal Capital Adequacy Assessment Process (Pillar 2), the Bank has implemented ICAAP with the objective to forge a strong alignment between risk and capital. Capital adequacy is assessed in relation to the Bank’s risk profile, and strategies are in place to maintain appropriate capital levels.

The ICAAP Framework developed and adopted across the Bank summarises the key ICAAP requirements into two functional categories, namely; ICAAP Measurement and ICAAP Management as depicted below:



3.0 CAPITAL MANAGEMENT (CONTINUED)

3.2 Basel III Implementation

The implementation of Basel III for capital components by BNM in Malaysia has commenced with effect from 1 January 2013. Under the new Basel III rules, banking institutions are required to strengthen the quality of their capital by maintaining higher minimum capital requirements and holding capital buffers namely the capital conservation buffer and the countercyclical capital buffer. However, the requirements are subject to a series of transitional arrangements with a gradual phase-in commencing 2013.

Apart from the above, the Bank has commenced the Basel III observation period reporting to BNM on the two key liquidity ratios, namely the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), since June 2012. The result produced during the observation period facilitates the Bank's strategy in managing the appropriate funding sources for achieving optimal LCR and NSFR. The Bank is taking steps to review and refine assumptions applied in producing a more prudent LCR and NSFR. The Bank is currently considering a revision to the standards in respond to BNM's latest issuance of the Basel III Concept Paper, in which it was decided that the implementation for LCR will take effect from 1 June 2015.

3.3 Capital Adequacy Ratios

BNM's Guideline on Capital Adequacy Framework (Capital Components) sets out the general requirements concerning regulatory capital adequacy and the components of eligible regulatory capital. Banking institutions are required to maintain, at all times, the following minimum capital adequacy ratios:

Calendar Year	Common Equity Tier I Capital Ratio	Tier I Capital Ratio	Total Capital Ratio
2013	3.5%	4.5%	8.0%
2014	4.0%	5.5%	8.0%
2015 onwards	4.5%	6.0%	8.0%

The capital ratios of RHB Bank Berhad on consolidated basis (RHB Bank Group), RHB Bank Berhad on global basis (RHB Bank) and RHB Islamic Bank as at 31 December 2014 and 31 December 2013 are as follows:

Table 1: Capital Adequacy Ratios

	RHB Bank Group		RHB Bank		RHB Islamic Bank	
	2014	2013	2014	2013	2014	2013
Before proposed dividends:						
CET I Capital Ratio	11.062%	10.329%	11.678%	11.103%	12.875%	13.864%
Tier I Capital Ratio	11.451%	10.805%	12.133%	11.647%	12.875%	13.864%
Total Capital Ratio	15.475%	14.342%	15.100%	13.997%	16.336%	14.424%
After proposed dividends:						
CET I Capital Ratio	10.589%	10.329%	11.124%	11.103%	12.875%	13.864%
Tier I Capital Ratio	10.978%	10.805%	11.580%	11.647%	12.875%	13.864%
Total Capital Ratio	15.002%	14.342%	14.547%	13.997%	16.336%	14.424%

The above capital ratios are above the minimum level required by BNM.

3.0 CAPITAL MANAGEMENT (CONTINUED)**3.4 Minimum Capital Requirements and Risk-Weighted Assets (RWA)****Table 2: Risk-Weighted Assets by Risk Types**

Risk Types	RHB Bank Group (RM'000)		RHB Bank (RM'000)		RHB Islamic Bank (RM'000)	
	2014	2013	2014	2013	2014	2013
Credit RWA	110,761,239	102,147,842	94,067,828	88,598,853	20,158,062	14,818,230
Credit RWA Absorbed by PSIA	-	-	-	-	(3,841,305)	(1,307,029)
Market RWA	3,508,449	2,923,183	3,369,497	2,899,375	124,357	160,838
Operational RWA	8,949,426	8,493,418	7,957,062	7,670,991	918,886	783,884
Total RWA	123,219,114	113,564,443	105,394,387	99,169,219	17,360,000	14,455,923

The following tables show the breakdown of RWA for RHB Bank Group, RHB Bank and RHB Islamic Bank by risk types and the corresponding capital requirements as at 31 December 2014 and 31 December 2013:

Table 3a: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2014

Risk Types	RWA			Minimum Capital Requirements		
	RHB Bank Group	RHB Bank	RHB Islamic Bank	RHB Bank Group	RHB Bank	RHB Islamic Bank
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit Risk, of which	110,761,239	94,067,828	16,316,757	8,860,899	7,525,426	1,305,341
Under Foundation IRB Approach	38,540,617	38,633,201	-	3,083,249	3,090,656	-
Under Advanced IRB Approach	18,102,412	18,102,595	-	1,448,193	1,448,207	-
Under Standardised Approach	54,118,210	37,332,032	20,158,062	4,329,457	2,986,563	1,612,645
Absorbed by PSIA under Standardised Approach	-	-	(3,841,305)	-	-	(307,304)
Market Risk						
Under Standardised Approach	3,508,449	3,369,497	124,357	280,676	269,560	9,948
Operational Risk						
Under Basic Indicator Approach	8,949,426	7,957,062	918,886	715,954	636,565	73,511
Total	123,219,114	105,394,387	17,360,000	9,857,529	8,431,551	1,388,800

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.4 Minimum Capital Requirements and Risk-Weighted Assets (RWA) (CONTINUED)

Table 3b: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2013

Risk Types	RWA			Minimum Capital Requirements		
	RHB Bank Group	RHB Bank	RHB Islamic Bank	RHB Bank Group	RHB Bank	RHB Islamic Bank
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Credit Risk, of which	102,147,842	88,598,853	13,511,201	8,171,827	7,087,908	1,080,896
Under Foundation IRB Approach	40,869,615	41,123,428	-	3,269,569	3,289,874	-
Under Advanced IRB Approach	16,826,798	16,826,798	-	1,346,144	1,346,144	-
Under Standardised Approach	44,451,429	30,648,627	14,818,230	3,556,114	2,451,890	1,185,458
Absorbed by PSIA under Standardised Approach	-	-	(1,307,029)	-	-	(104,562)
Market Risk						
Under Standardised Approach	2,923,183	2,899,375	160,838	233,855	231,950	12,867
Operational Risk						
Under Basic Indicator Approach	8,493,418	7,670,991	783,884	679,473	613,679	62,711
Total	113,564,443	99,169,219	14,455,923	9,085,155	7,933,537	1,156,474

Capital requirements for the three risk types is derived by multiplying the risk-weighted assets by 8%.

For RHB Bank Group, the total RWA for 2014 registered an increase of 9% (RM9.7 billion) from 2013 was mainly attributed by the increase in Credit RWA.

The year-on-year increase in Credit RWA showed an increase by 8% (RM8.6 billion) from 2013 position, with Market RWA and Operational RWA increasing by 20% (RM0.59 billion) and 5% (RM0.46 billion) respectively.

RHB Bank Group, RHB Bank and RHB Islamic Bank did not have any capital requirement for Large Exposure Risk as there was no amount in excess of the lowest threshold arising from holdings of equities.

4.0 CAPITAL STRUCTURE

The constituents of total eligible capital are set out in BNM's Guideline on Capital Adequacy Framework (Capital Components) Parts B and C. These include shareholders' funds, after regulatory-related adjustments, and eligible capital instruments issued by the Bank. Tier I capital consists primarily of ordinary share capital, share premium, retained profits, other reserves and hybrid Tier I capital securities. Tier II capital consists of subordinated obligations and collective impairment allowance. Refer to Notes 21 and 22 to the Financial Statements for the terms of these capital instruments.

The following table represents the capital position of RHB Bank Group and RHB Bank as at 31 December 2014 and 31 December 2013:

Table 4: Capital Structure

	RHB Bank Group (RM'000)		RHB Bank (RM'000)	
	2014	2013	2014	2013
Common Equity Tier I/Tier I Capital				
Paid-up ordinary share capital	3,365,486	3,318,085	3,365,486	3,318,085
Share premium	136,162	8,563	136,162	8,563
Retained profits	7,575,175	5,995,662	6,860,657	5,424,998
Other reserves	4,167,374	3,939,215	3,589,300	3,492,002
Available-for-sale (AFS) reserves	190,466	150,571	218,816	179,873
Less:				
Goodwill	(1,120,318)	(1,120,318)	(905,519)	(905,519)
Net deferred tax assets	-	(7,286)	-	-
Other Intangible assets (include associated deferred tax liabilities)	(171,380)	(116,322)	(166,462)	(109,845)
55% of cumulative gains arising from change in value of AFS instruments	(104,757)	(82,814)	(120,349)	(98,930)
Shortfall of eligible provisions to expected losses under IRB approach	(376,960)	(336,828)	(307,612)	(280,768)
Investment in subsidiaries***	-	-	(332,839)	-
Other deductions#	(30,218)	(17,467)	(29,667)	(17,374)
Total Common Equity Tier I Capital	13,631,030	11,731,061	12,307,973	11,011,085
Hybrid Tier I Capital Securities**	480,000	540,000	480,000	540,000
Total Tier I Capital	14,111,030	12,271,061	12,787,973	11,551,085
Tier II Capital				
Subordinated obligations®	4,200,000	3,600,000	4,200,000	3,600,000
Qualifying capital instruments of a subsidiary issued to third parties*	321,075	-	-	-
Collective impairment allowance^	436,711	417,143	258,406	269,973
Less:				
Investment in subsidiaries	-	-	(1,331,358)	(1,539,997)
Total Tier II Capital	4,957,786	4,017,143	3,127,048	2,329,976
Total Capital	19,068,816	16,288,204	15,915,021	13,881,061

Notes:

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

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

* Qualifying subordinated Sukuk that are recognised as Tier II capital instruments held by third parties as prescribed under paragraph 16.3 of the BNM's Guideline on Capital Adequacy Framework (Capital Components) which are issued by a fully consolidated subsidiary of the Bank.

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

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

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

5.0 RISK MANAGEMENT

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

Effective risk management is fundamental to drive sustainable growth and shareholder value, while sustaining competitive advantage, and is thus a central part of the proactive risk management of the Bank.

The Group Risk Management Framework governs the management of risks in the RHB Banking Group (the Group), as follows:

- It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and controls in the organisation.
- It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk-adjusted returns.

The following sections describe some of these risk management content areas.

OVERARCHING RISK MANAGEMENT PRINCIPLES

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

- Risk governance from the Boards of Directors of various operating entities within the Group;
- Clear understanding of risk management ownership;
- Institutionalisation of a risk-focused organisation;
- Alignment of risk management to business strategies; and
- Optimisation of risk-adjusted returns.

Principle 1: Risk Governance from the Boards of Directors of various operating entities in the Group

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

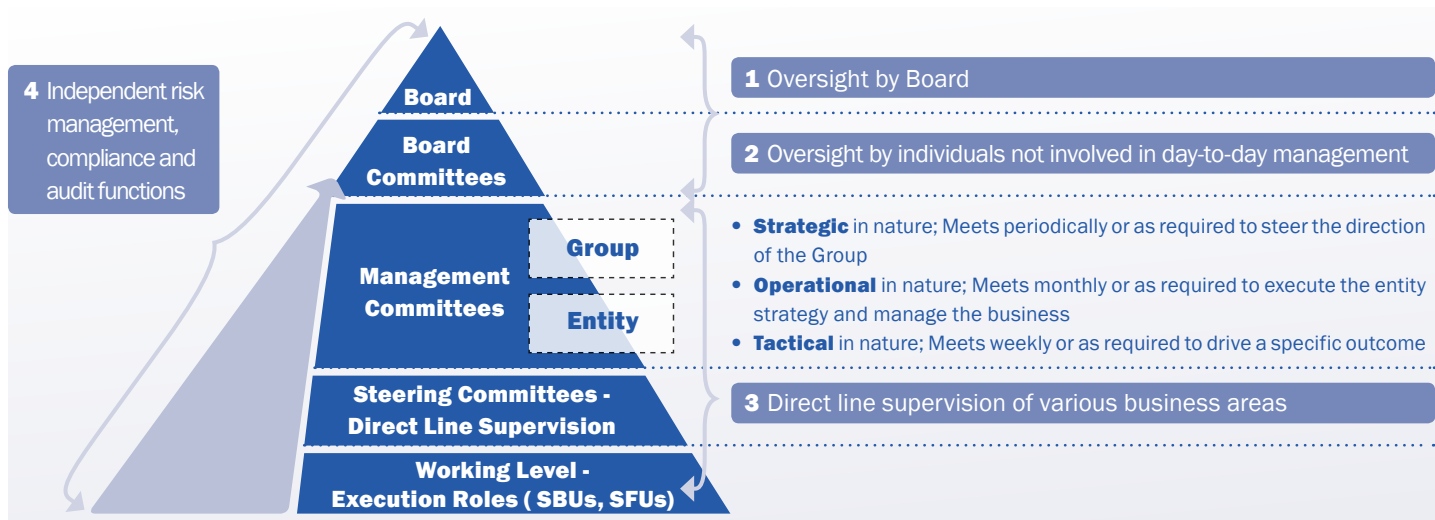
RISK GOVERNANCE AND ORGANISATION

The Board of Directors (Board), through the BRC/Islamic Risk Management Committee (IRMC), GCRC and the Group Risk & Credit Management function, establishes the risk appetite and risk principles for the Group and relevant entities. The BRC is the principal Board Committee that provides oversight over risk management activities for the Group to ensure that the Group's risk management process is in place and functional. The BRC assists the Board to review the Group's overall risk management philosophy, risk management framework, risk management policy and risk management models. An IRMC has also been established to assist the Board of RHB Islamic Bank on risk issues relevant and unique to RHB Islamic Bank.

5.0 RISK MANAGEMENT (CONTINUED)

RISK GOVERNANCE AND ORGANISATION (Continued)

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



Principle 2: Clear Understanding of Risk Management Ownership

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

Principle 3: Institutionalisation of a Risk-Focused Organisation

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

Central Risk Coordination Function

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

- Facilitating the setting of the strategic direction and overall policy on management and control of risk of the Group;
- Ensuring industry best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk underwriting models;
- Developing a pro-active, balanced and risk-attuned culture within the Group;
- Advising Senior Management, the GCRC, BRC/IRMC and the Board on risk issues and their possible impact on the Group in the achievement of its objectives and strategies; and
- Administering the delegation of discretionary powers to Management personnel within the Group.

5.0 RISK MANAGEMENT (CONTINUED)

Central Risk Coordination Function (Continued)

Group Risk & Credit Management consists of Group Risk Management, Group Credit Management and Group Risk Operations, provides independent oversight on business activities and implements the Group Risk Management Framework in order to protect and safeguard the Group's assets, and to prevent and mitigate financial and reputational losses to the Group. Key areas for which Group Risk Management is responsible include the Group's risk policy and framework, day-to-day risk measurement and monitoring, providing timely risk analysis to management, and ensuring compliance to regulatory risk reporting requirements.

Group Credit Management oversees the Group-wide credit evaluation and assessment, approval and credit monitoring functions by providing credit risk assessment assurance on credit proposals, highlighting and monitoring lending/business units in rehabilitating potential problematic accounts, and improving credit process efficiency.

Group Risk Operations is responsible for strategising and implementing a comprehensive enterprise-wide risk governance framework, and managing the development of robust risk management infrastructure and tools, aligned with the Group's strategy for growth and keeping pace with the market requirements and competitive business environment. Group Risk Operations drives the operationalisation of the Group's risk transformation initiatives in establishing risk management as a valuable business partner.

Risk and Control Environment

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

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

Principle 4: Alignment of Risk Management to Business Strategies

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

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

Principle 5: Optimisation of Risk-Adjusted Returns

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

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

6.0 CREDIT RISK

Credit Risk Definition

Credit risk arises as a result of customers' or counterparties' inability to fulfil their financial and contractual obligations as and when they arise. These obligations arise from the Bank's direct lending/financing obligations, trade finance and its funding, investment and trading activities.

6.1 Credit Risk Management Oversight and Organisation

The Group Credit Committee (GCC) is the senior management committee that reviews the Group's credit risk philosophy, framework and policies, aligns credit risk management with business strategy and planning, recommends credit approval authority limits, reviews the credit profile of material portfolios, and recommends actions where necessary to ensure that credit risk remains within established risk tolerances. GCC also approves and renews financing facilities and submits to the Board Credit Committee (BCC) for affirmation or veto if the financing facilities exceed a pre-defined threshold.

The BCC's main functions are affirming, imposing additional covenants on or vetoing credits of the Group which are duly approved by the GCC, and overseeing the management of impaired and high risk accounts, as well as affirming, imposing additional covenants on or vetoing impaired financing from Credit Recovery for amounts above the defined thresholds of the GCC. In line with best practices, financing facilities applications are independently evaluated by Group Credit Management prior to submission to the relevant committees for approval. For financing applications submitted for joint approvals, there is proper check and control as the joint approval is between business units and Group Credit Management.

Within Group Risk Management, the Group Credit Risk Management has the functional responsibility for credit risk management, portfolio risk monitoring and risk reporting. Group Risk Management also conduct regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

Regular risk reporting is made to the GCRC, IRMC, BRC and the Board. These reports include various credit risk aspects such as portfolio quality, credit migration, expected losses, and concentration risk exposures by business portfolio. Such reporting allows Senior Management to identify adverse credit trends, take prompt corrective actions, and ensure appropriate risk-adjusted decision making.

6.2 Credit Risk Management Approach

The Group's credit risk management framework is founded upon BNM's Guideline on Best Practices for the Management of Credit Risk. The Bank abides by its Group Credit Policy which supports the development of a strong credit culture with the objective of maintaining a diversified portfolio, and a reliable and satisfactory risk-weighted return. Industry best practices are instilled in the continual updating of the policy.

The Bank ensures that internal processes and credit underwriting standards are adhered to before financing proposals are approved. All financing proposals are first evaluated by the originating business units before being evaluated by an independent credit evaluation and management function.

All financing exposure limits are approved within a defined credit approval authority framework. Large financing exposures are further subject to post approval credit review by Group Internal Audit.

The Bank's credit risk management process is documented in the Group Credit Procedures Manual (GCPM) and Group Credit Guidelines which sets out the operational procedures and guidelines governing the credit processes of the Bank's Retail Banking, Business Banking, Treasury, Corporate and Investment Banking, Asset Based Financing and Hire Purchase business operations.

The GCPM and Group Credit Guidelines have been designed to ensure that:

- The process of credit initiation, administration, supervision and management of loans/financing and advances are carried out consistently and uniformly by the business origination and other credit support functions within the Group.
- Procedures and guidelines governing the credit function are in compliance with the credit policies of the Group.

6.0 CREDIT RISK (CONTINUED)

6.2 Credit Risk Management Approach (Continued)

Lending/Financing to Corporate and Institutional Customers

Loans/financing to corporate and institutional customers are individually evaluated and risk-rated. Credit Officers identify and assess the credit risk of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support.

Credit Risk from Investment or Trading Activities

In the course of its trading or investment banking activities, the Bank is also exposed to credit risks from trading, derivative and debt securities activities. The credit risk exposure from these products is derived from the positive mark-to-market value of the underlying instruments, and an additional component to cater for potential market movements.

Lending/Financing to Consumers and Small Businesses

For the consumer and small business sectors, credit risk is managed on a portfolio basis. Such products include residential mortgages, credit cards, auto loans/financing, commercial property loans/financing, personal financing and business loans/financing. Loans/financing are underwritten under product programmes that clearly define the target market, underwriting criteria, terms of financing, maximum exposure, credit origination guidelines and verification process. Scoring models are used in the credit decision process to enable objective risk evaluation and consistent decisions, cost efficient processing, and behavioural score monitoring of expected portfolio performance.

Credit Risk Measurement

Along with judgement and experience, risk measurement or quantification plays a critical role in making informed risk taking and portfolio management decisions.

As the nature of credit risk varies by financing type, the Bank applies different credit risk measuring tools, so that the credit risk of each financing type is appropriately reflected. These measurement tools are developed for the material credit exposures, which fall under the IRB approach.

The followings represent the dimensions considered in the credit risk measurement:

1. Probability of Default (PD)

For corporate/non-retail financing, the probability of default is measured from obligor (or customer) rating obtained from the risk rating system to determine obligor's level of default risk. The risk rating of each obligor is regularly reviewed to ensure that it actually reflects the debtor's/customer's updated default risk. For retail exposures/financing, the default risk is measured via different credit scoring or behavioural scoring model.

2. Loss Given Default (LGD)

For corporate financing, LGD is determined via the credit risk mitigation adjustment, in which collateral and security will determine the level of LGD for a specific transaction. For retail financing, LGD is captured at respective segment (or pool) level.

3. Exposure at Default (EAD)

Exposure at default is calculated from the current outstanding balance and availability of committed financing line. In this regard, the key factor is the Bank's obligation related to the available financing line. For corporate financing, the EAD is measured at an individual obligor exposure as per BNM's Guideline on Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets). For retail financing, the principle of credit risk measurement is similar, but measured on a pooled basis, based on internal models.

6.0 CREDIT RISK (CONTINUED)

6.3 Internal Credit Rating Models

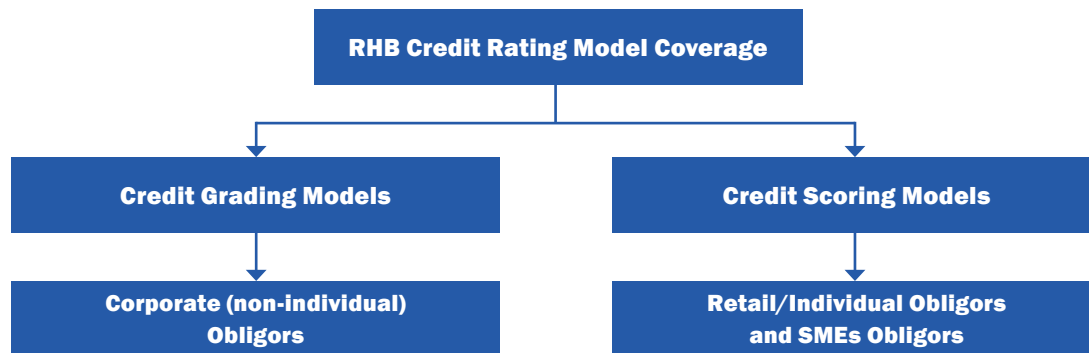
Internal credit rating models are an integral part of the Bank's credit risk management, decision-making process, and regulatory capital calculations. These internal credit rating models are developed with active participation by the relevant credit experts from the Bank's functional units and/or business units.

Internal rating model development and implementation process have been established to govern the development and validation of ratings models and the application of these models. Specifically, all newly developed models prior to implementation, material changes of the rating systems and validation results must be endorsed by GCRC and approved by BRC. All models are also subject to independent validation by the Model Validation Team before implementation, to ensure that all aspects of the model development process have been satisfied. In addition, the models are also subject to annual review and independent validation by the Model Validation Team to ensure that they are performing as expected.

Credit risk/rating models can be broadly classified into:

- Credit Grading Models
- Credit Scoring Models

The diagram below shows a broad perspective of the current credit rating model coverage for the different customers/obligors:



The credit grading models for corporate (or non-individual) obligors are used to risk rate the creditworthiness of the corporate obligors/guarantors/debt issuers based on their financial standing (such as gearing, expenses and profit) and qualitative aspects (such as management effectiveness and industry environment). Different rating models will be applied subject to the obligor's asset and sales volume, in order to create further risk differentiation.

The credit scoring models are for large volume of exposures that are managed on a portfolio basis, which includes program lending/financing for small and medium-sized enterprises (SMEs). These models are developed through statistical modelling and applied onto the portfolio accordingly. For portfolios where data are readily available or when more granular segmentation is required to support business strategy, more models will be developed and deployed.

6.0 CREDIT RISK (CONTINUED)

6.3 Internal Credit Rating Models (Continued)

Application of Internal Ratings

The three components; the PD, LGD and EAD are used in variety of applications that measure credit risk across the entire portfolio.

- Credit Approval : PD models are used in the credit approval process in both retail and non-retail portfolios. In high-volume retail portfolios, application scorecard and behaviour scorecard are used as one of the risk management tools.
- Policy : The Bank has established policies which governs the use of internal rating models, its development, review and validation.
- Reporting : Reports are generated to Senior Management on a monthly basis on the performance of the rating models to show the distribution of the credit exposures by risk rating and monitoring of its performance.
- Capital Management : The capital management and allocation plan takes into consideration the projected RWA computed based on internal rating.
- Risk Limits : The internal ratings are used in establishing the Group's various internal limits such as country limits.
- Risk Reward and Pricing : PD, EAD and LGD metrics are used to assess profitability of deals to allow for risk-informed pricing considerations and strategic decisions.

F-IRB for Non-Retail Portfolios

For RHB Bank Berhad, the major non-retail portfolios are on the Foundation Internal Ratings-Based (F-IRB) approach for regulatory capital requirements. Under this approach, internal rating models are used to estimate the PD for each obligor, while the LGD and EAD parameters are prescribed by BNM. The PD rating model is statistically calibrated, with overlay of qualitative factors and notching guide to arrive at the credit rating.

A-IRB for Retail Portfolios

For regulatory capital requirements, RHB Bank Berhad has adopted the Advanced Internal Ratings-Based (A-IRB) approach for the retail portfolios, i.e. residential mortgages, credit cards, auto loans/financing and program lending/financing. The Bank is continuously working on migrating its relevant significant portfolio under the Standardised Approach towards IRB compliance. The risk estimates – PD, LGD and EAD; are calibrated for these retail portfolios/pools. In addition, credit scorecard and behavioural scorecard are developed and implemented for use in credit approval decision support such as limit setting, credit score cut-off and approval, monitoring and reporting.

6.0 CREDIT RISK (CONTINUED)**6.3 Internal Credit Rating Models (Continued)**

The following tables set out the exposures under IRB Approach by PD bands, expected loss (EL) range, exposure weighted-average LGD and exposure weighted-average risk weight:

Table 5a: Exposures under the IRB Approach by PD Band, Exposure Weighted-Average LGD and Exposure Weighted-Average Risk Weight as at 31 December 2014

PD Range (%)	EAD (RM'000)	Exposure Weighted- Average LGD (%)	Exposure Weighted- Average Risk Weight (%)	Undrawn Commitments (RM'000)
Non-Retail Exposures				
Insurance/Takaful Cos, Securities Firms & Fund Managers				
0 to 0.22	90	0.01	0.01	1,820
>0.22 to 1.65	32,677	45.00	63.65	50,607
>1.65 to 5.57	210	-	-	32
>5.57 to 21.68	2,063	38.41	143.84	2,157
>21.68 to <100	-	-	-	-
Default or 100	-	-	-	-
Total for Insurance/Takaful Cos, Securities Firms & Fund Managers	35,040			54,616
Corporate Exposures (excluding exposures with firm-size adjustments)				
0 to 0.22	9,263,802	44.69	39.44	2,458,274
>0.22 to 1.65	17,108,551	41.75	69.08	6,706,884
>1.65 to 5.57	7,607,337	40.00	113.74	2,043,278
>5.57 to 21.68	3,709,012	8.23	32.51	218,957
>21.68 to <100	110,367	43.12	231.09	5,595
Default or 100	1,251,130	42.14	-	-
Total for Corporate Exposures (excluding exposures with firm-size adjustments)	39,050,199			11,432,988
Corporate Exposures (with firm-size adjustments)				
0 to 0.22	531,223	42.03	32.69	271,912
>0.22 to 1.65	8,240,137	38.99	56.59	5,294,218
>1.65 to 5.57	5,419,585	36.97	80.54	1,191,269
>5.57 to 21.68	1,367,272	36.40	109.71	444,032
>21.68 to <100	24,666	38.54	173.37	10,280
Default or 100	350,296	37.30	-	-
Total Corporate Exposures (with firm-size adjustments)	15,933,179			7,211,711
Total Non-Retail Exposures	55,018,418			18,699,315

6.0 CREDIT RISK (CONTINUED)
6.3 Internal Credit Rating Models (Continued)
Table 5a: Exposures under the IRB Approach by PD Band, Exposure Weighted-Average LGD and Exposure Weighted-Average Risk Weight as at 31 December 2014 (Continued)

PD Range (%)	EAD (RM'000)	Exposure Weighted- Average LGD (%)	Exposure Weighted- Average Risk Weight (%)	Undrawn Commitments (RM'000)
Retail Exposures				
Residential Mortgages				
0 to 2.48	10,580,986	16.46	25.02	347,406
>2.48 to 8.35	5,771,753	14.93	53.90	94,379
>8.35 to 24.63	2,130,091	15.40	76.30	13,999
>24.63 to <100	609,981	15.14	75.87	1,202
Default or 100	523,574	24.71	26.96	-
Total Residential Mortgages Exposures	19,616,385			456,986
Qualifying Revolving Retail Exposures				
0 to 0.78	680,671	60.90	11.38	1,216,087
>0.78 to 2.48	521,662	64.13	33.46	631,693
>2.48 to 4.86	570,473	64.41	62.53	715,427
>4.86 to <100	149,875	68.89	117.62	45,259
Default or 100	19,703	81.04	32.07	-
Total Qualifying Revolving Retail Exposures	1,942,384			2,608,466
Hire Purchase Exposures				
0 to 3.71	3,723,009	30.78	34.14	-
>3.71 to 10.95	876,485	28.97	44.83	-
>10.95 to 18.79	351,203	33.06	68.55	-
>18.79 to <100	161,159	33.45	88.11	-
Default or 100	112,133	64.71	34.06	-
Total Hire Purchase Exposures	5,223,989			-
Other Retail Exposures				
0 to 3.71	3,503,563	25.67	31.15	3,866,005
>3.71 to 8.35	4,265,650	59.46	90.92	2,113,163
>8.35 to 24.63	3,650,395	18.80	31.18	5,606,730
>24.63 to <100	21,038	15.63	41.51	1,946
Default or 100	223,343	62.80	43.70	-
Total Other Retail Exposures	11,663,989			11,587,844
Total Retail Exposures	38,446,747			14,653,296
Total Non-Retail & Retail Exposures under IRB Approach	93,465,165			33,352,611

6.0 CREDIT RISK (CONTINUED)

6.3 Internal Credit Rating Models (Continued)

Table 5b: Exposures under the IRB Approach by PD Band, Exposure Weighted-Average LGD and Exposure Weighted-Average Risk Weight as at 31 December 2013

PD Range (%)	EAD (RM'000)	Exposure Weighted- Average LGD (%)	Exposure Weighted- Average Risk Weight (%)	Undrawn Commitments (RM'000)
Non-Retail Exposures				
Insurance/Takaful Cos, Securities Firms & Fund Managers				
0 to 0.22	24,062	42.08	41.04	31,848
>0.22 to 1.65	39,921	45.00	79.58	42,012
>1.65 to 5.57	3,226	-	-	4,000
>5.57 to 21.68	3,538	43.86	164.22	3,792
>21.68 to <100	-	-	-	-
Default or 100	-	-	-	-
Total for Insurance/Takaful Cos, Securities Firms & Fund Managers	70,747			81,652
Corporate Exposures (excluding exposures with firm-size adjustments)				
0 to 0.22	7,366,182	44.71	39.36	2,206,052
>0.22 to 1.65	19,455,873	41.96	71.96	7,766,960
>1.65 to 5.57	9,724,244	40.52	113.47	2,906,247
>5.57 to 21.68	4,558,422	12.61	48.81	458,821
>21.68 to <100	174,627	43.04	232.29	6,333
Default or 100	1,329,250	41.69	-	-
Total Corporate Exposures (excluding exposures with firm-size adjustments)	42,608,598			13,344,413
Corporate Exposures (with firm-size adjustments)				
0 to 0.22	584,360	42.43	35.79	444,247
>0.22 to 1.65	4,348,385	37.26	54.95	1,842,994
>1.65 to 5.57	3,726,502	35.77	78.78	1,245,417
>5.57 to 21.68	1,829,635	36.81	127.09	498,069
>21.68 to <100	50,477	36.25	169.49	8,557
Default or 100	594,094	39.33	-	-
Total Corporate Exposures (with firm-size adjustments)	11,133,453			4,039,284
Total Non-Retail Exposures	53,812,798			17,465,349

6.0 CREDIT RISK (CONTINUED)

6.3 Internal Credit Rating Models (Continued)

Table 5b: Exposures under the IRB Approach by PD Band, Exposure Weighted-Average LGD and Exposure Weighted-Average Risk Weight as at 31 December 2013 (Continued)

PD Range (%)	EAD (RM'000)	Exposure Weighted-Average LGD (%)	Exposure Weighted-Average Risk Weight (%)	Undrawn Commitments (RM'000)
Retail Exposures				
Residential Mortgages				
0 to 2.48	8,176,054	16.42	24.92	157,311
>2.48 to 8.35	5,772,256	14.67	52.36	47,578
>8.35 to 24.63	1,824,789	15.25	75.25	6,866
>24.63 to <100	582,680	15.11	75.55	1,058
Default or 100	596,721	25.62	27.84	-
Total Residential Mortgages Exposures	16,952,500			212,813
Qualifying Revolving Retail Exposures				
0 to 0.78	715,920	60.61	11.01	1,267,148
>0.78 to 2.48	574,410	63.99	33.10	658,816
>2.48 to 4.86	597,038	63.94	61.96	819,265
>4.86 to <100	158,811	68.74	117.49	47,101
Default or 100	24,219	80.40	32.90	-
Total Qualifying Revolving Retail Exposures	2,070,398			2,792,330
Hire Purchase Exposures				
0 to 3.71	3,842,804	30.29	33.23	-
>3.71 to 10.95	1,537,675	28.47	44.39	-
>10.95 to 18.79	420,209	31.89	66.11	-
>18.79 to <100	209,220	31.61	83.24	-
Default or 100	131,523	63.29	32.08	-
Total Hire Purchase Exposures	6,141,431			-
Other Retail Exposures				
0 to 3.71	1,834,282	29.94	36.54	1,398,808
>3.71 to 8.35	3,898,462	60.41	92.58	1,845,965
>8.35 to 24.63	3,939,094	17.89	29.24	6,363,929
>24.63 to <100	26,992	16.02	41.82	5,768
Default or 100	250,464	58.34	42.10	-
Total Other Retail Exposures	9,949,294			9,614,470
Total Retail Exposures	35,113,623			12,619,613
Total Non-Retail & Retail Exposures under IRB Approach	88,926,421			30,084,962

6.0 CREDIT RISK (CONTINUED)

6.3 Internal Credit Rating Models (Continued)

Table 6a: Exposures under the A-IRB Approach by EL Range and Exposure Weighted-Average Risk Weight as at 31 December 2014

EL Range (%)	EAD (RM'000)	Exposure Weighted- Average Risk Weight (%)	Undrawn Commitments RM('000)
Retail Exposures			
Residential Mortgages			
0 to 0.5	12,557,381	27.25	357,630
>0.5 to 1.5	4,109,289	60.52	83,629
>1.5 to 2.5	1,903,781	78.92	14,197
>2.5 to 3.5	41,643	74.48	309
>3.5 to 30.0	913,985	56.36	1,221
>30.0 to <100	90,306	33.60	-
100	-	-	-
Total Residential Mortgages Exposures	19,616,385		456,986
Qualifying Revolving Retail Exposures			
0 to 0.5	667,386	11.18	1,214,607
>0.5 to 1.5	480,490	31.14	618,213
>1.5 to 2.5	509,753	58.22	708,045
>2.5 to 3.5	112,378	75.69	23,222
>3.5 to 30.0	152,674	117.18	44,379
>30.0 to <100	19,703	32.07	-
100	-	-	-
Total Qualifying Revolving Retail Exposures	1,942,384		2,608,466
Hire Purchase Exposures			
0 to 0.5	1,950,000	26.38	-
>0.5 to 1.5	1,946,421	41.76	-
>1.5 to 2.5	327,065	38.91	-
>2.5 to 3.5	370,618	55.46	-
>3.5 to 30.0	517,751	74.72	-
>30.0 to <100	111,017	34.31	-
100	1,117	8.91	-
Total Hire Purchase Exposures	5,223,989		-
Other Retail Exposures			
0 to 0.5	2,793,558	19.14	3,297,229
>0.5 to 1.5	3,915,906	31.69	5,649,514
>1.5 to 2.5	358,216	67.15	350,494
>2.5 to 3.5	1,566,539	67.70	169,916
>3.5 to 30.0	2,876,345	106.30	2,120,691
>30.0 to <100	131,009	57.28	-
100	22,416	20.35	-
Total Other Retail Exposures	11,663,989		11,587,844
Total Retail Exposures	38,446,747		14,653,296

6.0 CREDIT RISK (CONTINUED)

6.3 Internal Credit Rating Models (Continued)

Table 6b: Exposures under the A-IRB Approach by EL Range and Exposure Weighted-Average Risk Weight as at 31 December 2013

EL Range (%)	EAD (RM'000)	Exposure Weighted-Average Risk Weight (%)	Undrawn Commitments RM('000)
Retail Exposures			
Residential Mortgages			
0 to 0.5	10,371,661	27.86	164,180
>0.5 to 1.5	3,875,883	59.72	40,474
>1.5 to 2.5	1,611,866	78.06	6,777
>2.5 to 3.5	36,108	74.47	78
>3.5 to 30.0	905,802	54.87	1,304
>30.0 to <100	151,180	34.92	-
100	-	-	-
Total Residential Mortgages Exposures	16,952,500		212,813
Qualifying Revolving Retail Exposures			
0 to 0.5	707,331	10.88	1,266,016
>0.5 to 1.5	529,081	31.07	644,089
>1.5 to 2.5	549,078	58.23	816,672
>2.5 to 3.5	99,450	75.90	19,015
>3.5 to 30.0	161,239	117.15	46,538
>30.0 to <100	24,219	32.90	-
100	-	-	-
Total Qualifying Revolving Retail Exposures	2,070,398		2,792,330
Hire Purchase Exposures			
0 to 0.5	2,089,453	25.82	-
>0.5 to 1.5	2,024,302	40.75	-
>1.5 to 2.5	458,823	39.06	-
>2.5 to 3.5	800,992	51.23	-
>3.5 to 30.0	636,338	71.90	-
>30.0 to <100	130,396	32.28	-
100	1,127	8.91	-
Total Hire Purchase Exposures	6,141,431		-
Other Retail Exposures			
0 to 0.5	1,349,632	19.49	994,303
>0.5 to 1.5	4,141,247	29.92	6,361,594
>1.5 to 2.5	278,946	68.16	234,700
>2.5 to 3.5	1,305,691	67.65	135,534
>3.5 to 30.0	2,711,911	106.58	1,888,339
>30.0 to <100	139,663	55.45	-
100	22,204	20.07	-
Total Other Retail Exposures	9,949,294		9,614,470
Total Retail Exposures	35,113,623		12,619,613

6.0 CREDIT RISK (CONTINUED)**6.3 Internal Credit Rating Models (Continued)****Table 7: Exposures under IRB Approach by Actual Losses versus Expected Losses (EL)**

Exposure Class	Actual Losses as at 31 December 2014 (RM'000)	EL as at 31 December 2013 (RM'000)	Actual Losses as at 31 December 2013 (RM'000)	EL as at 31 December 2012 (RM'000)	Actual Losses as at 31 December 2012 (RM'000)	EL as at 31 December 2011 (RM'000)
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	288	-	-	-	-
Corporates, of which						
Corporate Exposures (excluding exposures with firm-size adjustments)	598,371	806,447	634,155	861,081	562,086	682,587
Corporate Exposures (with firm-size adjustments)	120,427	351,755	309,777	382,281	305,125	343,080
Retail, of which						
Residential Mortgages	120,710	271,528	114,951	274,130	134,141	406,293
Qualifying Revolving Retail Exposures	11,078	49,429	13,452	56,229	14,594	63,242
Hire Purchase Exposures	61,091	184,303	40,550	215,792	44,728	270,910
Other Retail Exposures	213,907	377,188	208,494	321,595	187,427	192,861
Total	1,125,584	2,040,938	1,321,379	2,111,108	1,248,101	1,958,973

Actual losses refer to impairment allowances and partial write-offs during the year, while expected losses (EL) measures the loss expected from the Bank's credit exposures as at 31 December of the preceding year.

A comparison of actual losses and EL provides some insight of the predictive power of the IRB approach models used by the Bank; however the two metrics are not directly comparable due to the differences in methodology. In particular, the EL used in this comparison is the forecast credit loss from the counterparty defaults of the Bank's exposures over a one-year period and is computed as the product of probability of default (PD), loss given default (LGD) and exposure at default (EAD) for the Bank's exposures as at 31 December of the preceding year. The actual loss is recorded for a fluctuating credit portfolio over the course of the financial year, including losses in relation to new loans/financing entered into during the year.

For the three years 2012, 2013 and 2014, the expected losses are showing higher values as compared to the actual losses.

6.0 CREDIT RISK (CONTINUED)

6.4 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

The management of the following off-balance sheet exposures of the Bank is in accordance to the credit risk management approach as set out under Section 6.2 of this document:

- Financial guarantees and standby letters of credit, which represent undertakings that the Bank will make payments in the event that its customer cannot meet its obligations to third-parties. These exposures carry the same credit risk as loans/financing even though they are contingent in nature;
- Documentary and commercial letters of credit, which are undertakings by the Bank on behalf of its customers. These exposures are usually collateralised by the underlying shipment of goods to which they relate;
- Commitments to extend financing, which includes the unutilised or undrawn portions of financing facilities;
- Unutilised credit card lines; and
- Principal or notional amount of derivative financial instruments.

Counterparty Credit Risk on Derivative Financial Instruments

Counterparty Credit Risk on derivative financial instruments is the risk that the Bank's counterparty in a foreign exchange, interest/profit rate, commodity, equity, options or credit derivative contract defaults prior to the maturity date of the contract and that the Bank at the relevant time has a claim on the counterparty. Derivative financial instruments are primarily entered into for hedging purposes. The Bank (excluding RHB Islamic Bank) may also take trading derivative positions, within pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates.

Any financial loss is calculated based on the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at the time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default.

All outstanding financial derivative positions are marked-to-market on a daily basis. The Bank's Treasury Operations Department monitors counterparties' positions and promptly escalates any shortfall in the threshold levels to the relevant parties for next course of action.

6.0 CREDIT RISK (CONTINUED)**6.5 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches**

The following tables show the credit exposures or Exposure at Default (EAD) as at 31 December 2014 compared with 31 December 2013, segregated by:

- the various types of asset classes, showing details of the exposures by type of approaches, before and after credit risk mitigation (CRM), the corresponding RWA and capital requirements;
- disclosure on off -balance sheet and counterparty credit risk;
- geographical distribution;
- industry sector; and
- residual maturity.

**Table 8a: Summary of Credit Exposures with CRM by Asset Class and Capital Requirements
(On and Off-Balance Sheet Exposures) as at 31 December 2014**

Exposure Class	Gross Exposures/ EAD before CRM (RM'000)	Net Exposures/ EAD after CRM (RM'000)	Risk- Weighted Assets (RM'000)	Minimum Capital Requirements (RM'000)
A. Exposures under Standardised Approach				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	26,997,934	26,997,934	444,641	35,572
Public Sector Entities	3,668,651	3,668,651	143,373	11,470
Banks, Development Financial Institutions & MDBs	18,824,631	18,824,631	5,134,128	410,730
Insurance/Takaful Cos, Securities Firms & Fund Managers	298,428	298,428	298,428	23,874
Corporates	30,595,428	29,627,674	17,487,336	1,398,988
Regulatory Retail	33,941,871	24,535,630	18,826,585	1,506,127
Residential Mortgages	4,531,077	4,520,726	2,378,226	190,258
Higher Risk Assets	200,554	200,554	300,831	24,066
Other Assets	2,918,401	2,918,401	1,359,290	108,743
Equity Exposures	514,315	514,315	514,317	41,146
Defaulted Exposures	555,578	486,961	552,959	44,236
Total On-Balance Sheet Exposures	123,046,868	112,593,905	47,440,114	3,795,210
Off-Balance Sheet Exposures				
OTC Derivatives	4,120,790	4,120,790	2,078,109	166,248
Off-balance sheet exposures other than OTC derivatives or credit derivatives	6,932,135	6,006,594	4,599,161	367,933
Defaulted Exposures	8,381	551	826	66
Total Off-Balance Sheet Exposures	11,061,306	10,127,935	6,678,096	534,247
Total On and Off-Balance Sheet Exposures under Standardised Approach	134,108,174	122,721,840	54,118,210	4,329,457

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (Continued)

Table 8a: Summary of Credit Exposures with CRM by Asset Class and Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2014 (Continued)

Exposure Class	Gross Exposures/ EAD before CRM (RM'000)	Net Exposures/ EAD after CRM (RM'000)	Risk-Weighted Assets (RM'000)	Minimum Capital Requirements (RM'000)
B. Exposures under F-IRB Approach				
On-Balance Sheet Exposures				
Insurance/Takaful Cos, Securities Firms & Fund Managers	99	99	166	13
Corporates, of which	42,768,648	42,768,648	28,848,543	2,307,883
Corporate Exposures (excluding exposures with firm-size adjustments)	30,886,707	30,886,707	20,565,281	1,645,222
Corporate Exposures (with firm-size adjustments)	11,881,941	11,881,941	8,283,262	662,661
Defaulted Exposures	1,577,846	1,577,846	-	-
Total On-Balance Sheet Exposures	44,346,593	44,346,593	28,848,709	2,307,896
Off-Balance Sheet Exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	10,648,245	10,648,245	7,510,364	600,829
Defaulted Exposures	23,580	23,580	-	-
Total Off-Balance Sheet Exposures	10,671,825	10,671,825	7,510,364	600,829
C. Exposures under the A-IRB Approach				
On-Balance Sheet Exposures				
Retail, of which	34,256,681	34,256,681	15,568,663	1,245,493
Residential Mortgages	19,031,632	19,031,632	7,819,824	625,586
Qualifying Revolving Retail Exposures	1,446,934	1,446,934	642,093	51,367
Hire Purchase Exposures	5,111,856	5,111,856	2,046,798	163,744
Other Retail Exposures	8,666,259	8,666,259	5,059,948	404,796
Defaulted Exposures	878,753	878,753	283,284	22,663
Total On-Balance Sheet Exposures	35,135,434	35,135,434	15,851,947	1,268,156
Off-Balance Sheet Exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,311,313	3,311,313	1,225,800	98,064
Defaulted Exposures	-	-	-	-
Total Off-Balance Sheet Exposures	3,311,313	3,311,313	1,225,800	98,064
Total On and Off-Balance Sheet Exposures before scaling factor under the IRB Approach	93,465,165	93,465,165	53,436,820	4,274,945
Total On and Off-Balance Sheet Exposures after scaling factor, 1.06 under the IRB Approach			56,643,029	4,531,442
Total Exposures under both Standardised and IRB Approaches	227,573,339	216,187,005	110,761,239	8,860,899

Note:

All performing corporate exposures are classified under the broad asset class category of Corporates instead of the five sub-classes of Specialised Lending/Financing.

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (Continued)

**Table 8b: Summary of Credit Exposures with CRM by Asset Class and Capital Requirements
(On and Off-Balance Sheet Exposures) as at 31 December 2013**

Exposure Class	Gross Exposures/ EAD before CRM (RM'000)	Net Exposures/ EAD after CRM (RM'000)	Risk-Weighted Assets (RM'000)	Minimum Capital Requirements (RM'000)
A. Exposures under the Standardised Approach				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	28,986,395	28,986,395	253,915	20,313
Public Sector Entities	1,098,379	1,098,379	219,676	17,574
Banks, Development Financial Institutions & MDBs	13,394,882	13,393,202	4,141,380	331,310
Insurance/Takaful Cos, Securities Firms & Fund Managers	182,506	182,506	182,506	14,601
Corporates	25,184,551	24,517,923	13,358,403	1,068,673
Regulatory Retail	28,777,414	21,746,770	16,462,562	1,317,004
Residential Mortgages	1,895,014	1,888,703	1,416,467	113,317
Higher Risk Assets	200,619	200,619	300,929	24,074
Other Assets	2,397,268	2,397,268	1,181,559	94,525
Equity Exposures	425,091	425,091	425,095	34,008
Defaulted Exposures	673,062	631,682	754,358	60,348
Total On-Balance Sheet Exposures	103,215,181	95,468,538	38,696,850	3,095,747
Off-Balance Sheet Exposures				
OTC Derivatives	2,247,602	2,247,602	1,001,618	80,129
Off-balance sheet exposures other than OTC derivatives or credit derivatives	7,101,384	6,610,259	4,752,914	380,234
Defaulted Exposures	31	31	47	4
Total Off-Balance Sheet Exposures	9,349,017	8,857,892	5,754,579	460,367
Total On and Off-Balance Sheet Exposures under Standardised Approach	112,564,198	104,326,430	44,451,429	3,556,114
B. Exposures under F-IRB Approach				
On-Balance Sheet Exposures				
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates, of which	35,256,782	35,256,782	25,765,740	2,061,259
Corporate Exposures (excluding exposures with firm-size adjustments)	28,294,200	28,294,200	20,158,871	1,612,710
Corporate Exposures (with firm-size adjustments)	6,962,582	6,962,582	5,606,869	448,549
Defaulted Exposures	1,798,756	1,798,756	-	-
Total On-Balance Sheet Exposures	37,055,538	37,055,538	25,765,740	2,061,259
Off-Balance Sheet Exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	16,632,672	16,632,672	12,790,500	1,023,240
Defaulted Exposures	124,588	124,588	-	-
Total Off-Balance Sheet Exposures	16,757,260	16,757,260	12,790,500	1,023,240

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (Continued)

Table 8b: Summary of Credit Exposures with CRM by Asset Class and Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2013 (Continued)

Exposure Class	Gross Exposures/ EAD before CRM (RM'000)	Net Exposures/ EAD after CRM (RM'000)	Risk-Weighted Assets (RM'000)	Minimum Capital Requirements (RM'000)
C. Exposures under the A-IRB Approach				
On-Balance Sheet Exposures				
Retail, of which	30,617,196	30,617,196	14,312,492	1,145,000
Residential Mortgages	16,329,547	16,329,547	6,862,437	548,995
Qualifying Revolving Retail Exposures	1,525,196	1,525,196	665,475	53,238
Hire Purchase Exposures	6,009,908	6,009,908	2,411,410	192,913
Other Retail Exposures	6,752,545	6,752,545	4,373,170	349,854
Defaulted Exposures	1,002,927	1,002,927	321,727	25,738
Total On-Balance Sheet Exposures	31,620,123	31,620,123	14,634,219	1,170,738
Off-Balance Sheet Exposures				
Off-balance sheet exposures other than OTC derivatives or credit derivatives	3,493,500	3,493,500	1,240,119	99,209
Defaulted Exposures	-	-	-	-
Total Off-Balance Sheet Exposures	3,493,500	3,493,500	1,240,119	99,209
Total On and Off-Balance Sheet Exposures before scaling factor under the IRB Approach	88,926,421	88,926,421	54,430,578	4,354,446
Total On and Off-Balance Sheet Exposures after scaling factor, 1.06 under the IRB Approach			57,696,413	4,615,713
Total Exposures under both Standardised and IRB Approaches	201,490,619	193,252,851	102,147,842	8,171,827

Note:

All performing corporate exposures are classified under the broad asset class category of Corporates instead of the five sub-classes of Specialised Lending/Financing.

6.0 CREDIT RISK (CONTINUED)**6.5 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (Continued)****Table 9a: Exposures on Off-Balance Sheet and Counterparty Credit Risk
(Before Credit Risk Mitigation) as at 31 December 2014**

Nature of Item	Principal/ Notional Amount (RM'000)	Positive Fair Value of Derivative Contracts (RM'000)	Credit Equivalent Amount (RM'000)	RWA (RM'000)
Direct credit substitutes	2,659,088		2,628,097	1,656,364
Transaction-related contingent items	4,829,166		2,388,120	1,308,323
Short-term self-liquidating trade-related contingencies	1,822,569		362,511	177,431
Assets sold with recourse	-		-	-
NIFs and obligations under underwriting agreement	-		-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	517,610		517,610	27,897
Foreign exchange related contracts	40,025,480	1,520,389	3,220,240	1,757,693
1 year or less	28,320,308	459,786	926,671	559,625
Over 1 year to 5 years	11,236,064	571,555	1,696,626	753,543
Over 5 years	469,108	489,048	596,943	444,525
Interest/profit rate related contracts	34,848,945	104,221	900,625	320,526
1 year or less	6,289,805	5,073	14,886	4,557
Over 1 year to 5 years	27,571,220	90,105	812,079	281,569
Over 5 years	987,920	9,043	73,660	34,400
Other commitments, such as formal standby facilities and financing lines, with original maturity of over 1 year	30,645,996		14,277,260	9,875,579
Other commitments, such as formal standby facilities and financing lines, with original maturity of up to 1 year	1,428,561		144,588	50,232
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	15,137,896		605,393	240,215
Total	131,915,311	1,624,610	25,044,444	15,414,260

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (Continued)

**Table 9b: Exposures on Off-Balance Sheet and Counterparty Credit Risk
(Before Credit Risk Mitigation) as at 31 December 2013**

Nature of Item	Principal/ Notional Amount (RM'000)	Positive Fair Value of Derivative Contracts (RM'000)	Credit Equivalent Amount (RM'000)	RWA (RM'000)
Direct credit substitutes	3,843,994		3,810,979	2,144,445
Transaction-related contingent items	3,035,866		1,524,593	995,458
Short-term self-liquidating trade-related contingencies	1,567,318		311,555	175,489
Assets sold with recourse	758,566		758,566	574,137
NIFs and obligations under underwriting agreement	76,000		38,000	38,000
Foreign exchange related contracts	18,088,944	515,074	1,364,035	633,892
1 year or less	10,821,151	118,701	249,039	196,894
Over 1 year to 5 years	7,267,793	396,373	1,114,996	436,998
Over 5 years	-	-	-	-
Interest/profit rate related contracts	27,310,542	103,122	776,575	314,263
1 year or less	3,905,460	930	8,941	4,095
Over 1 year to 5 years	21,929,189	77,066	664,292	271,961
Over 5 years	1,475,893	25,126	103,342	38,207
Other commitments, such as formal standby facilities and financing lines, with original maturity of over 1 year	27,168,189		14,219,840	10,075,164
Other commitments, such as formal standby facilities and financing lines, with original maturity of up to 1 year	10,549,976		6,154,978	4,584,560
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	3,854,405		640,656	249,790
Total	96,253,800	618,196	29,599,777	19,785,198



6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (Continued)

Table 10a: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2014

Exposure Class	Malaysia (RM'000)	Singapore (RM'000)	Thailand (RM'000)	Brunei (RM'000)	Cambodia (RM'000)	Laos (RM'000)	Total (RM'000)
Exposures under Standardised Approach							
Sovereigns/Central Banks	24,506,774	1,809,132	292,674	54,428	257,593	89,844	27,010,445
Public Sector Entities	3,221,468	393,622	140,645	-	-	-	3,755,735
Banks, Development Financial Institutions & MDBs	16,940,745	5,294,437	56,559	135,386	145,434	12,148	22,584,709
Insurance/Takaful Cos, Securities Firms & Fund Managers	314,402	83,031	-	-	-	-	397,433
Corporates	23,463,472	9,930,294	1,156,780	80,300	168,063	9,459	34,808,368
Regulatory Retail	34,769,995	1,636,018	12,797	89,403	599,980	25,850	37,134,043
Residential Mortgages	3,298,630	1,484,066	-	1,434	-	-	4,784,130
Higher Risk Assets	200,554	-	-	-	-	-	200,554
Other Assets	2,661,658	195,871	12,575	4,525	34,291	9,522	2,918,442
Total Exposures under Standardised Approach	109,377,698	20,826,471	1,672,030	365,476	1,205,361	146,823	133,593,859
Exposures under IRB Approach							
Insurance/Takaful Cos, Securities Firms & Fund Managers	35,040	-	-	-	-	-	35,040
Corporates, of which	54,983,378	-	-	-	-	-	54,983,378
Corporate Exposures (excluding exposures with firm-size adjustments)	39,050,199	-	-	-	-	-	39,050,199
Corporate Exposures (with firm-size adjustments)	15,933,179	-	-	-	-	-	15,933,179
Retail, of which	38,446,747	-	-	-	-	-	38,446,747
Residential Mortgages	19,616,385	-	-	-	-	-	19,616,385
Qualifying Revolving Retail Exposures	1,942,384	-	-	-	-	-	1,942,384
Hire Purchase Exposures	5,223,989	-	-	-	-	-	5,223,989
Other Retail Exposures	11,663,989	-	-	-	-	-	11,663,989
Total Exposures under IRB Approach	93,465,165	-	-	-	-	-	93,465,165
Total Exposures under Standardised and IRB Approaches	202,842,863	20,826,471	1,672,030	365,476	1,205,361	146,823	227,059,024

Note:

This table excludes equity exposures.

6.0 CREDIT RISK (CONTINUED)
6.5 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (Continued)
Table 10b: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2013

Exposure Class	Malaysia (RM'000)	Singapore (RM'000)	Thailand (RM'000)	Brunei (RM'000)	Cambodia (RM'000)	Laos (RM'000)	Total (RM'000)
Exposures under Standardised Approach							
Sovereigns/Central Banks	27,115,396	1,466,836	286,036	52,616	68,515	-	28,989,399
Public Sector Entities	783,713	292,289	111,244	-	-	-	1,187,246
Banks, Development Financial Institutions & MDBs	12,134,930	3,792,310	14,174	153,226	206,400	-	16,301,040
Insurance/Takaful Cos, Securities Firms & Fund Managers	182,506	20,944	-	-	-	-	203,450
Corporates	21,317,956	5,845,859	776,073	65,116	153,118	-	28,158,122
Regulatory Retail	30,768,038	1,336,614	4,823	80,834	318,027	-	32,508,336
Residential Mortgages	705,829	1,465,479	-	1,029	-	-	2,172,337
Higher Risk Assets	214,422	-	-	-	-	-	214,422
Other Assets	2,184,007	173,483	12,593	3,514	31,158	-	2,404,755
Total Exposures under Standardised Approach	95,406,797	14,393,814	1,204,943	356,335	777,218	-	112,139,107
Exposures under IRB Approach							
Insurance/Takaful Cos, Securities Firms & Fund Managers	70,747	-	-	-	-	-	70,747
Corporates, of which	53,742,051	-	-	-	-	-	53,742,051
Corporate Exposures (excluding exposures with firm-size adjustments)	42,608,598	-	-	-	-	-	42,608,598
Corporate Exposures (with firm-size adjustments)	11,133,453	-	-	-	-	-	11,133,453
Retail, of which	35,113,623	-	-	-	-	-	35,113,623
Residential Mortgages	16,952,500	-	-	-	-	-	16,952,500
Qualifying Revolving Retail Exposures	2,070,398	-	-	-	-	-	2,070,398
Hire Purchase Exposures	6,141,431	-	-	-	-	-	6,141,431
Other Retail Exposures	9,949,294	-	-	-	-	-	9,949,294
Total Exposures under IRB Approach	88,926,421	-	-	-	-	-	88,926,421
Total Exposures under Standardised and IRB Approaches	184,333,218	14,393,814	1,204,943	356,335	777,218	-	201,065,528

Note:

This table excludes equity exposures.



6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (Continued)

Table 11a: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2014

Exposure Class	(RM'000)										Total	
	Agriculture	Mining & Quarrying	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance/Takaful, Real Estate & Business	Education, Health & Others	Household		Others
Exposures under Standardised Approach												
Sovereigns/Central Banks	-	-	-	-	-	-	-	5,181,261	21,829,184	-	-	27,010,445
Public Sector Entities	-	-	-	11,029	-	-	21,707	239,369	3,483,630	-	-	3,755,735
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	21,561,396	1,023,313	-	-	22,584,709
Insurance/Takaful Cos, Securities Firms & Fund Managers	491,910	12,551	3,068,499	2,743,509	2,405,213	2,483,203	3,217,390	397,433	-	-	-	397,433
Corporates	20,272	6,054	131,174	9,169	164,335	221,330	38,284	17,178,628	1,449,829	1,757,636	-	34,808,368
Regulatory Retail Residential Mortgages	-	-	-	-	-	-	-	317,474	40,299	36,185,335	317	37,134,043
Higher Risk Assets	-	-	-	-	200,554	-	-	-	-	4,784,130	-	4,784,130
Other Assets	-	-	-	-	-	-	27,035	-	-	-	2,891,407	2,918,442
Total Exposures under Standardised Approach	512,182	18,605	3,199,673	2,763,707	2,770,102	2,704,533	3,304,416	44,875,561	27,826,255	42,727,101	2,891,724	133,593,859

6.0 CREDIT RISK (CONTINUED)
6.5 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (Continued)
Table 11a: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2014 (Continued)

Exposure Class	(RM'000)										Total	
	Agriculture	Mining & Quarrying	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance/ Takaful, Real Estate & Business	Education, Health & Others	Household		Others
Exposures under IRB Approach												
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	35,040	-	-	-	35,040
Corporates, of which	4,473,452	942,294	8,605,953	2,981,731	6,011,371	5,786,420	6,387,405	17,430,418	2,364,084	113	137	54,983,378
Corporates (excluding exposures with firm-size adjustments)	2,494,361	800,254	5,994,516	2,961,319	3,990,948	2,400,622	5,322,035	12,913,603	2,172,291	113	137	39,050,199
Corporates (with firm-size adjustments)	1,979,091	142,040	2,611,437	20,412	2,020,423	3,385,798	1,065,370	4,516,815	191,793	-	-	15,933,179
Retail, of which	107,775	16,552	765,461	2,248	606,375	2,557,967	173,249	913,870	174,478	33,128,743	29	38,446,747
Residential Mortgages	-	-	-	-	-	-	-	-	-	19,616,385	-	19,616,385
Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	1,942,384	-	1,942,384
Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	5,223,989	-	5,223,989
Other Retail Exposures	107,775	16,552	765,461	2,248	606,375	2,557,967	173,249	913,870	174,478	6,345,985	29	11,663,989
Total Exposures under IRB Approach	4,581,227	958,846	9,371,414	2,983,979	6,617,746	8,344,387	6,560,654	18,379,328	2,538,562	33,128,856	166	93,465,165
Total Exposures under Standardised and IRB Approaches	5,093,409	977,451	12,571,087	5,747,686	9,387,848	11,048,920	9,865,070	63,254,889	30,364,817	75,855,957	2,891,890	227,059,024

 Note:
 This table excludes equity exposures.



6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (Continued)

Table 11b: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2013

Exposure Class	(RM'000)											Total	
	Agriculture	Mining & Quarrying	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance/ Takaful, Real Estate & Business	Education, Health & Others	Household	Others		
Exposures under Standardised Approach													
Sovereigns/Central Banks	-	-	-	-	-	-	-	-	6,766,934	22,222,465	-	-	28,989,399
Public Sector Entities	-	-	-	10,163	-	-	20,204	-	118,902	1,037,977	-	-	1,187,246
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	-	16,301,040	-	-	-	16,301,040
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	203,450	-	-	-	203,450
Corporates	231,215	37,826	2,330,887	2,403,007	1,258,317	1,544,751	1,998,328	15,572,270	636,821	1,966,811	177,889	28,158,122	
Regulatory Retail	37,628	5,070	144,259	4,748	116,664	191,086	65,718	187,095	40,081	31,431,646	284,341	32,508,336	
Residential Mortgages	-	-	-	-	-	-	-	-	-	2,172,337	-	-	2,172,337
Higher Risk Assets	-	-	-	-	200,619	-	-	-	13,803	-	-	-	214,422
Other Assets	-	-	-	-	-	-	-	-	65,947	-	2,338,808	-	2,404,755
Total Exposures under Standardised Approach	268,843	42,896	2,475,146	2,417,918	1,575,600	1,735,837	2,084,250	39,229,441	23,937,344	35,570,794	2,801,038	112,139,107	

6.0 CREDIT RISK (CONTINUED)
6.5 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (Continued)
Table 11b: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2013 (Continued)

Exposure Class	(RM'000)											Total			
	Agriculture	Mining & Quarrying	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance/Takaful, Real Estate & Business	Education, Health & Others	Household	Others				
Exposures under IRB Approach															
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	70,747	-	-	-	-	-	-	70,747
Corporates, of which	4,178,282	887,224	12,046,616	2,929,535	6,494,708	6,698,683	3,864,168	14,367,917	2,274,216	515	187	53,742,051			
Corporates (excluding exposures with firm-size adjustments)	2,497,596	840,846	9,229,462	2,918,954	5,079,196	3,239,922	3,575,985	13,037,258	2,188,862	330	187	42,608,598			
Corporates (with firm-size adjustments)	1,680,686	46,378	2,817,154	10,581	1,415,512	3,458,761	288,183	1,330,659	85,354	185	-	11,133,453			
Retail, of which	1,24,095	17,017	713,977	2,190	523,661	2,398,743	159,779	535,095	117,000	30,522,037	29	35,113,623			
Residential Mortgages	-	-	-	-	-	-	-	-	-	16,952,500	-	16,952,500			
Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	2,070,398	-	2,070,398			
Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	6,141,431	-	6,141,431			
Other Retail Exposures	124,095	17,017	713,977	2,190	523,661	2,398,743	159,779	535,095	117,000	5,357,708	29	9,949,294			
Total Exposures under IRB Approach	4,302,377	904,241	12,760,593	2,931,725	7,018,369	9,097,426	4,023,947	14,973,759	2,391,216	30,522,552	216	88,926,421			
Total Exposures under Standardised and IRB Approaches	4,571,220	947,137	15,235,739	5,349,643	8,593,969	10,833,263	6,108,197	54,203,200	26,328,560	66,093,346	2,801,254	201,065,528			

 Note:
 This table excludes equity exposures.

6.0 CREDIT RISK (CONTINUED)**6.5 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (Continued)****Table 12a: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2014**

Exposure Class	One Year or Less (RM'000)	More than One to Five Years (RM'000)	Over Five Years (RM'000)	Total (RM'000)
Exposures under Standardised Approach				
Sovereigns/Central Banks	7,878,940	5,867,945	13,263,560	27,010,445
Public Sector Entities	104,591	1,190,807	2,460,337	3,755,735
Banks, Development Financial Institutions & MDBs	14,687,664	5,704,801	2,192,244	22,584,709
Insurance/Takaful Cos, Securities Firms & Fund Managers	165,422	37,353	194,658	397,433
Corporates	9,452,173	15,916,955	9,439,240	34,808,368
Regulatory Retail	3,138,708	5,961,035	28,034,300	37,134,043
Residential Mortgages	419,683	67,139	4,297,308	4,784,130
Higher Risk Assets	-	-	200,554	200,554
Other Assets	16,778	-	2,901,664	2,918,442
Total Exposures under Standardised Approach	35,863,959	34,746,035	62,983,865	133,593,859
Exposures under IRB Approach				
Insurance/Takaful Cos, Securities Firms & Fund Managers	30,879	4,161	-	35,040
Corporates, of which	36,070,554	6,068,111	12,844,713	54,983,378
Corporates Exposures (excluding exposures with firm-size adjustments)	26,880,071	4,350,966	7,819,162	39,050,199
Corporates Exposures (with firm-size adjustments)	9,190,483	1,717,145	5,025,551	15,933,179
Retail, of which	4,656,315	3,365,456	30,424,976	38,446,747
Residential Mortgages	16,368	281,682	19,318,335	19,616,385
Qualifying Revolving Retail Exposures	1,942,384	-	-	1,942,384
Hire Purchase Exposures	98,350	2,292,779	2,832,860	5,223,989
Other Retail Exposures	2,599,213	790,995	8,273,781	11,663,989
Total Exposures under IRB Approach	40,757,748	9,437,728	43,269,689	93,465,165
Total Exposures under Standardised and IRB Approaches	76,621,707	44,183,763	106,253,554	227,059,024

Note:

This table excludes equity exposures.

6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (Continued)

Table 12b: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2013

Exposure Class	One Year or Less (RM'000)	More than One to Five Years (RM'000)	Over Five Years (RM'000)	Total (RM'000)
Exposures under Standardised Approach				
Sovereigns/Central Banks	5,768,431	5,834,131	17,386,837	28,989,399
Public Sector Entities	101,626	381,458	704,162	1,187,246
Banks, Development Financial Institutions & MDBs	11,500,592	4,146,259	654,189	16,301,040
Insurance/Takaful Cos, Securities Firms & Fund Managers	13,857	7,087	182,506	203,450
Corporates	5,251,916	11,080,475	11,825,731	28,158,122
Regulatory Retail	2,624,619	4,835,239	25,048,478	32,508,336
Residential Mortgages	643,548	42,283	1,486,506	2,172,337
Higher Risk Assets	13,803	-	200,619	214,422
Other Assets	66,672	8,299	2,329,784	2,404,755
Total Exposures under Standardised Approach	25,985,064	26,335,231	59,818,812	112,139,107
Exposures under IRB Approach				
Insurance/Takaful Cos, Securities Firms & Fund Managers	59,722	11,025	-	70,747
Corporates, of which	39,029,799	5,446,489	9,265,763	53,742,051
Corporates Exposures (excluding exposures with firm-size adjustments)	32,349,782	4,241,672	6,017,144	42,608,598
Corporates Exposures (with firm-size adjustments)	6,680,017	1,204,817	3,248,619	11,133,453
Retail, of which	4,809,925	3,561,535	26,742,163	35,113,623
Residential Mortgages	17,026	275,104	16,660,370	16,952,500
Qualifying Revolving Retail Exposures	2,070,398	-	-	2,070,398
Hire Purchase Exposures	113,776	2,547,951	3,479,704	6,141,431
Other Retail Exposures	2,608,725	738,480	6,602,089	9,949,294
Total Exposures under IRB Approach	43,899,446	9,019,049	36,007,926	88,926,421
Total Exposures under Standardised and IRB Approaches	69,884,510	35,354,280	95,826,738	201,065,528

Note:

This table excludes equity exposures.



6.0 CREDIT RISK (CONTINUED)

6.5 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (Continued)

Standardised Approach for Other Portfolios

The Standardised Approach is applied to portfolios that are classified as permanently exempted from the IRB approach, and those portfolios that are currently in transition to the IRB approach. Under this Standardised Approach, the risk weights are prescribed by BNM based on the asset class to which the exposure is assigned.

The following tables show RHB Bank Group's credit exposures for its portfolios with the corresponding risk weights and RWA under the Standardised Approach, after credit risk mitigation (CRM):

Table 13a: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2014

Exposure Class	Exposure after Credit Risk Mitigation (RM'000)						Total Exposures (RM'000)
	0%	20%	35%	50%	75%	100%	
Exposures under Standardised Approach							
Sovereigns/Central Banks	26,027,459	669,804	-	-	-	313,182	27,010,445
Public Sector Entities	2,951,785	803,661	-	-	-	-	3,755,446
Banks, Development Financial Institutions & MDBs	236,793	15,376,524	-	6,502,092	-	584	22,115,993
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	63,325	-	334,108	397,433
Corporates	4,282,167	10,229,270	-	565,215	-	18,450,395	33,702,598
Regulatory Retail	2,802	-	-	41,832	25,359,945	1,817,179	27,333,608
Residential Mortgages	-	-	2,469,253	719,285	963,135	606,186	4,773,006
Higher Risk Assets	-	-	-	-	-	-	200,554
Other Assets	1,559,111	-	-	-	-	1,359,331	2,918,442
Equity Exposures	-	-	-	-	-	514,311	514,315
Total Exposures after CRM (RM'000)	35,060,117	27,079,259	2,469,253	7,891,749	26,323,080	23,395,276	122,721,840
Total Risk-Weighted Assets (RM'000)	-	5,415,852	864,239	3,945,874	19,742,310	23,395,276	54,118,210

6.0 CREDIT RISK (CONTINUED)
6.5 Credit Exposures and Risk-Weighted Assets By Portfolio and Approaches (Continued)
Table 13b: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2013

Exposure Class	Exposure after Credit Risk Mitigation (RM'000)							Total Exposures (RM'000)
	Risk Weight (%)							
	0%	20%	35%	50%	75%	100%	150%	
Exposures under Standardised Approach								
Sovereigns/Central Banks	28,197,238	672,270	-	-	-	119,891	-	28,989,399
Public Sector Entities	-	1,186,854	-	-	-	-	-	1,186,854
Banks, Development Financial Institutions & MDBs	111,174	10,373,442	-	5,372,558	-	412,972	18,414	16,288,560
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	203,450	-	203,450
Corporates	4,160,484	8,711,762	-	854,602	-	13,483,429	141,565	27,351,842
Regulatory Retail	56,206	5,495	-	35,803	23,930,694	882,054	187,505	25,097,757
Residential Mortgages	-	-	150	-	2,164,150	-	-	2,164,300
Higher Risk Assets	-	-	-	-	-	-	214,422	214,422
Other Assets	1,178,068	47,052	-	-	-	1,179,635	-	2,404,755
Equity Exposures	-	-	-	-	-	425,084	7	425,091
Total Exposures after CRM (RM'000)	33,703,170	20,996,875	150	6,262,963	26,094,844	16,706,515	561,913	104,326,430
Total Risk-Weighted Assets (RM'000)	-	4,199,375	53	3,131,482	19,571,133	16,706,515	842,871	44,451,429

6.6 Use of External Ratings

For sovereigns, corporate and banking institutions, external ratings from approved external credit assessment institutions (ECAIs), where available, are used to calculate the risk-weighted assets and regulatory capital.

The process used to map ECAIs issuer ratings or comparable ECAIs issue ratings, are in accordance to BNM standards. Approved ECAIs are as follows:

- Standard & Poor's (S&P);
- Moody's Investor Services (Moody's);
- Fitch Ratings (Fitch);
- Malaysian Rating Corporation Berhad (MARC);
- Rating Agency Malaysia (RAM); and
- Rating and Investment Information, Inc (R&I).

External ratings for the counterparties are determined as soon as relationship is established and these ratings are tracked and kept updated. Only publicly available credit ratings are used for regulatory risk weighting purpose. Where the counterparty is not rated, the corresponding exposure is mapped as 'unrated' and the appropriate risk weight for unrated exposures is assigned.

6.0 CREDIT RISK (CONTINUED)

6.6 Use of External Ratings (Continued)

The following tables show RHB Bank Group's credit exposures as at 31 December 2014 compared with 31 December 2013 position, according to the ratings by ECAIs:

Table 14a: Rated Exposures According to Ratings by ECAIs as at 31 December 2014

Ratings of Corporates by Approved ECAIs		Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
On and Off-Balance Sheet Exposures							
Public Sector Entities (RM'000)		S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Insurance/Takaful Cos, Securities Firms & Fund Managers (RM'000)		Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Corporates (RM'000)		RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated
		MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B1 to D	Unrated
		R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
				2,203,357	-	-	1,552,089
				47,262	-	-	350,171
			9,571,475	560,272	308,660	13,548	23,115,543
Short Term Ratings of Corporates by Approved ECAIs							
On and Off-Balance Sheet Exposures							
Corporates (RM'000)		Moody's	P-1	P-2	P-3	Others	Unrated
		S&P	A-1	A-2	A-3	Others	Unrated
		Fitch	F1+, F1	F2	F3	B to D	Unrated
		RAM	P-1	P-2	P-3	NP	Unrated
		MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
		R&I	a-1+, a-1	a-2	a-3	b, c	Unrated
			133,100	-	-	-	-
Ratings of Sovereigns and Central Banks by Approved ECAIs							
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks (RM'000)		Moody's	Aa1 to Aa3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
		S&P	AAA to AA-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		Fitch	AAA to AA-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		R&I	AAA to AA-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
			1,985,744	292,674	257,593	-	144,272
			24,330,162				
Ratings of Banking Institutions by Approved ECAIs							
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs (RM'000)		Moody's	Aa1 to Aa3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
		S&P	AAA to AA-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		Fitch	AAA to AA-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		RAM	AAA to AA3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
		MARC	AAA to AA-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
		R&I	AAA to AA-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
			5,118,585	2,878,394	12,523	-	2,476,570
			11,629,921				

6.0 CREDIT RISK (CONTINUED)
6.6 Use of External Ratings (Continued)
Table 14b: Rated Exposures According to Ratings by ECAIs as at 31 December 2013

Ratings of Corporates by Approved ECAIs		Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
On and Off-Balance Sheet Exposures							
Public Sector Entities (RM'000)		S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Insurance/Takaful Cos, Securities Firms & Fund Managers (RM'000)		Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Corporates (RM'000)		RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated
		MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B1 to D	Unrated
		R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
			8,983,439	843,868	71,664	699	1,186,854
							203,450
							17,452,172
Short Term Ratings of Corporates by Approved ECAIs							
On and Off-Balance Sheet Exposures							
Corporates (RM'000)		Moody's	P-1	P-2	P-3	Others	Unrated
		S&P	A-1	A-2	A-3	Others	Unrated
		Fitch	F1+, F1	F2	F3	B to D	Unrated
		RAM	P-1	P-2	P-3	NP	Unrated
		MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
		R&I	a-1+, a-1	a-2	a-3	b, c	Unrated
Ratings of Sovereigns and Central Banks by Approved ECAIs							
On and Off-Balance Sheet Exposures							
Sovereigns and Central Banks (RM'000)		Moody's	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
		S&P	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		Fitch	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		R&I	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
			897,541	286,036	68,515		52,616
Ratings of Banking Institutions by Approved ECAIs							
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs (RM'000)		Moody's	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
		S&P	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		Fitch	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
		RAM	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
		MARC	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
		R&I	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
			3,694,855	2,065,230	157,201		3,587,703

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control

Credit Risk Mitigation

The Bank generally does not grant credit facilities solely on the basis of collateral provided. All credit facilities are granted based on the credit standing of the borrower/customer, source of repayment and debt/financing servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed, subject to the Bank's policies that govern the eligibility of collateral used for credit risk mitigation. Reliance on collateral when taken is carefully assessed in the light of issues such as legal certainty and enforceability, market valuation and counterparty risk of the guarantor. Recognised collaterals where relevant, include both financial and physical assets. Financial collaterals include cash deposits, shares and unit trusts, while physical collateral includes land and buildings and vehicles. Apart from financial collateral and physical collateral, the Bank has defined standards on the acceptance of guarantors as credit risk mitigants.

Collateral is valued in accordance with the Bank's policy on collateral valuation, which prescribes the frequency of valuation for different collateral/securities types, based on liquidity and volatility of the collateral value and the underlying product or risk exposure. The value of collaterals/securities pledged is monitored periodically, analysed and updated concurrently with the annual/periodic renewal of facilities, as well as updated into the Bank's collateral system.

The Bank also accepts non-tangible securities as support, such as guarantees from individuals, corporates and institutions, bank guarantees, debenture and assignment of contract proceeds, subject to internal guidelines on eligibility. Currently, the Bank does not employ the use of derivative credit instruments and on-balance sheet netting to mitigate its financing exposures. Where possible, the Bank enters into International Swaps and Derivatives Association (ISDA) Master Agreement with its derivative and swap counterparties as the master agreement provides the legal certainty that the credit exposures between counterparties will be netted.

Equity securities or collaterals acquired arising from debt conversions are accounted for as disposal of the loan/financing and acquisition of equity securities or investment properties. Any further impairment of the assets or business acquired is treated as impairment of the relevant asset or business rather than as impairment of the original instrument.

The Bank has established mechanism to monitor credit and market concentration within its credit mitigation.

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (Continued)

The following tables show the credit risk mitigation of portfolios under the Standardised Approach and IRB Approach respectively as at 31 December 2014 compared with 31 December 2013:

Table 15a: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2014

Exposure Class	Exposures Before Credit Risk Mitigation (RM'000)	Exposures Covered by Guarantees/ Credit Derivatives (RM'000)	Exposures Covered by Eligible Financial Collateral (RM'000)
On-Balance Sheet Exposures			
Sovereigns/Central Banks	26,997,934	-	-
Public Sector Entities	3,668,652	2,951,784	-
Banks, Development Financial Institutions & MDBs	18,824,630	236,793	-
Insurance/Takaful Cos, Securities Firms & Fund Managers	298,428	-	-
Corporates	30,595,428	4,282,167	967,754
Regulatory Retail	33,941,871	1,894	9,406,241
Residential Mortgages	4,531,077	-	10,352
Higher Risk Assets	200,554	-	-
Other Assets	2,918,401	-	-
Equity Exposures	514,315	-	-
Defaulted Exposures	555,578	830	68,617
Total On-Balance Sheet Exposures	123,046,868	7,473,468	10,452,964
Off-Balance Sheet Exposures			
OTC Derivatives	4,120,790	-	-
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	6,932,135	-	925,539
Defaulted Exposures	8,381	-	7,831
Total Off-Balance Sheet Exposures	11,061,306	-	933,370
Total On and Off-Balance Sheet Exposures	134,108,174	7,473,468	11,386,334

6.0 CREDIT RISK (CONTINUED)**6.7 Credit Risk Monitoring and Control (Continued)****Table 15b: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2013**

Exposure Class	Exposures Before Credit Risk Mitigation (RM'000)	Exposures Covered by Guarantees/ Credit Derivatives (RM'000)	Exposures Covered by Eligible Financial Collateral (RM'000)
<u>On-Balance Sheet Exposures</u>			
Sovereigns/Central Banks	28,986,395	3,313,818	-
Public Sector Entities	1,098,379	-	-
Banks, Development Financial Institutions & MDBs	13,394,882	111,174	1,680
Insurance/Takaful Cos, Securities Firms & Fund Managers	182,506	-	-
Corporates	25,184,551	4,125,199	700,258
Regulatory Retail	28,777,414	1,495	7,086,355
Residential Mortgages	1,895,014	-	6,311
Higher Risk Assets	200,619	-	-
Other Assets	2,397,268	-	-
Equity Exposures	425,091	-	-
Defaulted Exposures	673,062	1,197	45,779
Total On-Balance Sheet Exposures	103,215,181	7,552,883	7,840,383
<u>Off-Balance Sheet Exposures</u>			
OTC Derivatives	2,247,602	-	-
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	7,101,384	-	491,125
Defaulted Exposures	31	-	-
Total Off-Balance Sheet Exposures	9,349,017	-	491,125
Total On and Off-Balance Sheet Exposures	112,564,198	7,552,883	8,331,508

6.0 CREDIT RISK (CONTINUED)
6.7 Credit Risk Monitoring and Control (Continued)
Table 16a: Credit Risk Mitigation of Portfolios under the IRB Approach as at 31 December 2014

Exposure Class	Exposures Before Credit Risk Mitigation (RM'000)	Exposures Covered by Guarantees/ Credit Derivatives (RM'000)	Exposures Covered by Eligible Financial Collateral (RM'000)	Exposures Covered by Other Eligible Collateral (RM'000)
<u>On-Balance Sheet Exposures</u>				
Insurance/Takaful Cos, Securities Firms & Fund Managers	99	-	-	-
Corporates, of which	42,768,648	180,767	5,042,644	8,112,508
Corporate Exposures (excluding exposures with firm-size adjustments)	30,886,707	132,070	4,190,918	2,835,241
Corporate Exposures (with firm-size adjustments)	11,881,941	48,697	851,726	5,277,267
Retail, of which	34,256,681	41	8,678	12,895,205
Residential Mortgages	19,031,632	-	-	12,887,769
Qualifying Revolving Retail Exposures	1,446,934	-	-	-
Hire Purchase Exposures	5,111,856	-	-	-
Other Retail Exposures	8,666,259	41	8,678	7,436
Defaulted Exposures	2,456,599	-	20,239	820,770
Total On-Balance Sheet Exposures	79,482,027	180,808	5,071,561	21,828,483
<u>Off-Balance Sheet Exposures</u>				
OTC Derivatives	-	-	-	-
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	13,959,558	714	427,054	1,293,721
Defaulted Exposures	23,580	-	16,214	2,038
Total Off-Balance Sheet Exposures	13,983,138	714	443,268	1,295,759
Total On and Off-Balance Sheet Exposures	93,465,165	181,522	5,514,829	23,124,242

6.0 CREDIT RISK (CONTINUED)**6.7 Credit Risk Monitoring and Control (Continued)****Table 16b: Credit Risk Mitigation of Portfolios under the IRB Approach as at 31 December 2013**

Exposure Class	Exposures Before Credit Risk Mitigation (RM'000)	Exposures Covered by Guarantees/ Credit Derivatives (RM'000)	Exposures Covered by Eligible Financial Collateral (RM'000)	Exposures Covered by Other Eligible Collateral (RM'000)
On-Balance Sheet Exposures				
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-
Corporates, of which	35,256,782	100,854	4,595,873	10,533,842
Corporate Exposures (excluding exposures with firm-size adjustments)	28,294,200	29,258	3,978,494	6,912,659
Corporate Exposures (with firm-size adjustments)	6,962,582	71,596	617,379	3,621,183
Retail, of which	30,617,196	-	-	13,014,155
Residential Mortgages	16,329,547	-	-	13,007,280
Qualifying Revolving Retail Exposures	1,525,196	-	-	-
Hire Purchase Exposures	6,009,908	-	-	-
Other Retail Exposures	6,752,545	-	-	6,875
Defaulted Exposures	2,801,683	-	23,962	1,325,593
Total On-Balance Sheet Exposures	68,675,661	100,854	4,619,835	24,873,590
Off-Balance Sheet Exposures				
OTC Derivatives	-	-	-	-
Off-balance sheet exposures other than OTC Derivatives or Credit Derivatives	20,126,172	6,911	747,823	4,617,311
Defaulted Exposures	124,588	-	10,017	3,479
Total Off-Balance Sheet Exposures	20,250,760	6,911	757,840	4,620,790
Total On and Off-Balance Sheet Exposures	88,926,421	107,765	5,377,675	29,494,380

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (Continued)

Credit Concentration Risk

Credit concentration risk is defined as any single exposure or group of exposures with the potential to produce losses large enough (relative to a bank's capital, total assets, or overall risk level) to threaten a bank's health or ability to maintain its core operations.

The Bank manages the diversification of its portfolio to avoid undue credit concentration risk. Credit concentration risk exists in lending/financing to single customer groups, borrowers/customers engaged in similar activities, or diverse groups of borrowers/customers that could be affected by similar economic or other factors. To manage this concentration risk, exposure limits are established for single borrowing/financing groups and industry segments. Analysis of any single large exposure and group of exposures is regularly conducted and the lending/financing units undertake regular account updates, monitoring and management of these exposures.

Industry and sector-specific analysis are also incorporated within the overall credit risk management regiment. In this respect, the Bank seeks to continually update lending or financing guidelines based on periodic reviews and updates of industry and sector risk factors and economic outlook. This facilitates better management of credit concentration risk.

Credit Monitoring and Annual Reviews

The Bank regularly monitors credit exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are generated for Senior Management, GCRC, IRMC, BRC and Board, containing information on key environmental, political and economic trends across portfolios and countries, portfolio delinquency with major credit delinquency, and loan/financing impairment performance.

In addition to the on-going qualitative assessment by the account relationship managers, reviews are conducted at least once a year with updated information on the customer's financial position, market position, industry and economic condition and account conduct. Specific loans/financings may be reviewed more frequently under appropriate circumstances. Such circumstances may arise if, for instance, the Bank believes that heightened risk exists in a particular industry, or the borrower/customer has defaulted on obligations to suppliers or other financial institutions or is facing cash flow or other difficulties.

Within Group Credit Management, there is a mechanism in place for credit monitoring to flag-out problematic loans (watch list accounts) for intensive monitoring under Enhanced Account Management (EAM). These are accounts which may be exhibiting early distress patterns or in the early stages of delinquency but not yet in default. The EAM guidelines have been further refined in 2014 to better identify, monitor and resolve such account.

Group Internal Audit conducts independent post-approval reviews on a sampling basis to ensure that the quality of credit appraisals and approval standards is in accordance with the credit underwriting standards and financing policies established by the Bank's Management, and relevant laws and regulations.

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing

The Bank adopts BNM's guidelines on Classification and Impairment Provisions for Loans/Financing. The principles in this guidelines are in line with those applicable under the International Financial Reporting Standards compliant framework, the Malaysia Financial Reporting Standards 139.

The Bank classifies loans/financing as impaired:

1. When the principal or interest/profit or both is past due for more than 90 days or 3 months. In the case of revolving facilities (e.g., overdraft facilities), the facility shall be classified as impaired when the outstanding amount is in excess of the approved limit for a period of more than 90 days or 3 months;
2. Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, the loan/financing exhibits weaknesses that render a classification appropriate according to the Bank's credit risk grading framework;
3. Where repayments are scheduled on intervals of 3 months or longer, the loan/financing is classified as impaired as soon as a default occurs, unless it does not exhibit any weakness that would render it classified according to the Bank's credit risk grading framework;
4. For rescheduled and restructured facilities, the account shall be classified as impaired in accordance with paragraphs (1), (2) and (3) above, based on the revised or restructured terms; and
5. Where any one of the Mandatory Status Triggers (MST) or any two or more of the Ancillary Status Triggers (AST) have occurred. MST and AST are a set of pre-defined triggers events approved by the Bank, such as bankruptcy/wound-up, ceased operations, etc.

Individual Assessment – Impairment Triggers

For borrowers/customers (customers with threshold of RM5 million and above per customer) under individual assessment, the Bank performs impairment assessment when any one of the MSTs or any two of the ASTs events has occurred. Such borrower/customer will be classified as impaired loan/financing even though no impairment allowance is required after impairment assessment.

Individual Impairment Allowances

A borrower/customer with loan/financing outstanding of RM5 million and above and triggered either by any one of the MSTs or any two of the ASTs will be classified as impaired loans/financing, which is subject to impairment allowances based on recovery cash-flow method, i.e., net present value of future cash flows are discounted based on original effective interest rates and compared against carrying amount. Any impairment will be provided in full immediately.

Collective Impairment Allowances

Collective impairment applies to all other accounts (impaired and non-impaired) that do not fall within the threshold of individual assessment. The impairment allowances for accounts under collective assessment are as follows:

1. Segmentation is applied to group of loans/financing, both impaired and non-impaired, based on similar credit risk characteristics, for the purpose of assessing impairment and computing historical default rates and loss rates.
2. Probability of default (PD) model is established with standard loss identification period (by months) and Point of No Return (by months in arrears). PD model adopted could either be migration analysis model or flow rate model. The approaches to migration analysis model could be either by way of outstanding balances or number of accounts.
3. Loss Given Default (LGD) model establishes loss rate at the point in time when the loss event occurred i.e., based on actual incurred loss model.

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (Continued)

Re-classification and Recovery of Impaired Borrowers/Customers

An impaired borrower/customer may be re-classified as a non-impaired borrower/customer under the following situations:

1. When the loan/financing repayment of the impaired borrower/customer has improved with the principal or interest/profit (or both) of its facilities with the Bank being past due by 90 days or 3 months or less.
2. Where the borrower/customer exhibits weakness that render it to be classified as impaired, even though its loan/financing is past-due by 90 days or less than 3 months or less, such borrowers/customers may be re-classified as non-impaired when these weaknesses have been subsequently addressed and resolved.
3. Where the borrower/customer has been individually assessed as impaired due to either any one of the MSTs or any two of the ASTs, the borrower/customer may be re-classified as non-impaired when these triggers have been addressed and resolved subsequently with only one AST remaining or none at all.

However, for borrowers/customer under approved rescheduling or restructuring, the reclassification to non-impaired status and the write-back of impairment allowances can only effected upon fulfilment of the specified cooling period.

Write-Off of Impaired Loans/Financing

All loans/financing that satisfy any one of the following criteria, if any, may be recommended for write-off:

1. Deemed irrecoverable, worthless and with slim prospect of recovery.
2. Waiver/discount already given under approved composite settlement schemes.
3. All retail and scored loans/financing with ageing of 12 months and above, provided legal action has been initiated.
4. In the case of credit card and unsecured personal financing, aging is 6 months and above and the write off is automatic.

Partial write-offs of impaired loans/financing is permitted for the shortfall portion in outstanding balance over the security value which is uncollectible and worthless; and the Bank is in the final stage of realising the security/collateral; or in the case of approved composite settlement arrangement, the waiver portion. Further shortfall if any, arising from the disposal of all securities and upon receipt of the sale proceeds, shall be written off immediately.

This policy of impairment loans/financing write-off is intended to provide a timely and consistent methodology for loans/financing to be written-off and to reflect the true value of assets in the Bank's books.

6.0 CREDIT RISK (CONTINUED)**6.8 Impairment Allowances for Loans/Financing (Continued)**

The following tables show RHB Bank Group's impaired and past due loans/financing and allowances by industry sector as at 31 December 2014 compared with 31 December 2013:

Table 17a: Impaired and Past Due Loans/Financing and Allowances for Impairment by Industry Sector as at 31 December 2014

Industry Sector	Impaired Loans and Advances/Financing (RM'000)	Past Due Loans/Financing (RM'000)	Individual Impairment Allowances (RM'000)	Collective Impairment Allowances (RM'000)
Agriculture	14,357	11,333	-	49,994
Mining & Quarrying	1,626	5,114	-	11,303
Manufacturing	786,949	64,619	305,099	124,737
Electricity, Gas & Water Supply	525	650	-	27,887
Construction	178,643	54,556	46,056	68,847
Wholesale, Retail Trade, Restaurants & Hotels	266,636	72,971	23,035	149,353
Transport, Storage & Communication	10,997	39,687	182	58,061
Finance, Insurance/Takaful, Real Estate & Business	186,609	105,324	3,389	139,991
Education, Health & Others	16,049	10,393	3,415	29,181
Household	1,264,576	6,143,444	27,335	673,670
Others	2,614	-	1,163	13,860
Total	2,729,581	6,508,091	409,674	1,346,884

Table 17b: Impaired and Past Due Loans/Financing and Allowances for Impairment by Industry Sector as at 31 December 2013

Industry Sector	Impaired Loans and Advances/Financing (RM'000)	Past Due Loans/Financing (RM'000)	Individual Impairment Allowances (RM'000)	Collective Impairment Allowances (RM'000)
Agriculture	62,830	7,700	6	45,233
Mining & Quarrying	318	4,405	-	7,981
Manufacturing	1,143,432	82,909	615,920	124,366
Electricity, Gas & Water Supply	-	13	-	30,025
Construction	191,499	45,217	53,200	62,232
Wholesale, Retail Trade, Restaurants & Hotels	215,790	86,806	72,885	145,786
Transport, Storage & Communication	61,374	49,429	54,045	64,753
Finance, Insurance/Takaful, Real Estate & Business	315,582	79,837	73,211	133,861
Education, Health & Others	13,842	9,166	942	22,906
Household	1,341,888	5,650,260	21,085	622,812
Others	1,157	-	-	12,682
Total	3,347,712	6,015,742	891,294	1,272,637

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (Continued)

The following table shows the charges/(write-back) and write-offs for impairment by industry sector as at 31 December 2014 compared with 31 December 2013:

Table 18: Net Charges/(Write-back) and Write-Offs for Impairment by Industry Sector

Industry Sector	Twelve Months Period Ended 2014		Twelve Months Period Ended 2013	
	Net Charges/ (Write-back) for Individual Impairment Allowances (RM'000)	Write-Offs (RM'000)	Net Charges/ (Write-back) for Individual Impairment Allowances (RM'000)	Write-Offs (RM'000)
Agriculture	-	1,781	(46)	15,903
Mining & Quarrying	-	62	-	821
Manufacturing	17,857	332,992	348,863	100,048
Electricity, Gas & Water Supply	-	-	-	-
Construction	(1,536)	10,462	(28,817)	70,909
Wholesale, Retail Trade, Restaurants & Hotels	(5,864)	50,923	7,404	28,046
Transport, Storage & Communication	2,330	60,471	4,406	2,627
Finance, Insurance/Takaful, Real Estate & Business	(15,086)	56,613	(30,338)	15,627
Education, Health & Others	3,022	166	(1,194)	564
Household	3,722	303,534	5,895	278,384
Others	149	3,492	402	6,271
Total	4,594	820,496	306,575	519,200

The following tables show RHB Bank Group's impaired and past due loans/financing and allowances by geographical distribution as at 31 December 2014 compared with 31 December 2013:

Table 19a: Impaired and Past Due Loans/Financing and Allowances for Impairment by Geographical Distribution as at 31 December 2014

Geographical Distribution	Impaired Loans and Advances/ Financing (RM'000)	Past Due Loans/ Financing (RM'000)	Individual Impairment Allowances (RM'000)	Collective Impairment Allowances (RM'000)
Malaysia	2,594,152	5,375,141	361,203	1,308,184
Singapore	101,577	1,112,173	36,999	18,927
Thailand	21,871	-	9,357	10,655
Brunei	8,245	20,777	499	1,431
Cambodia	3,736	-	1,616	7,687
Laos	-	-	-	-
Total	2,729,581	6,508,091	409,674	1,346,884

6.0 CREDIT RISK (CONTINUED)**6.8 Impairment Allowances for Loans/Financing (Continued)****Table 19b: Impaired and Past Due Loans/Financing and Allowances for Impairment by Geographical Distribution as at 31 December 2013**

Geographical Distribution	Impaired Loans and Advances/ Financing (RM'000)	Past Due Loans/ Financing (RM'000)	Individual Impairment Allowances (RM'000)	Collective Impairment Allowances (RM'000)
Malaysia	3,223,427	5,035,569	837,361	1,240,996
Singapore	85,600	967,930	41,953	16,674
Thailand	16,025	-	4,315	9,033
Brunei	8,535	12,243	999	1,395
Cambodia	14,125	-	6,666	4,539
Laos	-	-	-	-
Total	3,347,712	6,015,742	891,294	1,272,637

The following tables show the reconciliation of changes to loan/financing impairment allowances as at 31 December 2014 compared with 31 December 2013:

Table 20: Reconciliation of Changes to Loan/Financing Impairment Allowances

Individual Impairment Allowances	2014 (RM'000)	2013 (RM'000)
Balance as at the beginning of financial year	891,294	780,081
Net Allowance/(written back) made during the year	4,594	306,575
Reclassification (to)/from collective impairment allowance	(64)	2,509
Transfer to impairment of investment securities	(9,871)	-
Amount Written-Off	(481,317)	(203,000)
Exchange Differences	5,038	5,129
Balance as at the end of financial year	409,674	891,294

Collective Impairment Allowances	2014 (RM'000)	2013 (RM'000)
Balance as at the beginning of financial year	1,272,637	1,397,971
Net Allowance/(written back) made during the year	410,921	190,415
Reclassification from/(to) individual impairment allowance	64	(2,509)
Amount Written-Off	(339,179)	(316,200)
Exchange Differences	2,441	2,960
Balance as at the end of financial year	1,346,884	1,272,637

7.0 MARKET RISK

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

Market risk is segregated into trading market risk and non-trading market risk. Trading market risk arises from changes in interest/profit rates, foreign exchange rates, equity prices and credit spreads on the value of assets held for trading, while non-trading market risk arises from changes in interest/profit rates, foreign exchange rates and equity prices, of which the main non-trading market risk is interest/profit rate risk arising from re-pricing mismatches of its assets and liabilities from its banking activities.

The Bank transacts in money market, foreign exchange markets and capital markets which give rise to market risk exposures. Financial instruments transacted include debt and other securities and certain financial derivative instruments. Derivative instruments are contracts whose characteristics and value are derived from underlying financial instruments, interest/profit rates, exchange rates, or indices. They include futures, forwards, swaps, and options transactions in the foreign exchange and interest/profit rate markets. Derivative contracts entered into by the Bank are primarily over the counter derivatives.

The Bank has an established Group Trading Book Policy Statement as guidance for market risk management. This is reviewed regularly at least once a year, and/or upon change in strategy or significant event that has a material impact on policy compliance.

The Group Asset and Liability Committee (Group ALCO) performs a critical role in the management of market risk and supports the IRMC and BRC in the overall market risk management. Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of market risk; this includes the development of the Bank's market risk strategy, market risk management structure and the policies as well as measurement techniques to be put in place.

The Group Market Risk Management within Group Risk Management is the working level that forms a centralised function to support Senior Management to operationalise the processes and methods, to ensure adequate risk control and oversight are in place.

Market Risk Assessment

The Bank applies risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk (VaR), sensitivity analysis and stress testing.

The Bank adopts a systematic approach in managing these risks by types of instruments and nature of exposure. Market risk is primarily monitored and controlled via a structure of limits and triggers i.e. cut loss, VaR, trading and notional limit set in accordance with the size of positions and risk tolerance appetites.

In addition, the Bank conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

Market Risk Monitoring and Reporting

For effective control of market risk, defined management action triggers and risk limits are established and actively monitored. Only authorised trading activities may be undertaken by the various business units within the allocated limits. All trading positions are monitored on a daily basis by independent support units. Should exposures or transactions set off pre-established triggers, management will deliberate and determine on course of actions required on a timely basis.

7.0 MARKET RISK (CONTINUED)**Hedging Activities**

Hedging activities designated for hedge accounting are governed by the Bank's Hedging Policy that prescribes the overall hedge activities that can be executed by the Bank and the subsequent control procedures such as effectiveness measurement and reporting to Group ALCO.

A hedge is defined as a position that materially or entirely offsets the component risk elements of another position or portfolio.

Hedging instruments used to mitigate these risks include derivatives such as options, futures, forwards and swaps that are approved by the Board. Execution of the hedging is carried out by the relevant division through the Bank's treasury functions with the approval of Group ALCO.

Capital Treatment for Market Risk

The Bank applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank and RHB Islamic as at 31 December 2014 and 31 December 2013 are shown in the tables below:

Table 21a: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2014

RHB Bank Group	Long Position (RM'000)	Short Position (RM'000)	RWA (RM'000)	Minimum Capital Requirements (RM'000)
Market Risk				
Interest/Profit Rate Risk	73,816,399	71,550,774	2,016,745	161,340
Foreign Currency Risk	1,479,058	33,303	1,491,704	119,336
Total			3,508,449	280,676

RHB Bank	Long Position (RM'000)	Short Position (RM'000)	RWA (RM'000)	Minimum Capital Requirements (RM'000)
Market Risk				
Interest Rate Risk	71,191,331	69,276,262	1,874,705	149,977
Foreign Currency Risk	1,482,146	33,402	1,494,792	119,583
Total			3,369,497	269,560

RHB Islamic Bank	Long Position (RM'000)	Short Position (RM'000)	RWA (RM'000)	Minimum Capital Requirements (RM'000)
Market Risk				
Profit Rate Risk	2,625,070	2,274,513	119,500	9,560
Foreign Currency Risk	1,785	(4,857)	4,857	388
Total			124,357	9,948

7.0 MARKET RISK (CONTINUED)

Table 21b: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2013

RHB Bank Group	Long Position (RM'000)	Short Position (RM'000)	RWA (RM'000)	Minimum Capital Requirements (RM'000)
Market Risk				
Interest/Profit Rate Risk	47,289,310	44,524,084	1,297,597	103,808
Foreign Currency Risk	1,622,323	31,091	1,625,586	130,047
Total			2,923,183	233,855

RHB Bank	Long Position (RM'000)	Short Position (RM'000)	RWA (RM'000)	Minimum Capital Requirements (RM'000)
Market Risk				
Interest Rate Risk	45,695,895	43,924,084	1,320,273	105,622
Foreign Currency Risk	1,575,838	26,432	1,579,102	126,328
Total			2,899,375	231,950

RHB Islamic Bank	Long Position (RM'000)	Short Position (RM'000)	RWA (RM'000)	Minimum Capital Requirements (RM'000)
Market Risk				
Profit Rate Risk	1,593,416	800,000	118,997	9,520
Foreign Currency Risk	41,841	14	41,841	3,347
Total			160,838	12,867

For years 2014 and 2013, RHB Bank Group, RHB Bank and RHB Islamic did not have any exposure under equity risk, commodity risk, inventory risk and options risk; and market risk exposure absorbed by PSIA.

8.0 EQUITY EXPOSURES IN THE BANKING BOOK

Equity risk is the risk of decline in the net realisable value of investment assets arising from adverse movements in market prices or factors specific to the investment itself. The Bank holds positions as a result of debt equity conversions and for socio-economic and non socio-economic purposes, which are deemed as non-trading instruments.

Holding of publicly traded equity investments comprise quoted shares which are traded actively in the stock exchange. All publicly traded equity exposures are stated at fair value. Privately held equities are unquoted investments and stated at cost-adjusted for impairment loss, if any.

For debt equity conversions, the Bank has established a Policy on Debt & Equity Instruments that governs the management of such exposures to ensure that these exposures are effectively managed and accounted for in the Bank's books.

For regulatory capital purpose, the Bank adopts the Standardised Approach to calculate the risk-weighted exposures.

8.0 EQUITY EXPOSURES IN THE BANKING BOOK (CONTINUED)

The risk-weighted assets of equity investments of the Bank as at 31 December 2014 and 31 December 2013 are shown in the tables below:

Table 22a: Equity Exposures in the Banking Book as at 31 December 2014

Equity Type	Gross Credit Exposures (RM'000)	RWA (RM'000)
Publicly traded		
- Holdings of equity investments	10,719	10,719
Privately held		
- For socio-economic purposes	502,732	502,732
- For non socio-economic purposes	4	6
Other equity	860	860
Total	514,315	514,317
	(RM'000)	
Total Unrealised Gains/Loss	313,399	

Table 22b: Equity Exposures in the Banking Book as at 31 December 2013

Equity Type	Gross Credit Exposures (RM'000)	RWA (RM'000)
Publicly traded		
- Holdings of equity investments	5,730	5,730
Privately held		
- For socio-economic purposes	412,603	412,603
- For non socio-economic purposes	5,898	5,902
Other equity	860	860
Total	425,091	425,095
	(RM'000)	
Total Unrealised Gains/Loss	282,323	

9.0 LIQUIDITY RISK

Liquidity risk is the risk of the Group being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due and transact at a reasonable cost.

There are two types of liquidity risk, namely funding liquidity and market liquidity risk. Funding liquidity risk is the risk that the Bank is unable to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group. Market liquidity risk is the risk that the Group cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

The primary role of a bank in terms of financial intermediation is the transformation of short-term deposits into long-term financing. By fulfilling the role of maturity transformation, banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risk.

Through the Group's Liquidity Risk Policy, the Bank manages the funding and market liquidity risk to ensure that banking operations continue uninterrupted under normal and stressed conditions. The key objective that underpins the Group's Liquidity Risk Policy includes maintaining financial market confidence at all times, protecting key stakeholders' interests and meeting regulatory liquidity requirements.

The Group ALCO supports the IRMC and BRC by performing the critical role in the management of liquidity risk, and is responsible for establishing strategies that assist in controlling and reducing any potential exposure to liquidity risk. The Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of liquidity risk and the Bank's balance sheet profile. Global and domestic economic data, information and events are deliberated at the Group ALCO meetings which enables the Bank to determine its actions and reactions in the capital markets. The Group ALCO is also the governance body which sets interest/profit rates for liabilities products as well as reference rates for financing products and services. Group ALCO is supported by Group Asset and Liability Management (Group ALM) at the working level. Group ALM monitors liquidity risk limits/Management Action Triggers (MATs) and reports to Group ALCO the liquidity risk profile on monthly basis.

The Bank has adopted the BNM's New Liquidity Framework as one of the liquidity measurement methods. In addition to ensuring compliance with the New Liquidity Framework, the Bank also maintains a liquidity compliance buffer to meet any unexpected cash outflow.

The liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

Some of the key liquidity risk management tools are top depositors' mixture, funding source mixture, maturity profile of funding sources and contingency funding lines.

The Bank has commenced the Basel III observation period reporting to BNM on the 2 key liquidity ratios, namely LCR and the NSFR.

The Group's Liquidity Incident Management Master Plan establishes guidelines for managing a liquidity crisis, identifying early warning signs of a possible liquidity event and the need for heightened liquidity risk monitoring and reduced liquidity risk exposure. In addition, the Master Plan also identifies the individuals responsible for formulating and executing the Bank's response to a liquidity event. The Group's Liquidity Incident Management Master Plan also covers the entire Group's operations including foreign branch operations.

10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk/rate of return risk in the banking book refers to any opportunity loss to the Group's income and/or economic value due to changes in interest/benchmark rates, which may arise from both on and off-balance sheet positions in the banking book. Interest rate risk/rate of return risk occurs whenever there is a mismatch in the re-pricing period of assets and liabilities. Excessive interest rate risk/rate of return risk can pose a significant threat to the Bank's earnings and capital. Changes in interest/benchmark rates may affect the Bank's earnings in terms of the net interest/profit income and economic value of equity.

Interest rate risk/rate of return risk in the banking book comprises:

- Re-pricing risk (mismatch risk) – Arises from timing differences in the maturity (for fixed-rate) and re-pricing (for floating-rate) of bank assets, liabilities, and off-balance sheet positions. While such re-pricing mismatches are fundamental to the business of banking, they can expose a bank's income and underlying economic value to unanticipated fluctuations as interest/benchmark rates vary;
- Basis risk – Arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics. When interest/benchmark rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities and off-balance sheet instruments of similar maturities or re-pricing frequencies;
- Yield curve risk – Arises when unanticipated shifts of the yield curve have adverse effects on the Group's income or underlying economic value; and
- Embedded optionality – Arises primarily from options that are embedded in many banking book positions (eg some fixed rate mortgage products give borrowers the option to prepay the loan early without penalty, call deposit, where customers have the option of withdrawing the deposit funds at any time).

Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) are used to assess interest rate risk/rate of return risk in the banking book. They are computed based on the re-pricing gap profile of the banking book. Assets and liabilities are bucketed based on their remaining tenure to maturity or next re-price dates. For indefinite maturity products, the re-pricing behaviour will be reflected in the gapping profile. The measurement of EaR and EVE is conducted on a monthly basis.

The Group ALCO supports IRMC and BRC in establishing policies, strategies and limits for the management of balance sheet risk exposure. The Group ALM within Group Risk Management supports the Group ALCO in the monthly monitoring and reporting of the interest rate/rate of return risk profile of the banking book. The primary objective in managing balance sheet risk is to manage the net interest/profit income and economic value of equity, as well as to ensure that interest rate risk/rate of return risk exposures are maintained within defined risk tolerances.

In addition, the Bank has established the ALM Policy which provides for the governance of interest rate risk/rate of return risk in the banking book. Interest/benchmark rate sensitivity triggers are applied on earnings for the respective profit centres within the Bank. The Bank regularly considers the economics and necessity of increasing or reducing its interest rate risk/rate of return risk hedges.

In line with the Bank's ALM Policy to achieve a balance between profitability from banking activities and minimising risk to earnings and capital from changes in interest/benchmark rates, interest rate risk/rate of return risk to earnings is controlled using MATs and identified escalation procedures.

Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest/benchmark rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating proactive management of interest rate risk/rate of return risk in the banking book in an environment of rapid financial market changes.

10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

The impact of changes in interest/benchmark rate to net earnings and economic value as at 31 December 2014 and 31 December 2013 are shown in the following tables:

Table 23a: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2014

Currency	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings (RM'000)		Increase/(Decline) in Economic Value (RM'000)	
	Impact based on +100 basis points	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
MYR - Malaysian Ringgit	32,722	(32,722)	(1,101,162)	1,101,162
USD - US Dollar	11,101	(11,101)	45,238	(45,238)
Others ¹	9,341	(9,341)	(45,861)	45,861
Total	53,164	(53,164)	(1,101,785)	1,101,785

Notes:

1. Inclusive of GBP, EUR, SGD, etc.
2. The EaR and EVE exposures are additive and do not take into account any correlation impact in the aggregation.
3. As at 31 December 2014, the earnings and economic values were computed based on the standardised approach adopted by BNM under revised method.

Table 23b: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2013

Currency	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings (RM'000)		Increase/(Decline) in Economic Value (RM'000)	
	Impact based on +100 basis points	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
MYR - Malaysian Ringgit	18,461	(18,461)	(1,694,987)	1,694,987
USD - US Dollar	(4,926)	4,926	16,933	(16,933)
Others ¹	(1,910)	1,910	(32,080)	32,080
Total	11,625	(11,625)	(1,710,134)	1,710,134

Notes:

1. Inclusive of GBP, EUR, SGD, etc.
2. The EaR and EVE exposures are additive and do not take into account any correlation impact in the aggregation.
3. As at 31 December 2013, RHB Islamic's earnings and economic value were computed assuming that all profit sensitive position that of indeterminate maturity are classified under 1 week bucket. This is the more conservative approach that is adopted by BNM.

10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

The impact to net earnings above represents financial assets and liabilities that have been prepared on the following basis:

- Interest/benchmark rate sensitive assets and liabilities with residual maturity or re-pricing tenure of up to one year that is not captured in the trading portfolio are slotted into time bands based on the maturity or re-pricing tenure whichever is earlier.
- A set of risk weights with its respective time band is used to project the applicable basis point interest/benchmark rate change impact.
- For assets and liabilities with non-fix maturity, e.g., current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of interest/benchmark rate bearing items.

Economic value is characterised by the impact of interest/benchmark rates changes on the value of all net cash flows, i.e., the effect on the economic value of the Bank's assets, liabilities and off-balance sheet positions. This provides a more comprehensive view of the potential long-term effects of changes in interest/benchmark rates than is offered by the earnings perspective.

The scenarios used are based on the assumption that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables.

11.0 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT, legal and Shariah non-compliance risk but excludes strategic and reputational risk. Operational risk is inherent in the Bank's operations and can never be eliminated entirely. The impact can be in the form of actual financial loss as well as non-financial loss such as loss of reputation, non-compliance and unsatisfactory service level to customers.

One of the Bank's primary safeguards against operational risk is the existence of a sound internal control system, based on the principle of dual control checks and balances, segregation of duties, independent checks and verification processes, and a segmented system access control and authorisation process. These controls are documented through a set of policies and procedures at the respective business and operation level.

The Group's Operational Risk Management Framework comprises a wide range of activities and elements, broadly classified into:

- **Analysis and Enhancement** – The Group has implemented a Basel II compliant operational risk management system to support its workflow and analytical capabilities.
- **Education and Awareness** – The Group undertakes change management activities to improve risk management knowledge, culture and practices of the Bank personnel. This is aligned with the principle and requirement that the front-line business and support units of the Group, are by nature of their direct involvement in interfacing with customers and in operating the business, responsible for managing operational risk and acting as the first line of defence.
- **Monitoring and Intervention** – This is where the principal head office risk control units, including the risk management function, compliance function and the internal audit function, actively manage operational non-compliances and incidences as a second and third line of defence respectively. The second line of defence also undertakes recovery actions, including business continuity measures in cases of incidences causing disruption to business activities.

Operational Risk Management Function and Organisation

The Group Operational Risk Management within Group Risk Management has the functional responsibility for the development of operational risk framework, policy and methodologies, and providing guidance and information to the business units on operational risk areas. Its responsibility also includes generating a broader understanding and awareness of operational risk issues at all levels in the Group. It also ensures that operational risks from new products, processes and systems are adequately managed and mitigated. The respective business units are primarily responsible for managing operational risk on a day-to-day basis.

Regular operational risk reporting is made to the Senior Management, the GCRC, IRMC, BRC and the Board. These reports include various operational risk aspects such as reporting of significant operational loss and Shariah non-compliance events. Such reporting enables Senior Management to identify adverse operational lapses, take prompt corrective actions, and ensure appropriate risk mitigation decision making and action plans.

11.0 OPERATIONAL RISK (CONTINUED)

Risk Management Process and Methodologies

The Bank has defined an operational risk management process, comprising risk identification, assessment, monitoring, and reporting. These are outlined as follows:

- **Risk and Control Self-Assessment (RCSA)**
Each business unit is required to identify and assess their own operational risks. RCSA is a risk profiling tool which facilitates effective operational risk management for the Bank, and focuses on future risk assessment by using past records of loss or near misses, key risk indicators, and related issues such as audit findings. The RCSA process is facilitated by the business units themselves who together with personnel from Group Operational Risk Management, would identify and assess key operational risks that could affect the effectiveness of controls and impact the achievement of business objectives. For identified risks lacking sufficient mitigation, the business units are required to establish action plans to improve the control environment to contain the risks to acceptable levels.
- **Key Risk Indicators (KRIs)**
Business units are required to monitor their risk exposures via KRIs and are required to develop specific and concrete plans to address those where indicators are unfavourable. KRIs are embedded into critical processes to provide early warning signals of increasing risk and/or control failures by flagging up frequencies of events as a mechanism for continuous risk assessment and monitoring.
- **Incident and Loss Management**
Business and support units are required to report operational losses for further analysis of root cause to avoid further recurrence. This is also useful for reviewing the effectiveness of the RCSA and KRIs.

Risk Mitigation and Controls

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, amongst others, are as follows:

- **Business Continuity Management**
To mitigate the impact of unforeseen operational risk events, the Bank has on-going and actively managed Business Continuity Planning (BCP) programmes for its major critical business operations and activities at the Head Office, data centre, and branches' locations. The BCP programmes are subject to regular testing to ensure efficacy, reliability and functionality, and come under the responsibility of the Business Continuity Management Department.

The Board of Directors has an oversight function through the BRC and GMC. The Group Business Continuity Management Steering Committee (GBCMSC) is the committee that oversees the Bank's business continuity framework, policies, budget and plans. The GBCMSC reports to the GCRC.
- **Outsourcing**
With the increasing need to outsource for cost and operational efficiency, the Group's Policy on Outsourcing ensures that the risk arising from outsourcing activities is adequately identified, assessed and managed prior to entering into any new arrangements and on an on-going basis.
- **Insurance/Takaful Management**
The Bank considers risk transfer by means of insurance/Takaful to mitigate operational risk. The Bank has a programme of insurance/Takaful designed to reduce its exposure to liability and to protect its assets. The Bank purchases insurance/Takaful from leading insurers in the market covering fraud, theft, property and casualty, business disruption, liability and other risks for which it may be held responsible. These are provided by third-party insurers/Takaful providers and will financially mitigate the economic consequences of risks.

11.0 OPERATIONAL RISK (CONTINUED)**Technology Risk**

The Bank recognises the risk arising from the advancement and reliance upon information technology to support business operations through the deployment of advance technology and online systems to provide customers with convenient and reliable products and services. The Group's Technology Risk Management Framework ensures that a governance structure is in place for the identification, assessment and management of technology risks within existing IT operations as well as prior to deployment of applications and systems for internal as well as external customers.

New Product and Services Approval Process

The Bank has established a Policy on Introduction of New/Variation of Products & Services Lifecycle which governs the risk management of new products, services, or significant changes thereto. The responsible units have a duty to assess the operational risk for new product launches and/or significant changes in product features or related processes and working systems, as well as to ensure that operational risk is at an acceptable level at all times.

Legal Risk

Legal risk is part of operational risk. It can arise from unenforceable, unfavourable, defective or unintended contracts; lawsuits or claims; developments in laws and regulations, or non-compliance with applicable laws and regulations. Business units work together with the Bank's legal counsel and external legal counsel to ensure that legal risk is effectively managed.

Capital Treatment for Operational Risk

Currently, the Bank adopts the Basic Indicator Approach for the calculation of regulatory operational risk capital requirements. The operational risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank Berhad, and RHB Islamic Bank as at 31 December 2014 and 31 December 2013, are shown below:

Table 24a: Operational Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2014

Operational Risk	RHB Bank Group (RM'000)	RHB Bank (RM'000)	RHB Islamic Bank (RM'000)
Risk-Weighted Assets	8,949,426	7,957,062	918,886
Minimum Capital Requirements	715,954	636,565	73,511

Table 24b: Operational Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2013

Operational Risk	RHB Bank Group (RM'000)	RHB Bank (RM'000)	RHB Islamic Bank (RM'000)
Risk-Weighted Assets	8,493,418	7,670,991	783,884
Minimum Capital Requirements	679,473	613,679	62,711

12.0 COUNTRY CROSS-BORDER RISK

Country cross-border risk is the risk that the Bank will be unable to obtain payment from customers or third-parties on their contractual obligations as a result of certain actions taken by foreign governments.

Cross-border assets comprise loans/financing and advances, interest/profit bearing deposits/placements with other banks, trade and other bills, acceptances, derivatives, certificates of deposit and other negotiable instruments, investment securities and other formal commitments where the counterparty is resident in a country other than where the assets are recorded. Cross-border assets also include exposures to local residents denominated in currencies other than the local currency.

The Bank is guided by the Group Guidance on Cross-Border Business, particularly on ethics in business practices, key success factors in managing such business, and the internal control measures which are essential to provide adequate protection to its customers as well as the Bank's interest, thus reducing the risks associated with business activities.

13.0 REPUTATIONAL RISK

Reputational risk is the risk that negative publicity regarding the conduct of the Bank or any of the entities within the 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.

Negative publicity about an institution's business practices may involve any aspect of its operations, but usually relates to questions of business ethics and integrity, or quality of products and services. Reputational risk will arise from failure to effectively mitigate one or more of country, credit, liquidity, market, regulatory, operational, environmental or social risk.

Reputational risk in the Bank is managed and controlled through codes of conduct, governance practices and risk management practices, policies, procedures and training. Towards this end, the Group has developed and implemented a Reputational Risk Management Framework.

The key elements for management of reputational risk include:

- Prompt and effective communication with all stakeholders;
- Strong and consistent enforcement of controls relating to governance, business and legal compliance;
- Continuous monitoring of threats to reputation;
- Ensuring ethical practices throughout the Group; and
- Establishing crisis management plans and ensuring these are continuously updated.

For the Bank's overseas operations, it is the responsibility of the Country Heads to promote awareness and application of the Bank's policy and procedures regarding reputational risk, in all dealings with customers, potential investors and host regulators.

14.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE

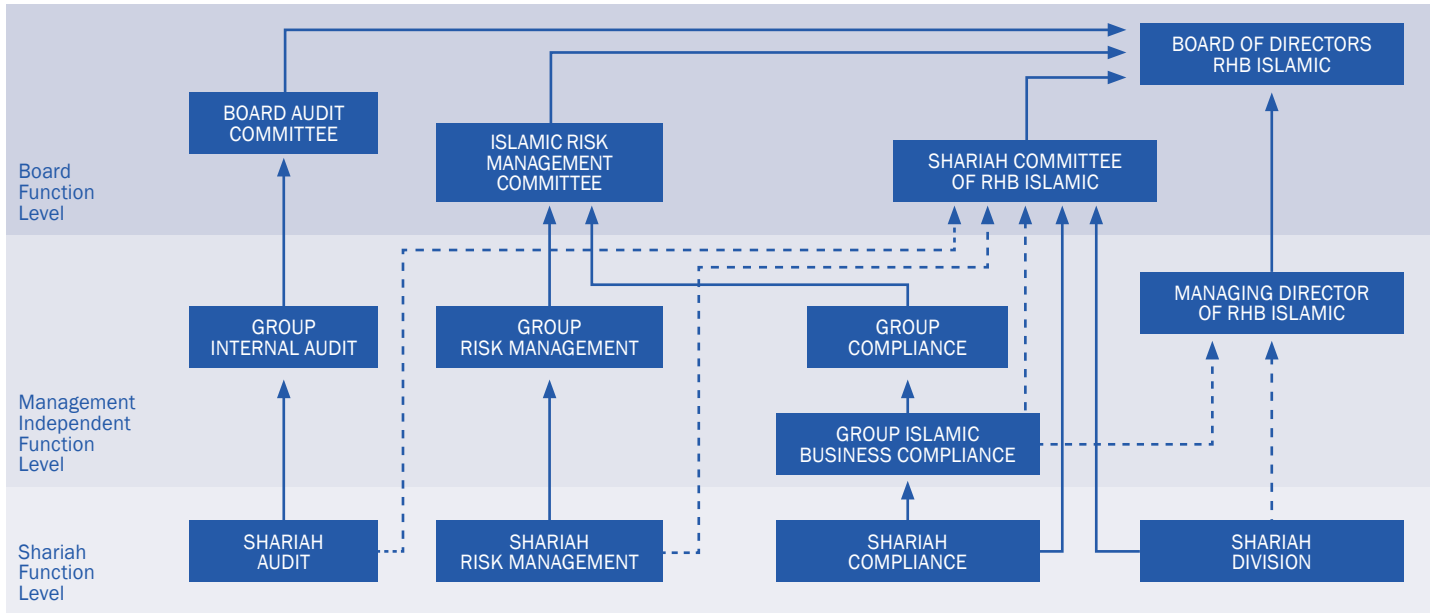
Shariah non-compliance risk is the risk of loss arising from the failure to comply with the Shariah rules and principles as determined by the Shariah Committee of RHB Islamic Bank or any other relevant body, such as BNM's Shariah Advisory Council.

A Shariah Framework has been developed with the objective of governing the entire Shariah compliance process within Islamic banking operations, and to:

- Ensure that the planning, development, and implementation of the Islamic Bank's products, services and conduct of business are in accordance with Shariah principles;
- Ensure that the Bank's operations do not contravene any of the Shariah requirements and authorities' regulations related to the Shariah; and
- Act as a guide on the Bank's expectations to all personnel engaged in the Bank's activities; to ensure that all such functions are based on the Shariah principles, practices and prudence.

14.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE (CONTINUED)

The reporting structure of Shariah governance is as follows:



The Shariah Committee of RHB Islamic Bank (SCR) was established under BNM’s Shariah Governance Framework.

The main duties and responsibilities of SCR are to advise the Board of Directors on Shariah matters in relation to Islamic Banking business and operations, to endorse Shariah compliance manuals, to endorse and validate relevant documents as well as to provide written Shariah opinion on new products and RHB Islamic Bank’s financial statements.

On a functional basis, RHB Islamic Bank is supported by Shariah Division, Shariah Risk Management, Shariah Compliance and Shariah Audit.

The Head of Shariah Division reports functionally to the SCR and administratively to the Managing Director of RHB Islamic Bank. The key functions of the Shariah Division are undertaken by two sub-units, i.e. Shariah Advisory, Development and Secretariat; and Shariah Research and Training.

The main duties and responsibilities of Shariah Advisory, Development & Secretariat are to conduct reviews on the Islamic products and services, provide internal Shariah advisory support to the management of RHB Islamic Bank in its daily business and operational matters, and to represent RHB Islamic Bank in any Shariah-related matters. Meanwhile, the main duties and responsibilities of Shariah Research and Training function are to assist SCR in elaborating and discussing on pertinent Shariah issues, to provide in-depth research on competitive analysis in order to help SCR in making decision, and to conduct Shariah-related training.

The key role and responsibilities of Shariah Risk Management is to facilitate the identifying, measuring, monitoring and controlling of Shariah non-compliance risks inherent in the Islamic business and operations to mitigate any possible Shariah non-compliance events. Shariah Risk Management also performs independent assessment and provides support relating to Shariah non-compliance risk.

Shariah Compliance conducts review and assists the SCR in providing opinions from Shariah perspective in relation to the status of Shariah compliance of products, services and operations of the Islamic business operations. Shariah Audit provides independent assessment and objective assurance designed to add value and improve the degree of compliance in relation to the Islamic business operations, with the main objective of ensuring a sound and effective internal control system for Shariah compliance.

Any incidences of Shariah non-compliance are reported to the SCR, the IRMC, the Board of Directors of RHB Islamic Bank and BNM. Remedial actions may include the immediate termination of the Shariah non-compliant products or services and de-recognition of Shariah non-compliant income.

There is no major Shariah non-compliant event or income arising from the Islamic products or services during the financial year 2014.

15.0 FORWARD LOOKING STATEMENTS

This document could or may contain forward looking statements that are based on current expectations as well as assumptions or anticipation of future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts, and often use words such as anticipate, target, expect, estimate, intend, plan, believe, will, may, should, would, could or other words of similar expressions.

Undue reliance should not be placed on any of such statements. By their nature, forward looking statements are subject to risks and uncertainty because they relate to future events and circumstances, including, but not limited to domestic and global economic and business conditions, the effects of continued volatility in the credit markets, market-related risks such as changes in interest/profit rates and exchange rates, changes in regulation, and future business combinations or dispositions. As a result, the Bank's actual future results may differ materially from the plans, goals, and the expectations contained in the forward looking statements.

The Bank undertakes no obligation to revise or update any forward looking statements contained in this document, regardless of whether these statements are affected as a result of new information, future events or otherwise.

Table 25	Glossary of Terms
A-IRB Approach	Advanced Internal Ratings-Based Approach
BCC	Board Credit Committee
BCP	Business Continuity Planning
BIA	Basic Indicator Approach
BNM	Bank Negara Malaysia
Board/BOD	Board of Directors
BRC	Board Risk Committee
CCR	Counterparty Credit Risk
CET	Common Equity Tier
CRM	Credit Risk Mitigation
EAD	Exposure at Default
EAM	Enhanced Account Management
EaR	Earnings-at-Risk
ECAIs	External Credit Assessment Institutions
EL	Expected Loss
EUR	Euro Dollar
EVE	Economic Value of Equity
F-IRB Approach	Foundation Internal Ratings-Based Approach
Fitch	Fitch Ratings
GBCMCS	Group Business Continuity Management Steering Committee
GBP	Pound Sterling
GCC	Group Credit Committee
GCPM	Group Credit Procedures Manual
GCRC	Group Capital and Risk Committee
GMC	Group Management Committee
Group ALCO	Group Asset and Liability Committee
Group ALM	Group Asset and Liability Management
ICAAP	Internal Capital Adequacy Assessment Process
IRB Approach	Internal Ratings-Based Approach
IRMC	Islamic Risk Management Committee
ISDA	International Swaps and Derivatives Association
KRI	Key Risk Indicators
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MARC	Malaysian Rating Corporation Berhad
MATs	Management Action Triggers
MDBs	Multilateral Development Banks
Moody's	Moody's Investors Service
MYR	Malaysian Ringgit

Table 25	Glossary of Terms (Continued)
NIFs	Notes Issuing Financing
NSFR	Net Stable Funding Ratio
OTC	Over-the-Counter
PD	Probability of Default
PSIA	Profit Sharing Investment Accounts
R&I	Rating and Investment Information, Inc
RAM	Rating AgencyMalaysia
RCSA	Risk and Control Self-Assessment
RM'000	Malaysian Ringgit in nearest thousand
RWA	Risk-Weighted Assets
S&P	Standard & Poor's
SA	Standardised Approach
SBU	Strategic Business Units
SCR	Shariah Committee of RHB Islamic
SFUs	Strategic Functional Units
SGD	Singapore Dollar
SMEs	Small-and medium-sized enterprises
VaR	Value-at-Risk
S&P	Standard & Poor's
SMEs	Small-and medium-sized enterprises
VaR	Value-at-Risk



BRANCH NETWORK

NORTHERN REGION

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Fax : (04) 733 3843

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Fax : (04) 762 5393

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Fax : (04) 491 5916

Mergong

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Taman Berkat
09400 Padang Serai, Kedah
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07000 Langkawi, Kedah
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Fax : (04) 966 7513

Taman Pekan Baru

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Taman Pekan Baru, Sg Petani Baru
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Fax : (04) 977 6863

PULAU PINANG

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11500 Ayer Itam
Pulau Pinang
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Fax : (04) 828 8554

Bayan Baru

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11950 Bayan Baru, Pulau Pinang
Tel : 1300 888 742
Fax : (04) 642 1884

Bukit Mertajam

No. 21, 23 & 25, Jalan Lembah Permai
Taman Lembah Permai
14000 Bukit Mertajam, Pulau Pinang
Tel : 1300 888 742
Fax : (04) 539 4148

Butterworth

6774, 6775 & 6776, Jalan Kg Gajah
12200 Butterworth, Pulau Pinang
Tel : 1300 888 742
Fax : (04) 332 3328

Jalan Burma

No. 380-A, Jalan Burma
10350 Pulau Pinang
Tel : 1300 888 742
Fax : (04) 227 4361

Jelutong

112 & 114, Jalan Tan Sri Teh Ewe Lim
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Fax : (04) 282 6930

Lebuh Pantai

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Jalan Chain Ferry, Prai

Ground Floor, 2784 & 2785
Jalan Chain Ferry
Taman Inderawasih
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Fax : (04) 390 3976

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Complex, Jalan Sungai Dua
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PERAK

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34300 Bagan Serai, Perak
Tel : 1300 888 742
Fax : (05) 721 2486

Gopeng

Ground Floor, 67 & 69, High Street
31600 Gopeng, Perak
Tel : 1300 888 742
Fax : (05) 359 3291

BRANCH NETWORK

NORTHERN REGION (CONTINUED)

PERAK (CONTINUED)

Gunung Rapat

57 & 59, Medan Gopeng 1
Jalan Gopeng, Gunung Rapat,
31350 Ipoh, Perak
Tel : 1300 888 742
Fax : (05) 312 6570

Ipoh Garden South

12 & 14 Tingkat, Taman Ipoh 6
Ipoh Garden South
31400 Ipoh, Perak
Tel : 1300 888 742
Fax : (05) 547 8899

Jalan Tun Sambanthan

Lot 2, 4, 6 & 8, Jalan Tun Sambanthan
30000 Ipoh, Perak
Tel : 1300 888 742
Fax : (05) 255 0050

Jelapang

433 & 435, Jalan Silibin, Taman Silibin
P.O.Box No. 585
30760 Ipoh, Perak
Tel : 1300 888 742
Fax : (05) 526 2418

Kampar

81, 83 & 85, Jalan Gopeng
31900 Kampar, Perak
Tel : 1300 888 742
Fax : (05) 465 2216

Kuala Kangsar

6 & 7, Jalan Daeng Selili
33000 Kuala Kangsar, Perak
Tel : 1300 888 742
Fax : (05) 776 6836

Kuala Kurau

Ground & First Floor
19, Jalan Besar
34350 Kuala Kurau, Perak
Tel : 1300 888 742
Fax : (05) 727 7155

Menglembu

Ground & First Floor
50 & 52, Jalan Besar
31450 Menglembu, Perak
Tel : 1300 888 742
Fax : (05) 281 6010

Parit Buntar

No. 1 & 3, Jalan Wawasan Jaya
Taman Wawasan Jaya
34200 Parit Buntar, Perak
Tel : 1300 888 742
Fax : (05) 716 2019

Persiaran Greenhill

62, Persiaran Greenhill
30450 Ipoh, Perak
Tel : 1300 888 742
Fax : (05) 253 5053

Simpang Empat, Hutan Melintang

Lots P.T. 1374 & 1375
Jln Hutan Melintang
Taman Seri Perak, Simpang Empat
36400 Hutan Melintang, Perak
Tel : 1300 888 742
Fax : (05) 641 3310

Sitiawan

25C, Jalan Datuk Ahmad Yunus
32000 Sitiawan, Perak
Tel : 1300 888 742
Fax : (05) 691 9012

Sungai Siput

139 & 140, Jalan Besar
31100 Sungai Siput, Perak
Tel : 1300 888 742
Fax : (05) 598 4094

Sungkai

18 & 19, Jalan Besar
35600 Sungkai, Perak
Tel : 1300 888 742
Fax : (05) 438 6720

Taiping

68 & 70, Jalan Kota
34000 Taiping, Perak
Tel : 1300 888 742
Fax : (05) 806 3275

Tasek

699 & 701, Jalan Tasek
Taman Musim Bunga, 31400 Ipoh, Perak
Tel : 1300 888 742
Fax : (05) 548 7566

Teluk Intan

31 & 33, Jalan Intan 2
Bandar Baru Teluk Intan
36000 Teluk Intan, Perak
Tel : 1300 888 742
Fax : (05) 621 1228

CENTRAL REGION

KUALA LUMPUR

Bandar Mahkota Cheras

Ground & 1st Floor, Lot 2
Jalan Mahkota Residence 2
Bandar Mahkota Cheras
43200 Kuala Lumpur, Selangor
Tel : 1300 888 742
Fax : (03) 9010 1388

Bangsar Shopping Centre

Lot G-01, Ground Floor
Bangsar Shopping Centre Office Tower
Jalan Ma'arof, Bangsar
59100 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 2284 6896

Jalan Bukit Bintang

58-60, Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 2143 0645

Jalan Ipoh

14-16, Jalan Ipoh
51200 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 4041 1411/4043 0653

Jalan Pasar

50-52, Jalan Pasar
55100 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 2142 8390/2148 8967

Jinjang Utara

Ground Floor, 3471- A
Jalan Besar, Jinjang Utara
52000 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 6252 7158

Kenanga Wholesale City

Lot LGF 019-021, Lower Ground Floor
Kenanga Wholesale City 28
Jalan Gelugor off Jalan Kenanga
52250 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 9222 6466

Kepong

321, Batu 7
Jalan Kepong, Kepong Baru
52100 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 6272 6521

BRANCH NETWORK

CENTRAL REGION (CONTINUED)

KUALA LUMPUR (CONTINUED)

KL Main

Level 1, Tower Two, RHB Centre
426 Jalan Tun Razak
50400 Kuala Lumpur
Tel : (03) 9281 3030/9287/9280 6010
Fax : (03) 9287 4173

KLCC

Lot LC-C03, Concourse Floor
Suria KLCC, Kuala Lumpur City Centre
50088 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 2164 6213

Menara Shell

Ground Floor, Menara Shell
Lot 348 Sentral
KL Sentral 50470 Kuala Lumpur
Tel : (03) 2272 1335
Fax : (03) 2274 7000

Menara Yayasan Tun Razak

Ground Floor, Menara Yayasan Tun Razak
200 Jalan Bukit Bintang
55100 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 2162 1609

IOI Resort City

Lot LG-83, Two IOI Square
IOI Resort City
62502 Putrajaya Wilayah Persekutuan
Tel : (03) 8940 7583
Fax : (03) 8938 9048

Mid Valley

17-G & 17-1, The Boulevard
Mid Valley City, Lingkaran Syed Putra
59200 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 2284 4350

Overseas Union Garden

140 & 142, Jalan Mega Mendung
Bandar Complex, Batu 41/2
Jalan Kelang Lama
58200 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 7980 8081

Pasar Borong, Selangor

53 & 55, Jalan 2/3A, Off KM 12
Jalan Ipoh, Batu Caves
68100 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 6136 3243

Plaza Damas 3, Sri Hartamas

Unit No: B2-08 & B2-09, Block B
Plaza Damas 3, No. 63 Jln Sri Hartamas 1
50480 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 6143 8863

Plaza OSK

Ground & Mezzanine Floor
Podium Block, Plaza OSK
Jalan Ampang, 50450 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 2161 2972/2164 3679

Putrajaya (Precinct 8)

Block C - T.00 - U.02 & U.03
1, Jalan P8D
62250 Putrajaya
Tel : (03) 8889 2546/2548/2549
Fax : (03) 8889 2900

Salak South

178-180, Main Street, Salak South
57100 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 7981 3357

Segambut

42 & 42A, Jalan Segambut Tengah
Segambut, 51200 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 6252 2801

Setapak

257 & 259, Jalan Genting Kelang
Setapak, 53300 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 4024 1353

Taman Connaught, Cheras

No. 134-136, Jalan Cerdas
Taman Connaught, Cheras
56000 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 9100 1208

Taman Midah

18 & 20, Jalan Midah Satu
Taman Midah
56000 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 9130 0588

Taman Shamelin

38-1-5, Shamelin Business Center
Jalan 4/91, Taman Shamelin Perkasa
56100 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 9282 7380

Taman Sungai Besi

30, Ground & First Floor, Jalan 7/108C
Taman Sungai Besi
57100 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 7981 8875

Taman Tun Dr. Ismail

15 & 17, Jalan Tun Mohd Fuad 3
Taman Tun Dr. Ismail
60000 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 7729 4077

The Sphere, Bangsar South

Unit G10, Ground Floor and
Unit 3A, First Floor
The Sphere, No. 1, Avenue 1
Bangsar South, No. 8 Jalan Kerinchi
59200 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 2240 0092

Jalan Tun H.S. Lee

75, Jalan Tun H.S. Lee
50000 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 2072 7591

SELANGOR

Alam Avenue

No. B23 & B25, Alam Avenue 2
Jalan Serai Wangi, K-16/5
Seksyen 16, 40000 Shah Alam, Selangor
Tel : 1300 888 742
Fax : (03) 5510 0820

Ampang Point

37 & 38, Jalan Memanda 7
Taman Dato' Ahmad Razali, Jalan Ampang
68000 Ampang, Selangor
Tel : 1300 888 742
Fax : (03) 4252 1898

Bandar Baru Ampang

27G-29G, Ground Floor & 29A First Floor
Jalan Wawasan Ampang 2/3
Bandar Baru Ampang
68000 Ampang, Selangor
Tel : 1300 888 742
Fax : (03) 4270 2060

Bandar Baru Klang

Unit A6, No. 22A, Jalan Tiara 2A/KU1
Pusat Perniagaan BBK
41150 Klang, Selangor
Tel : 1300 888 742
Fax : (03) 3344 2755

BRANCH NETWORK

CENTRAL REGION (CONTINUED)

SELANGOR (CONTINUED)

Bandar Baru Sungai Buloh

391 & 392, Jalan 1A/1
Bandar Baru Sungai Buloh
47000 Sungai Buloh, Selangor
Tel : 1300 888 742
Fax : (03) 6156 7803

Bandar Bukit Tinggi

Lot 53, Jalan Batu Nilam 1
Bandar Bukit Tinggi
41200 Klang, Selangor
Tel : (03) 3324 3581/
(03) 3323 6682/6684/7278
Fax : (03) 3324 9869

Bandar Sri Damansara

1 & 2, Jalan Tanjung SD 13/1
52200 Bandar Sri Damansara, Selangor
Tel : 1300 888 742
Fax : (03) 6274 2917

Damansara Jaya

22 & 24, Jalan SS 22/25
Damansara Jaya
47400 Petaling Jaya, Selangor
Tel : 1300 888 742
Fax : (03) 7729 9169

Jalan SS21/39, Damansara Utama

2M & 2G Jalan SS21/39
Damansara Utama
47400 Petaling Jaya, Selangor
Tel : 1300 888 742
Fax : (03) 7726 2305

Dataran Wangsa Melawati

No. 58, 58-1 & 58-2
Jalan Dataran Wangsa Melawati
Wangsa Melawati
53300 Kuala Lumpur
Tel : 1300 888 742
Fax : (03) 4142 1905

First Avenue, Bandar Utama

Lot G.01A, Ground Floor, 1
First Avenue, Bandar Utama
47800 Petaling Jaya, Selangor
Tel : (03) 7728 3454/3470
Fax : (03) 7728 3496

Giant Shah Alam

Lot B26-27, Giant Hypermarket Shah Alam
2, Jalan Persiaran Sukan, Section 13
40100 Shah Alam, Selangor
Tel : (03) 5511 9085
Fax : (03) 5512 8899

IOI Boulevard, Puchong

No. B-G-5 & B-1-5, Ground Floor & 1st Floor
IOI Boulevard, Jalan Kenari 5
Bandar Puchong Jaya
47100 Puchong, Selangor
Tel : 1300 888 742
Fax : (03) 8070 8563

Jalan Niaga, Shah Alam

11, 13 & 15, Jalan Niaga 16/3A Section 16
40000 Shah Alam, Selangor
Tel : 1300 888 742
Fax : (03) 5519 6166

Jalan Stesen, Kelang

24 & 26, Jalan Stesen
41000 Kelang, Selangor
Tel : 1300 888 742
Fax : (03) 3372 9613

Jalan T. Amp Zabedah, Shah Alam

16 & 18, Ground & First Floor
Jalan T. Amp Zabedah D9/D Section 9
40100 Shah Alam, Selangor
Tel : 1300 888 742
Fax : (03) 5513 1834

Jenjarom

M38 & M40, Jalan Besar
42600 Jenjarom, Selangor
Tel : 1300 888 742
Fax : (03) 3191 4328

Kajang

25, Jalan Raja Harun, Taman Hijau
43000 Kajang, Selangor
Tel : 1300 888 742
Fax : (03) 8733 8570

Kampung Baru Sungai Buloh

25, Jalan Public
Kampung Baru Sungai Buloh
47000 Sungai Buloh, Selangor
Tel : 1300 888 742
Fax : (03) 6156 8645

Kota Damansara

No. 27-G & 27-I, Jalan PJU 5/3
Dataran Sunway, Kota Damansara
47810 Petaling Jaya, Selangor
Tel : 1300 888 742
Fax : (03) 6141 8838

Kota Kemuning

Ground Floor, No. 1
Jalan Anggerik, Vannila X31/X
Kota Kemuning, Seksyen 31
40460 Shah Alam, Selangor
Tel : 1300 888 742
Fax : (03) 5120 1121

Meru

Lot 31 & 33, Jalan Batu 6
Pekan Meru, Meru
41050 Kelang, Selangor
Tel : 1300 888 742
Fax : (03) 3392 4504

Mines Shopping Fair

G20, The Mines Shopping Fair
Jalan Dulang, Off Jalan Balakong
Mines Resort City
43300 Seri Kembangan, Selangor
Tel : 1300 888 742
Fax : (03) 8942 5218

New Town, Petaling Jaya

1, 3 & 5, Jalan 52/18, New Town Centre
46200 Petaling Jaya, Selangor
Tel : 1300 888 742
Fax : (03) 7957 8984

Pandan Indah

Ground & Mezzanine Floor
7 & 9, Jalan Pandan Indah 4/2
55100 Pandan Indah, Selangor
Tel : 1300 888 742
Fax : (03) 4295 7127

Paradigm

Lot CF-17 (Concourse Level) Paradigm Mall
No. 1 Jalan SS 7/26A, Kelana Jaya
47301 Petaling Jaya, Selangor
Tel : 1300 888 742
Fax : (03) 7887 1550

Persiaran Sultan Ibrahim, Kelang

33, Persiaran Sultan Ibrahim
41300 Kelang, Selangor
Tel : 1300 888 742
Fax : (03) 3344 6405

Port Klang

Persiaran Raja Muda Musa
42000 Pelabuhan Kelang, Selangor
Tel : 1300 888 742
Fax : (03) 3166 1351

Rawang

Ground, First & Second Floor
10 & 11, Jalan Maxwell
48000 Rawang, Selangor
Tel : (03) 6092 5035/5036
Fax : (03) 6092 4788

Section 14, Petaling Jaya

1, Jalan 14/20
46100 Petaling Jaya, Selangor
Tel : 1300 888 742
Fax : (03) 7955 6219

BRANCH NETWORK

CENTRAL REGION (CONTINUED)

SELANGOR (CONTINUED)

Seri Kembangan

Lot 1484A & B, Jalan Besar
43300 Seri Kembangan, Selangor
Tel : 1300 888 742
Fax : (03) 8943 0441

Setia Alam

No. 2, Persiaran Setia Impian
Precint 8, Setia Alam Seksyen U13
40170 Shah Alam, Selangor
Tel : 1300 888 742
Fax : (03) 3341 2517

SS2, Petaling Jaya

157 & 159, Jalan SS2/24
Sungai Way, Subang
47300 Petaling Jaya, Selangor
Tel : 1300 888 742
Fax : (03) 7875 6600

Jalan SS15/4D, Subang Jaya

Lot 48-50, Jln SS15/4D
47500 Subang Jaya, Selangor
Tel : 1300 888 742
Fax : (03) 5634 4848

Sungai Pelek

76 & 77, Jalan Besar
43950 Sungai Pelek, Selangor
Tel : (03) 3141 1176/1394
Fax : (06) 3141 1100

Taman Indah

7 & 9, Jalan SS 2/1, Off Jalan Balakong
Taman Indah, Batu 11
43200 Cheras, Selangor
Tel : 1300 888 742
Fax : (03) 9074 1344

Taman Megah

11-15, Jalan SS 24/11, Taman Megah
47301 Petaling Jaya, Selangor
Tel : 1300 888 742
Fax : (03) 7804 1629

Taman Suntex

5 & 6, Jalan Kijang 1
Taman Suntex, Batu 9
43200 Cheras, Selangor
Tel : 1300 888 742
Fax : (03) 9074 7879

Taman Taming Jaya

1, Jalan Taming Kanan 2
Taman Taming Jaya
43300 Balakong, Selangor
Tel : 1300 888 742
Fax : (03) 8961 1197/0589

Tanjung Karang

Lot 1 & 3, Jalan Satu
Taman Tanjong Karang Baru
45500 Tanjong Karang, Selangor
Tel : 1300 888 742
Fax : (03) 3269 8078

Tanjung Sepat

1 & 3, Jalan Senangin Satu, Taman Tanjung
P.O.Box No. 201
42809 Tanjung Sepat, Selangor
Tel : (03) 3197 4035/4235/4788
Fax : (03) 3197 4568

UEP Subang Jaya

47 & 49, Jalan USJ 10/1, UEP Subang Jaya
47620 Petaling Jaya, Selangor
Tel : 1300 888 742
Fax : (03) 5637 3941

NEGERI SEMBILAN

Bahau

Ground & First Floor, Lot 982 & 983
Wisma UMNO Jempol, Jalan Gurney
72100 Bahau, Negeri Sembilan
Tel : 1300 888 742
Fax : (06) 454 4015

Bandar Baru Nilai

PT 7460 & 7461, Jalan Bandar Baru Nilai
1/1A Putra Point, Bandar Baru Nilai
71800 Nilai, Negeri Sembilan
Tel : 1300 888 742
Fax : (06) 799 6095

Kuala Pilah

Lots P.T. 9 & 10, Jalan Melewar
72000 Kuala Pilah, Negeri Sembilan
Tel : 1300 888 742
Fax : (06) 481 6478

Rantau

158 & 159, Jalan Besar
71200 Rantau, Negeri Sembilan
Tel : 1300 888 742
Fax : (06) 694 2690

Seremban

10 & 11, Jalan Dato' Abdul Rahman
70000 Seremban, Negeri Sembilan
Tel : 1300 888 742
Fax : (06) 762 0192

Simpang Pertang

15, Jalan Helang, Taman Sri Pertang
Simpang Pertang
72300 Negeri Sembilan
Tel : (06) 492 9520/9550/9540
Fax : (06) 492 9190

Taipan Senawang

No. 163G & 164G, Taipan Senawang
Jalan Taman Komersil Senawang 1
Taman Komersil Senawang
70450 Seremban, Negeri Sembilan
Tel : 1300 888 742
Fax : (06) 678 1477

SOUTHERN REGION

MELAKA

1 Lagenda

No. 2 Jalan Lagenda 2
Taman 1 Lagenda
75400 Melaka
Tel : 1300 888 742
Fax : (06) 282 8515

Bukit Baru

Ground Floor, 5 & 6
Jln DR1, Taman Delima Raya
75150 Bukit Baru, Melaka
Tel : 1300 888 742
Fax : (06) 232 1319

Jalan Hang Tuah

477, Plaza Melaka, Jalan Hang Tuah
75300 Melaka, Melaka
Tel : 1300 888 742
Fax : (06) 284 4699

Malim

Lot 3 & 4, Jalan MP 3
Taman Merdeka Permai
75350 Malim, Melaka
Tel : 1300 888 742
Fax : (06) 337 1318

Melaka Raya

No. 19, 21 & 23, Jalan Merdeka
Taman Melaka Raya, 75000 Melaka
Tel : 1300 888 742
Fax : (06) 282 5076

BRANCH NETWORK

SOUTHERN REGION (CONTINUED)

JOHOR

Bandar Baru Uda

No. 14 & 16, Jalan Padi Emas 6/1
Bandar Baru UDA
81200 Johor Bahru, Johor
Tel : 1300 888 742
Fax : (07) 234 0680

Batu Pahat

89, Jalan Rahmat
83000 Batu Pahat, Johor
Tel : 1300 888 742
Fax : (07) 431 1077

Bekok

G34 & G36, Jalan Wijaya
86500 Bekok, Johor
Tel : (07) 922 1639/1643
Fax : (07) 922 1525

Jalan Bandar, Pasir Gudang

10A, Pusat Perdagangan, Jalan Bandar
81700 Pasir Gudang, Johor
Tel : 1300 888 742
Fax : (07) 251 1584/252 7719

Jalan Dato' Rauf

18 & 20, Jalan Dato Rauf
86000 Kluang, Johor
Tel : 1300 888 742
Fax : (07) 772 4094

Jementah

Ground Floor, MCA Building, Jalan Muar
85200 Jementah, Johor
Tel : 1300 888 742
Fax : (07) 947 2404

Johor Bahru City Square

Lot J1-22 & J2-31, Level 1 & 2
Johor Bahru City Square
106 & 108, Jalan Wong Ah Fook
80000 Johor Bahru, Johor
Tel : 1300 888 742
Fax : (07) 224 1264

Kota Tinggi

No. 1, Kota Heritage Commercial Centre
Jalan Seri Warisan
81900 Kota Tinggi, Johor
Tel : 1300 888 742
Fax : (07) 882 6505

Kulai

4 & 5, Taman Seraya, Kulai Besar
81000 Kulai, Johor
Tel : 1300 888 742
Fax : (07) 663 2159

Jalan Abdullah, Muar

9, Jalan Abdullah, 84000 Muar, Johor
Tel : 1300 888 742
Fax : (06) 952 9503

Permas Jaya

Ground Floor, 35 & 37, Jalan Permas 10/2
Bandar Baru Permas Jaya
81750 Johor Bahru, Johor
Tel : 1300 888 742
Fax : (07) 388 6749

Plentong, Masai

Lot G-03, G-05 & 01-05
Jalan Masai Jaya 1, Masai
81750 Johor Bahru, Johor
Tel : 1300 888 742
Fax : (07) 352 7689

Pontian Kechil

No. 15, Jalan Delima
Pusat Perdagangan Pontian
82000 Pontian Kechil, Pontian, Johor
Tel : 1300 888 742
Fax : (07) 687 9107

Segamat

110 & 111, Jalan Genuang
85000 Segamat, Johor
Tel : 1300 888 742
Fax : (07) 932 3901

Senai

180 & 181, Jalan Belimbing 1
81400 Senai, Johor
Tel : 1300 888 742
Fax : (07) 599 6913

Simpang Renggam

8 & 9, Jalan Kijang
86200 Simpang Renggam, Johor
Tel : 1300 888 742
Fax : (07) 755 8262

Taman Johor Jaya

7 & 9, Jalan Dedap 18
Taman Johor Jaya
81100 Johor Bahru, Johor
Tel : 1300 888 742
Fax : (07) 355 5004

Taman Molek

56 & 58, Jalan Molek 2/2, Taman Molek
81100 Johor Bahru, Johor
Tel : 1300 888 742
Fax : (07) 351 4649

Taman Mount Austin

No. 87 & 89, Jalan Austin Heights 3
Austin Heights, Taman Mount Austin
81100 Johor Bahru, Johor
Tel : 1300 888 742
Fax : (07) 353 9566

Taman Nusa Bestari

No. 22 & 24, Jalan Bestari 2/2
Taman Nusa Bestari
81300 Johor Bharu, Johor
Tel : 1300 888 742
Fax : (07) 236 9029

Taman Pelangi

Suite 1-2, Level 1, Menara Pelangi
2, Jalan Kuning, Taman Pelangi
80400 Johor Bahru, Johor
Tel : 1300 888 742
Fax : (07) 334 3482

Taman Sentosa

9 & 11, Jalan Sutera, Taman Sentosa
80150 Johor Bahru, Johor
Tel : 1300 888 742
Fax : (07) 332 7251/334 9441

Taman Ungku Tun Aminah

62, 64 & 66, Jalan Bendahara 12
Taman Ungku Tun Aminah
81300 Skudai, Johor
Tel : 1300 888 742
Fax : (07) 557 1553

Tangkak

351 & 352, Jalan Muar
84900 Tangkak, Johor
Tel : 1300 888 742
Fax : (06) 978 6592

Ulu Tiram

1 & 2, Jalan Raya
81800 Ulu Tiram, Johor
Tel : 1300 888 742
Fax : (07) 861 4088

Yong Peng

106, Jalan Besar
83700 Yong Peng, Johor
Tel : 1300 888 742
Fax : (07) 467 5137



BRANCH NETWORK

EAST COAST REGION

KELANTAN

Ketereh

Lot PT 383 & PT 384
Kedai Ketereh, Bandar Ketereh
16450 Ketereh, Kelantan
Tel : 1300 888 742
Fax : (09) 788 8721

Jalan Tok Hakim, Kota Bharu

No. 782-786, Jln Tok Hakim
15000 Kota Bharu, Kelantan
Tel : 1300 888 742
Fax : (09) 748 1788

Pasir Mas

18A, Jalan Tengku Ahmad
17000 Pasir Mas, Kelantan
Tel : 1300 888 742
Fax : (09) 790 2292

TERENGGANU

Kemaman

11289 & 11290, Bandar Cukai Utama
Phase 3, Jalan Kubang Kurus
24000 Kemaman, Terengganu
Tel : 1300 888 742
Fax : (09) 859 9003

Kerteh

Lot 50083, Jalan Kemaman/Dungun
Kg Baru Kerteh
23000 Kerteh, Terengganu
Tel : 1300 888 742
Fax : (09) 826 2171

Kuala Dungun

K231, Jalan Besar, Kuala Dungun
23000 Dungun, Terengganu
Tel : 1300 888 742
Fax : (09) 848 2996

Kuala Terengganu

59, Jalan Sultan Ismail
20200 Kuala Terengganu, Terengganu
Tel : 1300 888 742
Fax : (09) 622 9379

PAHANG

Bentong

Lot 13 & 14, Jalan Loke Yew
28700 Bentong, Pahang
Tel : 1300 888 742
Fax : (09) 222 5944

Jalan Air Putih

No. A237 & A239 Jalan Air Putih
25300 Kuantan, Pahang
Tel : 1300 888 742
Fax : (09) 566 0214

Jerantut

Lot 4360 & 4361, Jalan Kuantan
27000 Jerantut, Pahang
Tel : 1300 888 742
Fax : (09) 266 5899

Kuantan, Putra Square

No. 2, 4 & 6 (Malay Town)
Jalan Putra Square 1, Putra Square
25000 Kuantan, Pahang
Tel : 1300 888 742
Fax : (09) 517 3501

Mentakab

Lot 94 & 95, Jalan Temerloh
28400 Mentakab, Pahang
Tel : 1300 888 742
Fax : (09) 278 2034

Raub

Lot PT 16477 & 16478
Pusat Perniagaan Indrapura, Jalan Tras,
27600 Raub, Pahang
Tel : 1300 888 742
Fax : (09) 355 2929

Triang

No. 40 & 42, Taman Dagangan 7
Pusat Dagangan Triang
28300 Triang, Pahang
Tel : 1300 888 742
Fax : (09) 255 7013

SABAH REGION

SABAH

Inanam

Blok L DBKK No. 1, 2 & 3
Lorong KK Taipan 3
Inanam New Township
88450 Kota Kinabalu, Sabah
Tel : 1300 888 742
Fax : (088) 423 011

Jalan Gaya, Kota Kinabalu

81/83, Jalan Gaya
88000 Kota Kinabalu, Sabah
Tel : 1300 888 742
Fax : (088) 235 871

Jalan Tun Mustapha, Labuan

Lot 1 & 2, Jati Shop Houses
Off Jalan Tun Mustapha
87007 Wilayah Persekutuan Labuan
Sabah
Tel : 1300 888 742
Fax : (087) 414 449

Keningau

Lot 27-29, Adnan Shopping Complex
Jalan O.K.K. Sedomon
89008 Keningau, Sabah
Tel : 1300 888 742
Fax : (087) 334 382

Lahad Datu

Lot 1 & 2, Block A Metro Commercial
Complex 91100 Lahad Datu, Sabah
Tel : 1300 888 742
Fax : (089) 886 163

Lintas Station Complex

Lot No. 6-19, Ground Floor
Lintas Station Complex, Jalan Lintas
Luyang, 88300 Kota Kinabalu, Sabah
Tel : 1300 888 742
Fax : (088) 233 690

1-Borneo Hypermall

Lot G-203, Ground Floor
1-Borneo Hypermall, Jalan Sulaman
88450 Kota Kinabalu, Sabah
Tel : 1300 888 742
Fax : (088) 488 678

Metrotown

No. 5, 6, 7 & 8, Block M, Metrotown
Jalan Lintas Off Jalan Tuaran
88300 Kota Kinabalu, Sabah
Tel : 1300 888 742
Fax : (088) 393 653

Prima Square

Block 7, Lot 64, 65 & 66, Phase 1
Prima Square, Mile 4, Jalan Utara
90000 Sandakan, Sabah
Tel : 1300 888 742
Fax : (089) 228 101

Tawau

Ground & First Floor, Lot 5
Block 27 Fajar Complex
Jalan Mahkamah Town Extension II
91000 Tawau, Sabah
Tel : 1300 888 742
Fax : (089) 764 684/765 254

BRANCH NETWORK

SABAH REGION (CONTINUED)

SABAH (CONTINUED)

Wisma Khoo, Sandakan

Sub Lot 1-7, Ground Floor
Wisma Khoo Siak Chiew
Lebuh Tiga, Jalan Sim Sim, Mail Bag No. 4
90009 Sandakan, Sabah
Tel : 1300 888 742
Fax : (089) 271 246

SARAWAK REGION

SARAWAK

Batu Kawah

Bd 104/204 & 105/205
Batu Kawah New Township
Jalan Batu Kawa
93250 Kuching, Sarawak
Tel : 1300 888 742
Fax : (082) 459 790

Jalan Masjid, Bintulu

Ground Floor & 1st Floor, 258
Taman Sri Dagang, Jalan Masjid
97000 Bintulu, Sarawak
Tel : 1300 888 742
Fax : (086) 331 692

Boulevard Centre, Miri

Ground Floor, Lot 2469 & 2470
Boulevard Commercial Centre
Jalan Boulevard Utama
98000 Miri, Sarawak
Tel : (085) 417 193
Fax : (085) 429 881

Dalat

Ground Floor, Pejabat Daerah Dalat
96300 Dalat, Sarawak
Tel : (084) 864 841/842
Fax : (084) 864 824

Jalan Kulas, Kuching

Ground Floor, Lot 363
Section Jalan Kulas, P.O.Box 2049
93740 Kuching, Sarawak
Tel : 1300 888 742
Fax : (082) 426 160

Jalan Nakhoda Gampar, Miri

Lot 362, Block 9, Jalan Nakhoda Gampar
P.O.Box 1142
98008 Miri, Sarawak
Tel : 1300 888 742
Fax : (085) 415 682

Jalan Padungan, Kuching

256, Jalan Padungan
93100 Kuching, Sarawak
Tel : 1300 888 742
Fax : (082) 415 453/428 717

Kanowit

Lots 127 & 128, 65-66, Jalan Kubu
Kanowit Town District
96700 Kanowit, Sarawak
Tel : (084) 752 700
Fax : (084) 752 711

Kapit

Lot 504, Jalan Temenggong Jugah
96800 Kapit, Sarawak
Tel : (084) 797 771
Fax : (084) 797 775

Lawas

Lot 355, Jalan Punang
98850 Lawas, Sarawak
Tel : (085) 285 657/659
Fax : (085) 285 529

Limbang

Lot 2322 & 2323, Jalan Wong Tsap En
98700 Limbang, Sarawak
Tel : (085) 212 398/399
Fax : (085) 211 022

Lundu

Lot 249-250, Jalan Blacksmith
Pekan Lundu, 94500 Lundu, Sarawak
Tel : (082) 735 611
Fax : (082) 735 220

Marudi

Lot 29, Jalan Kapitan Lim Ching Kiat
Marudi, 98050 Baram, Sarawak
Tel : (085) 756 721/722
Fax : (085) 756 724

Matang Jaya

Lot 25, 26 & 27, Section 65
Kuching Town Land District
Taman Lee Ling Commercial Centre
93050 Matang Jaya, Kuching, Sarawak
Tel : 1300 888 742
Fax : (082) 647 900

Mukah

Lot 1, Blok 68, Mukah Shopping Mall
96400 Mukah, Sarawak
Tel : 1300 888 742
Fax : (084) 873 878

Sarikei

Lot 1468, Jalan Repok, P.O. Box 738
96108 Sarikei, Sarawak
Tel : (084) 657 030
Fax : (084) 657 036

Jalan Tunku Osman, Sibiu

31, Jalan Tunku Osman, P.O. Box 26
96007 Sibiu, Sarawak
Tel : 1300 888 742
Fax : (084) 310 546

Siburan

No. 12 & 13, Eastern Commercial Centre
17th Mile, Kuching Serian Road
94200 Siburan, Sarawak
Tel : (082) 862 404
Fax : (082) 862 880

Simpang Tiga

11, Jalan Simpang Tiga, P.O.Box 3000
93758 Kuching, Sarawak
Tel : (082) 234 314
Fax : (082) 420 975

Sri Aman

Lot 839, Jalan Sabu
95000 Sri Aman, Sarawak
Tel : (083) 320 979/980
Fax : (083) 320 975

Sungei Merah

No.1 & 3, Lorong Sungei Merah, 2C
96000 Sibiu, Sarawak
Tel : 1300 888 742
Fax : (084) 331 869

Tabuan Jaya

891-892, Lorong Bayor Bukit 2A
Tabuan Jaya Shopping Centre, Jalan Wan
Alwi
93350 Kuching, Sarawak
Tel : (082) 361 031
Fax : (082) 366 826

UNISQUARE, Kota Samarahan

GF No. 12 & 13, Lot 5608 & 5609
Unisquare, Kota Samarahan
94300 Kuching, Sarawak
Tel : 1300 888 742
Fax : (082) 618 261

Wisma Mahmud

Level 1, Wisma Mahmud
Jalan Sungei Sarawak
93100 Kuching, Sarawak
Tel : 1300 888 742
Fax : (082) 338 358/342 327



BRANCH NETWORK

INTERNATIONAL BRANCHES

SINGAPORE

Cecil Branch

Ground Floor 90 Cecil Street
Singapore 069531

Tel : (65) 6320 0602 / 0603

Fax : (65) 6225 5296

Branches

- Jalan Besar
- Tai Seng Street
- Katong
- Geylang
- Bukit Timah
- Westgate Mall

THAILAND

Bangkok

18th Floor M. Thai Tower
All Seasons Place, 87 Wireless Road
Lumpini, Pathumwan, Bangkok
10330 Thailand

Tel : (662) 126 8600

Fax : (662) 126 8601 / 8602

Branches

- Sri Racha
- Ayutthaya

BRUNEI

Bandar Seri Bagawan

Unit G 02, Ground Floor
Block D, Yayasan Sultan
Haji Hassanah Bolkiah
Complex, Jalan Pretty
Bandar Seri Begawan
BS 8711, Brunei
Darussalam

Tel : (673) 222 2515 / 2516

Fax : (673) 223 7487 / 3687

CAMBODIA

Phnom Penh

No. 263, Ang Duong Street (St. 110)

Sangkat Waat Phnom

Khan Baun Penh

Phnom Penh, Cambodia

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Fax : (855) 23 991 822

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Branches

- City Mall Olympic
- Stoeung Meanchey
- Kbal Thnal
- Pet Lok Song
- Kampong Cham
- Battambang
- Siem Reap
- Preah Sihanouk
- Toul Kork

LAO

Vientiane

Unit No. 01, House No. 008

Kaisone Road

Phonxai Village

Vientiane, Lao PDR

Tel : (856) 2145 5118 / 5119

Fax : (856) 21455112

VIETNAM

Ho Chi Minh City

Room 1208, 12th Floor

Sunwah Tower

115 Nguyen Hue, Dist 1

Ho Chi Minh City

Vietnam

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