RHB Capital Berhad

ANNUAL REPORT

2013

A NEW DAWN

FINANCIAL STATEMENTS

In this Report

Responsibility Statement by the Board of Directors

In the course of preparing the annual financial statements of the Company and the Group, 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 comply with the provisions of the Companies Act, 1965.

It is the responsibility of the Directors to ensure that the financial reporting of the Company and the Group present a true and fair view of the state of affairs of the Company and the Group as at 31 December 2013 and of the financial results and cash flows of the Company and the Group for the financial year ended 31 December 2013.

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

The Directors have also taken the necessary steps to ensure that appropriate systems are in place for the assets of the Company and the Group 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 151 of the financial statements.

Directors' Report

The Directors submit herewith their report together with the audited financial statements of the Group and the Company for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before taxation	2,470,767	321,956
Taxation	(627,229)	(15,298)
Net profit for the financial year	1,843,538	306,658

DIVIDENDS

The dividends paid by the Company since 31 December 2012 were as follows:

	RM'000
In respect of the financial year ended 31 December 2012:	
- Single-tier final dividend of 16.09% paid on 1 August 2013	401,318
In respect of the financial year ended 31 December 2013:	
- Single-tier interim dividend of 6.00% paid on 13 November 2013	151,882

The shareholders of the Company have been granted an option by the Board of Directors to elect to reinvest the entire portion of the abovementioned final dividend and interim dividend into new ordinary shares of RM1.00 each in the Company in accordance with the approved Dividend Reinvestment Plan ("DRP") scheme of the Company.

The reinvestment rate subsequent to the completion of the DRP for the abovementioned final dividend and interim dividend was 70.67% and 71.83% respectively.

At the forthcoming Annual General Meeting, a single-tier final dividend in respect of the current financial year of 10.30% amounting to RM262,332,000 will be proposed for shareholders' approval. These financial statements do not reflect such final dividend which will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2014 when approved by the shareholders.

Subject to the relevant regulatory approvals being obtained and shareholders' approval on the renewal of the DRP scheme at the forthcoming Annual General Meeting, the Board of Directors, in its absolute discretion, recommends that the shareholders of the Company be given an option to elect to reinvest the entire proposed single-tier final dividend into new ordinary shares of RM1.00 each in the Company in accordance with the approved DRP scheme of the Company.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

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

(a) RM2,494,207,802 to RM2,531,373,891 via the issuance of 37,166,089 new ordinary shares of RM1.00 each arising from the DRP relating to the single-tier final dividend of 16.09% in respect of the financial year ended 31 December 2012 on 1 August 2013; and

(b) RM2,531,373,891 to RM2,546,909,962 via the issuance of 15,536,071 new ordinary shares of RM1.00 each arising from the DRP relating to the single-tier interim dividend of 6.00% in respect of the financial year ended 31 December 2013 on 13 November 2013.

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

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

(a) any charge on the assets of the Group and the Company which has arisen since the end of the financial year which secures the liability of any other person; or

(b) any contingent liability of the Group and the Company which has arisen since the end of the financial year other than in the ordinary course of business.

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 50 to the financial statements.

SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR

Subsequent events after the financial year are disclosed in Note 50(i) and 50(j) to the financial statements.

DIRECTORS

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

Dato' Mohamed Khadar Merican
Tan Sri Azlan Zainol
Datuk Haji Faisal Siraj
Dato' Teo Chiang Liang
Dato' Saw Choo Boon
Dato' Nik Mohamed Din Datuk Nik Yusoff
Kellee Kam Chee Khiong
Datuk Wira Jalilah Baba (resigned on 30 January 2014)

Pursuant to Article 80 of the Company's Articles of Association, Tan Sri Azlan Zainol and Datuk Haji Faisal Siraj retire at the forthcoming Annual General Meeting of the Company and being eligible, offer themselves for re-election.

Pursuant to the Guidelines on Tenure of Appointment/Re-appointment of Independent Non-Executive Directors for the Company, Dato' Mohamed Khadar Merican retires at the forthcoming Annual General Meeting of the Company in view that he has attained the maximum Directors tenure stipulated therein. The Board will seek shareholders' approval at the forthcoming Annual General Meeting to retain Dato' Mohamed Khadar Merican as an Independent Non-Executive Director/Chairman of the Company.

Pursuant to Section 129(6) of the Companies Act, 1965, Dato' Nik Mohamed Din Datuk Nik Yusoff retires at the forthcoming Annual General Meeting and offers himself for re-appointment as Director of the Company to hold office until the next Annual General Meeting.

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2013	DRP	Sold	As at 31.12.2013
The Company				
Dato' Mohamed Khadar Merican:				
- Direct	62,760	1,726	-	**64,486**
Dato' Teo Chiang Liang:				
- Indirect	5,204	154	-	**5,358**

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind as disclosed in Note 35 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

AUDITORS

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

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

DATO' MOHAMED KHADAR MERICAN
CHAIRMAN

KELLEE KAM CHEE KHIONG
GROUP MANAGING DIRECTOR

Kuala Lumpur
6 March 2014

Statements of Financial Position

As at 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
ASSETS					
Cash and short term funds	2	**9,998,667**	23,974,020	**16,973**	36,247
Securities purchased under resale agreements		**184,560**	676,858	**-**	-
Deposits and placements with banks and other financial institutions	3	**2,773,314**	3,638,529	**983**	951
Financial assets held-for-trading ("HFT")	4	**4,037,728**	2,739,650	**-**	-
Financial investments available-for-sale ("AFS")	5	**16,930,513**	15,154,931	**-**	-
Financial investments held-to-maturity ("HTM")	6	**22,778,009**	18,954,536	**-**	-
Loans, advances and financing	7	**119,542,545**	109,276,880	**-**	-
Clients' and brokers' balances	8	**2,573,583**	2,986,878	**-**	-
Other assets	9	**1,181,691**	1,086,165	**118,478**	155,667
Derivative assets	10	**459,033**	275,441	**-**	-
Amounts due from subsidiaries	11	**-**	-	**800**	9,785
Statutory deposits	12	**4,171,462**	3,883,445	**-**	-
Tax recoverable		**148,677**	142,912	**93,933**	102,314
Deferred tax assets	13	**31,225**	15,115	**1,181**	1,022
Investments in subsidiaries	14	**-**	-	**10,801,052**	10,809,016
Investments in associates and joint ventures	15	**20,949**	36,589	**-**	-
Property, plant and equipment	16	**1,020,481**	1,042,318	**326**	486
Goodwill and intangible assets	17	**5,237,470**	5,227,988	**-**	-
TOTAL ASSETS		**191,089,907**	189,112,255	**11,033,726**	11,115,488

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

Statements of Financial Position
As at 31 December 2013

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	18	**137,741,241**	138,228,286	**-**	-
Deposits and placements of banks and other financial institutions	19	**16,998,355**	13,450,129	**-**	-
Obligations on securities sold under repurchase agreements	20	**566,621**	240,010	**-**	-
Obligations on securities borrowed		**31,734**	119,905	**-**	-
Bills and acceptances payable		**2,076,481**	3,636,886	**-**	-
Clients' and brokers' balances	21	**2,315,810**	2,731,695	**-**	-
Other liabilities	22	**1,988,948**	1,890,459	**6,244**	61,459
Derivative liabilities	10	**348,063**	320,363	**-**	-
Amounts due to subsidiaries	11	**-**	-	**8,960**	11,772
Recourse obligation on loans sold to Cagamas Berhad ("Cagamas")	23	**2,269,353**	2,445,361	**-**	-
Tax liabilities		**29,767**	145,280	**-**	-
Deferred tax liabilities	13	**51,814**	67,961	**-**	-
Borrowings and senior debt securities	24	**4,546,825**	5,151,932	**2,936,600**	3,106,434
Subordinated obligations	25	**4,580,967**	4,742,436	**-**	-
Hybrid Tier-1 Capital Securities	26	**601,201**	601,072	**-**	-
TOTAL LIABILITIES		**174,147,180**	173,771,775	**2,951,804**	3,179,665
Share capital	27	**2,546,910**	2,494,208	**2,546,910**	2,494,208
Reserves	28	**14,192,161**	12,623,007	**5,535,012**	5,441,615
		16,739,071	15,117,215	**8,081,922**	7,935,823
Non-controlling interests	29	**203,656**	223,265	**-**	-
TOTAL EQUITY		**16,942,727**	15,340,480	**8,081,922**	7,935,823
TOTAL LIABILITIES AND EQUITY		**191,089,907**	189,112,255	**11,033,726**	11,115,488
COMMITMENTS AND CONTINGENCIES	42	**100,232,255**	83,160,389		

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

Income Statements

For the Financial Year Ended 31 December 2013

	Note	Group		Company	
		2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Interest income	30	**6,900,918**	6,153,232	**2,006**	2,966
Interest expense	31	**(3,626,432)**	(3,193,134)	**(130,883)**	(141,061)
Net interest income/(expense)		**3,274,486**	2,960,098	**(128,877)**	(138,095)
Other operating income	32	**2,085,405**	1,379,437	**502,324**	756,574
		5,359,891	4,339,535	**373,447**	618,479
Net income from Islamic Banking business	33	**590,872**	490,057	**-**	-
Net operating income		**5,950,763**	4,829,592	**373,447**	618,479
Other operating expenses	34	**(3,052,161)**	(2,293,726)	**(51,491)**	(69,475)
Operating profit before allowances		**2,898,602**	2,535,866	**321,956**	549,004
Allowance for impairment on loans, financing and other losses	36	**(447,961)**	(148,492)	**-**	-
Impairment losses written back/(made) on other assets	37	**18,904**	(3,871)	**-**	-
		2,469,545	2,383,503	**321,956**	549,004
Share of results of associates		**795**	294	**-**	-
Share of results of joint ventures		**427**	826	**-**	-
Profit before taxation		**2,470,767**	2,384,623	**321,956**	549,004
Taxation	38	**(627,229)**	(594,854)	**(15,298)**	(148,200)
Net profit for the financial year		**1,843,538**	1,789,769	**306,658**	400,804
Attributable to:					
- Equity holders of the Company		**1,831,190**	1,784,742	**306,658**	400,804
- Non-controlling interests		**12,348**	5,027	**-**	-
		1,843,538	1,789,769	**306,658**	400,804
Earnings per share (sen):					
- Basic	39	**72.9**	79.0		
- Diluted	39	**72.9**	79.0		

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 2013

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Net profit for the financial year	**1,843,538**	1,789,769	**306,658**	400,804
Other comprehensive income/(loss):				
(i) Items that will not be reclassified to profit or loss:				
- Actuarial losses on defined benefit plan of a subsidiary	**-**	381	**-**	-
(ii) Items that will be reclassified subsequently to profit or loss:				
- Currency translation differences	**86,434**	(10,742)	**-**	-
- Share of reserves in an associate	**-**	18	**-**	-
- Unrealised net (loss)/gain on revaluation of financial investments AFS	**(107,840)**	122,936	**-**	-
- Net transfer to income statements on disposal or impairment of financial investments AFS	**(34,856)**	(94,011)	**-**	-
Income tax relating to components of other comprehensive loss/(income)	**36,302**	(7,495)	**-**	-
Other comprehensive (loss)/income, net of tax for the financial year	**(19,960)**	11,087	**-**	-
Total comprehensive income for the financial year	**1,823,578**	1,800,856	**306,658**	400,804
Total comprehensive income attributable to:				
- Equity holders of the Company	**1,800,926**	1,795,164	**306,658**	400,804
- Non-controlling interests	**22,652**	5,692	**-**	-
	1,823,578	1,800,856	**306,658**	400,804

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 2013

Group	Note	Attributable to equity holders of the Company								Non-controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Reserve funds RM'000	Others reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Retained profits RM'000	Sub-total RM'000		
Balance as at 1 January 2013		2,494,208	4,548,602	3,494,397	28,196	234,337	(69,473)	4,386,948	15,117,215	223,265	15,340,480
Net profit for the financial year		-	-	-	-	-	-	1,831,190	1,831,190	12,348	1,843,538
Currency translation differences		-	-	-	-	-	81,684	-	81,684	4,750	86,434
Financial investments AFS:											
- Unrealised net (loss)/ gain on revaluation		-	-	-	-	(113,372)	-	-	(113,372)	5,532	(107,840)
- Net transfer to income statements on disposal or impairment		-	-	-	-	(34,856)	-	-	(34,856)	-	(34,856)
Income tax relating to components of other comprehensive loss	40	-	-	-	-	36,280	-	-	36,280	22	36,302
Other comprehensive (loss)/income, net of tax, for the financial year		-	-	-	-	(111,948)	81,684	-	(30,264)	10,304	(19,960)
Total comprehensive (loss)/income for the financial year		-	-	-	-	(111,948)	81,684	1,831,190	1,800,926	22,652	1,823,578
Transfer in respect of statutory requirements		-	-	83,250	-	-	-	(83,250)	-	-	-
Dividends paid	41	-	-	-	-	-	-	(553,200)	(553,200)	(10,442)	(563,642)
Shares issued pursuant to DRP	27	52,702	339,939	-	-	-	-	-	392,641	-	392,641
Accretion on deemed disposal of interest in an associate		-	-	-	-	-	-	(748)	(748)	-	(748)
Acquisition of shares by non-controlling interests		-	-	-	-	-	-	-	-	431	431
Acquisition of additional shares from non-controlling interests	50(b) & 51(a)(i)	-	-	-	-	-	-	(17,763)	(17,763)	(32,250)	(50,013)
Balance as at 31 December 2013		2,546,910	4,888,541	3,577,647	28,196	122,389	12,211	5,563,177	16,739,071	203,656	16,942,727

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 2013

Group	Note	Attributable to equity holders of the Company								Non-controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Reserve funds RM'000	Other reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Retained profits RM'000	Sub-total RM'000		
Balance as at 1 January 2012		2,204,819	2,674,459	3,016,604	27,815	213,654	(58,813)	3,536,860	11,615,398	11,922	11,627,320
Net profit for the financial year		-	-	-	-	-	-	1,784,742	1,784,742	5,027	1,789,769
Currency translation differences		-	-	-	-	-	(10,660)	-	(10,660)	(82)	(10,742)
Financial investments AFS:											
- Unrealised net gain on revaluation		-	-	-	-	122,189	-	-	122,189	747	122,936
- Net transfer to income statements on disposal or impairment		-	-	-	-	(94,011)	-	-	(94,011)	-	(94,011)
Share of reserves in an associate		-	-	-	-	-	-	18	18	-	18
Actuarial losses on defined benefit plan of a subsidiary		-	-	-	381	-	-	-	381	-	381
Income tax relating to components of other comprehensive income/(loss)	40	-	-	-	-	(7,495)	-	-	(7,495)	-	(7,495)
Other comprehensive income/(loss), net of tax, for the financial year		-	-	-	381	20,683	(10,660)	18	10,422	665	11,087
Total comprehensive income/(loss) for the financial year		-	-	-	381	20,683	(10,660)	1,784,760	1,795,164	5,692	1,800,856
Transfer in respect of statutory requirements		-	-	477,793	-	-	-	(477,793)	-	-	-
Dividends paid	41	-	-	-	-	-	-	(452,973)	(452,973)	(993)	(453,966)
Shares issued pursuant to:											
- DRP	27	44,389	244,893	-	-	-	-	-	289,282	-	289,282
- Acquisition of a subsidiary	27	245,000	1,629,250	-	-	-	-	-	1,874,250	-	1,874,250
Amount arising from acquisition of a subsidiary		-	-	-	-	-	-	-	-	210,703	210,703
Acquisition of additional shares from non-controlling interests		-	-	-	-	-	-	(3,906)	(3,906)	(4,059)	(7,965)
Balance as at 31 December 2012		2,494,208	4,548,602	3,494,397	28,196	234,337	(69,473)	4,386,948	15,117,215	223,265	15,340,480

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

Company	Note	Share capital RM'000	Non distributable Share premium RM'000	Distributable Retained profits RM'000	Total RM'000
Balance as at 1 January 2013		**2,494,208**	**4,548,602**	**893,013**	**7,935,823**
Net profit for the financial year		**-**	**-**	**306,658**	**306,658**
Dividends paid	41	**-**	**-**	**(553,200)**	**(553,200)**
Shares issued pursuant to DRP	27	**52,702**	**339,939**	**-**	**392,641**
Balance as at 31 December 2013		**2,546,910**	**4,888,541**	**646,471**	**8,081,922**
Balance as at 1 January 2012		2,204,819	2,674,459	945,182	5,824,460
Net profit for the financial year		-	-	400,804	400,804
Dividends paid	41	-	-	(452,973)	(452,973)
Shares issued pursuant to:					
- DRP	27	44,389	244,893	-	289,282
- Acquisition of a subsidiary	27	245,000	1,629,250	-	1,874,250
Balance as at 31 December 2012		2,494,208	4,548,602	893,013	7,935,823

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 2013

	Note	Group	
		2013 RM'000	**2012 RM'000**
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**2,470,767**	2,384,623
Adjustments for:			
Allowance for impairment on loans, financing and other losses		**778,569**	611,784
Property, plant and equipment:			
- Depreciation		**113,475**	96,419
- Gain on disposal		**(316)**	(1,321)
- Written off		**459**	7
Amortisation of intangible assets		**56,133**	32,052
Intangible assets written off		**219**	-
Net impairment (written back)/made on financial investments AFS and HTM		**(18,445)**	1,062
Impairment loss on investment in a joint venture		**-**	5,936
Accretion of discounts for borrowings and subordinated obligations		**2,193**	2,381
Share of results of associates and joint ventures		**(1,222)**	(1,120)
Interest income from financial assets HFT, financial investments AFS and HTM		**(1,166,546)**	(864,600)
Investment income from financial assets HFT, financial investments AFS and HTM		**(171,830)**	(143,658)
Net gain arising from sale/redemption of financial assets HFT, financial investments AFS and HTM		**(152,881)**	(183,477)
Net unrealised (gain)/loss on revaluation of financial assets HFT and derivatives		**(164,825)**	5,545
Net gain on fair value hedges		**(692)**	(1,474)
Unrealised net foreign exchange (gain)/loss		**(113,459)**	12,767
Gross dividend income from financial assets HFT, financial investments AFS and HTM		**(28,560)**	(21,523)
Gain on disposal of an associate		**(8,737)**	-
Gain on acquisition of a subsidiary		**-**	(1,638)
Operating profit before working capital changes		**1,594,302**	1,933,765
(Increase)/Decrease in operating assets:			
Securities purchased under resale agreements		**516,490**	(530,823)
Deposits and placements with banks and other financial institutions		**865,441**	(2,373,028)
Financial assets HFT		**(1,194,063)**	(668,980)
Loans, advances and financing		**(10,807,844)**	(12,772,638)
Clients' and brokers' balances		**413,295**	(217,223)
Other assets		**(25,119)**	(202,711)
Statutory deposits		**(276,815)**	(361,047)
		(10,508,615)	(17,126,450)

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

	Note	Group	
		2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**(761,366)**	16,219,885
Deposits and placements of banks and other financial institutions		**3,482,050**	2,554,470
Obligations on securities sold under repurchase agreements		**326,611**	(95,617)
Obligations on securities borrowed		**(88,171)**	119,905
Bills and acceptances payable		**(1,561,118)**	(127,554)
Clients' and brokers' balances		**(415,885)**	263,129
Other liabilities		**284,836**	119,318
Recourse obligation on loans sold to Cagamas		**(176,008)**	1,283,547
		1,090,949	20,337,083
Cash (used in)/generated from operations		**(7,823,364)**	5,144,398
Net tax paid		**(748,052)**	(350,569)
Net cash (used in)/generated from operating activities		**(8,571,416)**	4,793,829
CASH FLOWS FROM INVESTING ACTIVITIES			
Net purchase of financial investments AFS and HTM		**(5,319,234)**	(4,748,672)
Property, plant and equipment:			
- Purchase		**(80,261)**	(84,743)
- Proceeds from disposal		**1,029**	11,376
Purchase of intangible assets		**(73,199)**	(42,318)
Financial investments AFS and HTM:			
- Interest received		**1,009,743**	844,131
- Investment income received		**149,403**	129,242
Dividend income received from financial assets HFT and financial investments AFS		**28,199**	21,308
Acquisition of subsidiaries	51(b)	**-**	1,082,745
Acquisition of additional interests in a subsidiary	50(b)&51(a)(i)	**(50,013)**	(7,965)
Proceeds from disposal of an associate	51(a)(ii)	**26,201**	-
Net cash used in investing activities		**(4,308,132)**	(2,794,896)

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 2013

	Note	Group 2013 RM'000	Group 2012 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net proceeds from issuance of senior debt securities		**-**	1,535,591
Net proceeds from issuance of subordinated notes		**-**	2,292,706
Repayment of subordinated notes		**(160,485)**	(1,500,000)
Repayment of bonds		**-**	(350,000)
Proceeds from shares issued pursuant to DRP		**392,641**	289,282
Drawdown of borrowings		**717,530**	691,568
Repayment of borrowings		**(1,518,369)**	(511,043)
Dividends paid to equity holders of the Company		**(553,200)**	(452,973)
Dividends paid to non-controlling interests		**(10,442)**	(993)
Net cash (used in)/generated from financing activities		**(1,132,325)**	1,994,138
Net (decrease)/increase in cash and cash equivalents		**(14,011,873)**	3,993,071
Effects of exchange rate differences		**36,590**	(51,685)
Cash and cash equivalents:			
- at the beginning of the financial year		**23,973,950**	20,032,564
- at the end of the financial year		**9,998,667**	23,973,950
Cash and cash equivalents comprise the following:			
Cash and short term funds	2	**9,998,667**	23,974,020
Overdrafts	24(c)	**-**	(70)
		9,998,667	23,973,950

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

	Note	Company	
		2013 RM'000	2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**321,956**	549,004
Adjustments for:			
Interest expense		**130,883**	141,061
Unrealised foreign exchange loss		**506**	115
Property, plant and equipment:			
- Depreciation		**247**	245
- Gain on disposal		**(2)**	(190)
Dividend income		**(473,149)**	(756,499)
Interest income		**(2,006)**	(2,966)
Operating loss before working capital changes		**(21,565)**	(69,230)
Increase in deposits and placements with banks and other financial institutions		**(20)**	(32)
Decrease in inter-company balances		**2,161**	12,670
Decrease/(increase) in other assets		**32,320**	(1,468)
(Decrease)/increase in other liabilities		**(55,215)**	58,142
Cash (used in)/generated from operations		**(42,319)**	82
Net tax refunded		**23,312**	27,902
Net cash (used in)/generated from operating activities		**(19,007)**	27,984
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income received from subsidiaries		**443,232**	567,021
Interest income received		**5,040**	2,203
Purchase of property, plant and equipment		**(87)**	(96)
Acquisition of subsidiaries		**-**	(235,199)
Acquisition of additional interests in a subsidiary		**-**	(7,965)
Proceeds from disposal of investments in subsidiaries		**7,964**	-
Proceeds from disposal of property, plant and equipment		**2**	190
Net cash generated from investing activities		**456,151**	326,154

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 2013

	Note	Company	
		2013 RM'000	2012 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		**1,225,650**	405,000
Repayment of borrowings		**(1,411,300)**	(459,590)
Interest expense paid		**(110,139)**	(127,190)
Dividends paid to equity holders of the Company		**(553,200)**	(452,973)
Proceeds from shares issued pursuant to DRP		**392,641**	289,282
Net cash used in financing activities		**(456,348)**	(345,471)
Net (decrease)/increase in cash and cash equivalents		**(19,204)**	8,667
Cash and cash equivalents:			
- at the beginning of the financial year		**36,177**	27,510
- at the end of the financial year		**16,973**	36,177
Cash and cash equivalents comprise the following:			
Cash and short term funds	2	**16,973**	36,247
Overdrafts	24(c)	**-**	(70)
		16,973	36,177

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 2013

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Basis of Preparation of the Financial Statements

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

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

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

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

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

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

The relevant new accounting standards, amendments and improvements to published standards and interpretations to existing accounting standards that are effective for the Group's and the Company's financial year beginning on or after 1 January 2013 are as follows:

- MFRS 10 "Consolidated Financial Statements"
- MFRS 11 "Joint Arrangements"
- MFRS 12 "Disclosures of Interests in Other Entities"
- MFRS 13 "Fair Value Measurement"
- MFRS 3 "Business Combinations"
- MFRS 127 "Separate Financial Statements"
- MFRS 128 "Investments in Associates and Joint Ventures"
- Amendment to MFRS 7 "Financial Instruments: Disclosures"
- Annual Improvements to MFRS 2009-2011 Cycle

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 Company.

(b) Standards early adopted by the Group

The amendments to MFRS 136 "Impairment of Assets" removed certain disclosures of the recoverable amount of Cash-Generating Units ("CGU") which had been included in MFRS 136 by the issuance of MFRS 13. The amendment is not mandatory for the Group until 1 January 2014, however the Group had decided to early adopt the amendment as of 1 January 2013.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

(i) Financial year beginning on/after 1 January 2014

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

- Amendment to MFRS 139 "Novation of Derivatives and Continuation of Hedge Accounting" (effective 1 January 2014) provide relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of law or regulation. This is to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

- Amendments to MFRS 10, MFRS 12 and MFRS 127 (effective 1 January 2014) introduce an exception to consolidation of investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.

- IC Interpretation 21 "Levies" (effective 1 January 2014) sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that a liability to pay a levy is recognised when the obligating event occurs. Obligating event is the event identified by the legislation that triggers the payment of the levy.

(ii) Effective date yet to be determined by the Malaysian Accounting Standards Board

- MFRS 9 "Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities" replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured as at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. 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. The Group is yet to assess MFRS 9's full impact. The Group will also consider the impact of the remaining phases of MFRS 9 when the standard is completed and issued.

The adoption of the new standards and amendments to published standards are not expected to have a material impact on the financial results of the Group and the Company except that the Group is in the process of reviewing the requirements of MFRS 9 and expects this process to be completed prior to the effective date on 1 January 2017.

(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.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Basis of Consolidation (Continued)

(a) Subsidiaries (Continued)

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 Company. Non-controlling interest is measured either at fair value or proportionate share of the acquiree's identifiable net assets at the acquisition date, determined on a case by case basis. At the end of a reporting period, non-controlling interest consists of the amount calculated on the date of combination and its share of changes in the subsidiary's equity since the date of combination.

Acquisition-related costs are expensed as incurred.

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

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

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in income statements. Refer to accounting policy Note 8 on goodwill.

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

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

Predecessor accounting

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

The acquired entity's results, assets and liabilities are consolidated from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements reflect both entities' full year results. The corresponding amounts for the previous year 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.

(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.

(d) Joint ventures

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

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

(e) Associates

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

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

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

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

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

(3) Investment in Subsidiaries, Associates and Joint Ventures

In the Company's separate financial statements, investments in subsidiaries, associates and joint ventures are stated at cost less accumulated impairment losses. At the end of each reporting period, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note 23 on impairment of non-financial assets.

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) Financial Assets

(a) Classification

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

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

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

(ii) Loans and receivables

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

(iii) Financial investments AFS

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

(iv) Financial investments HTM

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

(b) Recognition and initial measurement

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

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

(c) Subsequent measurement – gain and loss

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

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

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

Interest and dividend income on financial investments AFS are recognised separately in income statements. Interest on financial investments AFS calculated using the effective interest method is recognised in income statements. Dividend income on financial investments AFS is recognised in non-interest income in income statements when the Group's right to receive payments is established.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) Financial Assets (Continued)

(d) De-recognition

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

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

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

(e) Offsetting financial instruments

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

(5) Repurchase Agreements

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

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

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

(6) Derivative Financial Instruments and Hedge Accounting

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

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

(c) 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.

(7) Foreclosed Properties

Foreclosed properties are stated at lower of cost or fair value less cost to sell.

(8) Goodwill and Intangible Assets

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

(a) Goodwill

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(8) Goodwill and Intangible Assets (Continued)

(b) Computer software licenses

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

(c) Other intangible assets

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

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

Customer relationship	10 years
Brand	3-10 years

The above intangible assets, except for computer software licenses, are tested at least annually for impairment. At the end of the reporting period, the Group assesses whether there is impairment on computer software. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount. Refer to accounting policy Note 23 on impairment of non-financial assets. Gains and losses arising from de-recognition of an intangible assets are measured as the difference between the net disposal proceeds and the carrying amount of the intangible assets and are recognised in income statements when the asset is de-recognised.

(9) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Company and the cost of the item can be measured reliably. The carrying amount of the replaced part is 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 $3^1/_3$%
Renovations and improvements	7.5% to 20%
Computer equipment	20% to $33^1/_3$%
Furniture, fittings and equipment	7.5% to 20%
Motor vehicles	20% to 25%

* The remaining period of the lease ranges from 7 to 880 years.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(9) Property, Plant and Equipment and Depreciation (Continued)

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

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

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

(10) Financial Liabilities

Financial liabilities are measured at amortised cost, except for trading liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in 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 a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorised as HFT unless they are designated as hedges. Refer to accounting policy Note 6 on hedge accounting.

(b) Other financial liabilities measured at amortised cost

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

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

(c) Borrowings measured at amortised cost

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

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

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

(11) Recourse Obligation on Loans Sold to Cagamas

In the normal course of banking operations, the banking subsidiaries sell loans to Cagamas but undertake to administer the loans on behalf of Cagamas and to buy back any loans which are regarded as defective 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.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) Leases – Where the Group is Lessee

(a) Operating lease

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

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

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

(b) Finance lease

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

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

(13) Leases - Where the Group is Lessor

(a) Operating lease

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

(b) Finance lease

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

(14) Provisions

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(15) Financial Guarantee Contracts

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

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The fair value of a financial guarantee at the time of issuance is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future 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 for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

(16) Contingent Liabilities and Contingent Assets

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

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

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

(17) Share Capital

(a) Classification

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

(b) Share issue cost

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

(c) Dividend distribution

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

(18) Cash and Cash Equivalents

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) Revenue Recognition

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

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

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

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

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

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

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

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

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

(i) Management fees of the unit trust management company are recognised on accrual basis. Sales value of trust units is recognised on the approval of a unit holder's application. The value from the cancellation of trust units is recognised upon approval of the trustee.

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

(20) Impairment of Financial Assets

(a) Assets carried at amortised cost

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) 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 is reduced and the amount of the loss is recognised in income statements. If "loans and receivables" or a "HTM investment" have a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract.

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

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

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

(i) Individual impairment allowance

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

(ii) Collective impairment allowance

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

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

(b) Assets classified as AFS

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) Impairment of Financial Assets (Continued)

(b) Assets classified as AFS (Continued)

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

(21) General Insurance

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

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

(a) Premium income

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

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

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

(b) Premium liabilities

Premium liabilities refer to the higher of:

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

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

(c) Claim liabilities

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) General Insurance (Continued)

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

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

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

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

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

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

DAC is de-recognised when the related contracts are either settled or disposed of.

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

(e) Reinsurance

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

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

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

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

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) General Insurance (Continued)

(f) Insurance contract liabilities

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

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

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

(22) Employee Benefits

(a) Short term employee benefits

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

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

(b) Defined contribution plans

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

(c) Termination benefits

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

(23) Impairment of Non-Financial Assets

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(23) Impairment of Non-Financial Assets (Continued)

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

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

(24) Current and Deferred Income Taxes

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

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

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

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

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

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

(25) Currency Conversion and Translation

(a) Functional and presentation currency

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

(b) Transactions and balances

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(25) Currency Conversion and Translation (Continued)

(c) Group companies

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

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

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

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

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

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

(26) Segment Reporting

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

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Allowance for impairment of financial assets

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

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

(b) Goodwill impairment

Goodwill is tested at least annually for impairment. Testing of goodwill for impairment involves a significant amount of estimation. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Estimating the value in use required the Group to make an estimate of the expected future cash flow from the CGU. Determining both the expected pre-tax cash flows rates used to discount future expected cash flows appropriate to the CGU also require the exercise of judgement. The variables are subject to fluctuations in external market rates and economic conditions beyond management control and are subject to uncertainty and require the exercise of significant judgement. The detailed disclosures on the assessment of impairment of goodwill are disclosed in Note 17.

Notes to the Financial Statements

For the Financial Year Ended 31 December 2013

1 GENERAL INFORMATION

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

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

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

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

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 6 March 2014.

2 CASH AND SHORT TERM FUNDS

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Cash and balances with banks and other financial institutions	**1,839,646**	1,900,011	**1,572**	2,262
Money at call and deposit placements maturing within one month	**8,159,021**	22,074,009	**15,401**	33,985
	9,998,667	23,974,020	**16,973**	36,247

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Licensed banks	**2,054,576**	1,590,559	**983**	951
Licensed Islamic banks	**90,339**	90,075	**-**	-
Licensed investment banks	**14,413**	16,471	**-**	-
Bank Negara Malaysia ("BNM")	**-**	1,203,564	**-**	-
Other financial institutions	**613,986**	737,860	**-**	-
	2,773,314	3,638,529	**983**	951

4 FINANCIAL ASSETS HELD-FOR-TRADING ("HFT")

	Group	
	2013 RM'000	**2012 RM'000**
At fair value		
MONEY MARKET INSTRUMENTS:		
Malaysian Government Securities	**498,989**	323,779
Malaysian Government Investment Issues	**266,950**	182,081
Malaysian Government Treasury Bills	**-**	52,869
BNM Monetary Notes	**1,151,172**	598,073
Negotiable instruments of deposits	**198,686**	-
Cagamas bonds	**-**	250,324
Wakala Global Sukuk	**-**	7,144
Sukuk Perumahan Kerajaan ("SPK")	**-**	20,100
Singapore Government Treasury Bills	**466,438**	227,634
Thailand Treasury Bills	**6,372**	-
QUOTED SECURITIES:		
In Malaysia		
Shares, exchange traded funds and warrants	**178,224**	129,944
Unit trusts	**3,323**	5,790
Private debt securities	**2,707**	-
Outside Malaysia		
Shares, exchange traded funds and warrants	**59,352**	58,517
Unit trusts	**34,008**	25,034
UNQUOTED SECURITIES:		
In Malaysia		
Prasarana bonds	**-**	5,558
Private debt securities	**816,024**	408,188
Outside Malaysia		
Private debt securities	**355,483**	444,615
	4,037,728	2,739,650

Included in financial assets HFT are private debts securities outside Malaysia, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM200,296,000 (2012: Nil).

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

The effects of the reclassification on the income statements for the period from the date of reclassification to 31 December 2013 were as follows:

	Carrying amount		Fair value	
Group	**2013 RM'000**	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Reclassified from financial assets HFT to financial investments AFS:				
- Debt securities	**31,214**	111,191	**30,798**	110,549
Reclassified from financial assets HFT to financial investments HTM:				
- Debt securities	**19,786**	18,425	**20,711**	19,724
	51,000	129,616	**51,509**	130,273

	Group	
	2013 RM'000	**2012 RM'000**
Fair value gain that would have been recognised if the financial assets HFT had not been reclassified	**509**	657

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

	Group	
	2013 RM'000	**2012 RM'000**
At fair value		
MONEY MARKET INSTRUMENTS:		
Malaysian Government Securities	**1,051,413**	806,960
Malaysian Government Investment Issues	**2,078,025**	2,746,170
BNM Monetary Notes	**-**	205,859
Cagamas bonds	**130,468**	117,158
Khazanah bonds	**63,654**	49,116
1 Malaysia Sukuk	**318,010**	277,514
Wakala Global Sukuk	**153,099**	154,281
Bankers' acceptances and Islamic accepted bills	**378,121**	412,555
Negotiable instruments of deposits	**503,046**	409,161
SPK bonds	**114,212**	131,513
Singapore Government Securities	**136,433**	135,081
Singapore Government Treasury Bills	**272,185**	25,032
Thailand Government bonds	**96,341**	106,295
QUOTED SECURITIES:		
In Malaysia		
Corporate loan stocks	**1,495**	33,763
Shares and warrants	**31,374**	12,875
Unit trusts	**5,571**	5,247
Outside Malaysia		
Shares and warrants	**1,332**	3,415
Unit trusts	**4,081**	20,197
UNQUOTED SECURITIES:		
In Malaysia		
Private and Islamic debt securities	**10,546,051**	7,893,205
Shares and warrants	**540,941**	387,677
Corporate loan stocks	**294,689**	385,029
Unit trusts	**-**	344,210
Prasarana bonds	**19,816**	10,232
Perpetual notes/Sukuk	**286,149**	-
Outside Malaysia		
Private and Islamic debt securities	**360,082**	1,030,123
Corporate loan stocks	**2,093**	1,949
Shares	**34,375**	20,382
	17,423,056	15,724,999
Accumulated impairment losses	**(492,543)**	(570,068)
	16,930,513	15,154,931

Included in financial investments AFS are private and Islamic debts securities, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM260,231,000 (2012: RM267,635,000).

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

	Group	
	2013 RM'000	**2012 RM'000**
Movements in allowance for impairment losses:		
Balance as at the beginning of the financial year	**570,068**	495,408
Amount arising from acquisition of subsidiaries	**-**	83,389
Charge during the financial year	**24,516**	8,870
Write back during the financial year	**(11,496)**	(7,316)
Disposal/redemption	**(90,655)**	(10,643)
Transfer from individual impairment allowance	**-**	643
Transfer from impairment of securities - financial investments HTM	**-**	315
Exchange differences	**110**	(598)
Balance as at the end of the financial year	**492,543**	570,068

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

	Group	
	2013 RM'000	**2012 RM'000**
At amortised cost		
MONEY MARKET INSTRUMENTS:		
Malaysian Government Securities	**2,639,090**	2,463,239
Malaysian Government Investment Issues	**6,833,778**	6,038,528
Cagamas bonds	**2,495,181**	2,391,005
Khazanah bonds	**79,176**	66,290
Negotiable instruments of deposits	**2,449,025**	2,126,329
Bankers' acceptances and Islamic acceptance bills	**33,634**	389,176
Wakala Global Sukuk	**234,800**	212,524
SPK bonds	**111,202**	-
Singapore Government Securities	**183,686**	126,795
Thailand Government Securities	**293,052**	264,011
Sukuk (Brunei) Incorporation	**38,897**	57,594
UNQUOTED SECURITIES:		
In Malaysia		
Private and Islamic debt securities	**6,724,212**	4,221,805
Corporate loan stocks	**43,292**	55,196
Bonds	**883**	883
Prasarana bonds	**822,555**	794,309
Outside Malaysia		
Private and Islamic debt securities	**70,063**	52,325
	23,052,526	19,260,009
Accumulated impairment losses	**(274,517)**	(305,473)
	22,778,009	18,954,536

Included in financial investments HTM are private and Islamic debts securities, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM168,571,000 (2012: Nil).

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

	Group	
	2013 RM'000	**2012 RM'000**
Movements in allowance for impairment losses:		
Balance as at the beginning of the financial year	**305,473**	224,053
Amounts arising from acquisition of subsidiaries	**-**	83,563
Charge during the financial year	**(31,465)**	(13,377)
Write back during the financial year	**-**	12,885
Transfer from impairment of securities - financial investments AFS	**-**	(315)
Allowance written off	**-**	(1,000)
Exchange differences	**509**	(336)
Balance as at the end of the financial year	**274,517**	305,473

7 LOANS, ADVANCES AND FINANCING

	Group	
	2013 RM'000	**2012 RM'000**
At amortised cost		
Overdrafts	**5,990,867**	5,895,676
Term loans/financing:		
- Housing loans/financing	**25,375,496**	21,706,306
- Syndicated term loans/financing	**3,974,387**	2,521,254
- Hire purchase receivables	**13,052,001**	12,581,965
- Lease receivables	**70,174**	75,650
- Other term loans/financing	**55,620,652**	52,579,442
Bills receivables	**2,561,904**	1,574,283
Trust receipts	**523,804**	469,017
Claims on customers under acceptance credits	**4,327,803**	5,257,978
Staff loans/financing	**252,240**	286,116
Credit card receivables	**2,004,163**	1,926,638
Revolving credits/financing	**7,999,405**	6,599,744
Gross loans, advances and financing	**121,752,896**	111,474,069
Fair value changes arising from fair value hedges	**(26,697)**	6,252
	121,726,199	111,480,321
Allowance for impaired loans, advances and financing:		
- Individual impairment allowance	**(903,388)**	(801,495)
- Collective impairment allowance	**(1,280,266)**	(1,401,946)
Net loans, advances and financing	**119,542,545**	109,276,880

Included in loans, advances and financing are housing loans, hire purchase receivables and other term loans/financing sold to Cagamas with recourse amounting to RM2,405,777,000 (2012: RM2,371,017,000).

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2013 RM'000	2012 RM'000
(i) By type of customer:		
Domestic non-bank financial institutions:		
- Others	**2,716,376**	1,502,696
Domestic business enterprises:		
- Small medium enterprises	**12,432,608**	11,518,640
- Others	**31,997,072**	31,536,915
Government and statutory bodies	**8,476,645**	10,989,382
Individuals	**55,093,448**	47,909,866
Other domestic entities	**126,933**	10,240
Foreign entities	**10,909,814**	8,006,330
	121,752,896	111,474,069
(ii) By geographical distribution:		
In Malaysia	**112,656,087**	104,661,562
Outside Malaysia:		
- Singapore	**7,582,019**	5,863,486
- Thailand	**782,755**	468,613
- Brunei	**94,029**	86,886
- Indonesia	**20,639**	18,274
- Hong Kong	**148,102**	100,444
- Cambodia	**469,265**	274,804
	121,752,896	111,474,069
(iii) By interest/profit rate sensitivity:		
Fixed rate:		
- Housing loans/financing	**1,021,668**	1,358,745
- Hire purchase receivables	**13,052,001**	12,581,965
- Other fixed rate loans/financing	**18,093,114**	19,996,461
Variable rate:		
- Base lending/financing rate plus	**49,342,388**	42,244,830
- Cost-plus	**32,953,484**	30,120,920
- Other variable rates	**7,290,241**	5,171,148
	121,752,896	111,474,069

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2013 RM'000	**2012 RM'000**
(iv) By purpose:		
Purchase of securities	**13,070,551**	10,250,484
Purchase of transport vehicles	**11,863,407**	11,448,099
Purchase of landed property:		
- Residential	**25,518,909**	22,154,545
- Non-residential	**7,448,743**	5,730,126
Purchase of property, plant and equipment other than land and building	**3,350,106**	3,249,719
Personal use	**7,193,757**	5,758,114
Credit card	**2,004,163**	1,926,638
Purchase of consumer durables	**31,513**	37,282
Construction	**3,121,181**	3,653,747
Working capital	**29,096,506**	26,520,291
Merger and acquisition	**3,215,709**	3,702,442
Other purpose	**15,838,351**	17,042,582
	121,752,896	111,474,069
(v) By remaining contractual maturities:		
Maturity within one year	**43,226,153**	39,436,353
One year to three years	**9,751,531**	8,971,576
Three years to five years	**10,125,124**	9,495,981
Over five years	**58,650,088**	53,570,159
	121,752,896	111,474,069
(vi) Impaired loans, advances and financing		
(a) Movements in impaired loans, advances and financing:		
Balance as at the beginning of the financial year	**3,337,637**	3,493,951
Amount arising from acquisition of subsidiaries	**-**	286,081
Classified as impaired	**4,122,777**	3,900,918
Reclassified as non-impaired	**(2,645,660)**	(2,746,513)
Amount recovered	**(782,440)**	(784,440)
Amount written off	**(614,408)**	(811,448)
Exchange differences	**8,723**	(912)
Balance as at the end of the financial year	**3,426,629**	3,337,637
(b) By purpose:		
Purchase of securities	**161,957**	335,314
Purchase of transport vehicles	**218,392**	260,414
Purchase of landed property:		
- Residential	**876,201**	965,098
- Non-residential	**99,639**	158,072
Purchase of property, plant and equipment other than land and building	**45,211**	66,981
Personal use	**150,366**	137,178
Credit card	**41,330**	39,379
Purchase of consumer durables	**1,724**	2,058
Construction	**125,127**	245,763
Working capital	**1,536,514**	1,040,599
Other purpose	**170,168**	86,781
	3,426,629	3,337,637

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2013 RM'000	**2012 RM'000**
(vi) Impaired loans, advances and financing (Continued)		
(c) By geographical distribution:		
In Malaysia	**3,302,343**	3,238,073
Outside Malaysia:		
- Singapore	**85,600**	69,055
- Thailand	**16,025**	21,905
- Brunei	**8,536**	8,604
- Cambodia	**14,125**	-
	3,426,629	3,337,637
(d) Movements in allowance for impaired loans, advances and financing:		
Individual impairment allowance		
Balance as at the beginning of the financial year	**801,495**	813,086
Amount arising from acquisition of subsidiaries	**-**	21,043
Net allowance made	**297,254**	267,911
Amount written off	**(203,000)**	(288,550)
Reclassified from/(to) collective impairment allowance	**2,509**	(10,895)
Transfer to impairment of financial investments HTM	**-**	(643)
Exchange differences	**5,130**	(457)
Balance as at the end of the financial year	**903,388**	801,495
Collective impairment allowance		
Balance as at the beginning of the financial year	**1,401,946**	1,566,152
Amount arising from acquisition of subsidiaries	**-**	6,463
Net allowance made	**194,069**	157,290
Amount written off	**(316,200)**	(338,162)
Reclassified (to)/from individual impairment allowance	**(2,509)**	10,895
Exchange differences	**2,960**	(692)
Balance as at the end of the financial year	**1,280,266**	1,401,946

8 CLIENTS' AND BROKERS' BALANCES

	Group	
	2013 RM'000	2012 RM'000
Amounts owing by clients	**732,340**	1,377,704
Allowance for impaired balances:		
- Individual impairment allowance	**(37,301)**	(10,872)
- Collective impairment allowance	**(4,175)**	(6,088)
	690,864	1,360,744
Amounts owing by brokers	**202,262**	984,171
Allowance for impaired balances:		
- Individual impairment allowance	**(1,014)**	(717)
	892,112	2,344,198
Amounts owing by clearing houses and stock exchanges	**1,681,471**	642,680
	2,573,583	2,986,878
Movements in allowance for impaired balances are as follows:		
Individual impairment allowance		
Balance as at the beginning of the financial year	**11,589**	1,533
Amount arising from acquisition of subsidiaries	**-**	8,451
Allowance made	**28,907**	1,699
Amount recovered	**(2,426)**	(82)
Amount written off	**(195)**	(22)
Exchange differences	**440**	10
Balance as at the end of the financial year	**38,315**	11,589
Collective impairment allowance		
Balance as at the beginning of the financial year	**6,088**	5,859
Amount arising from acquisition of subsidiaries	**-**	134
Allowance (written back)/made	**(1,913)**	95
Balance as at the end of the financial year	**4,175**	6,088

9 OTHER ASSETS

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Other debtors	(a)	**624,877**	501,114	**2,339**	8
Deposits	(b)	**89,432**	105,292	**-**	35,015
Prepayments		**61,000**	54,788	**3,624**	8,129
Reinsurance assets	(c)	**260,952**	191,147	**-**	-
Amounts due from reverse repo transactions		**32,915**	121,309	**-**	-
Deposits for proposed acquisition of PT Bank Mestika Dharma ("Bank Mestika")	(d)	**112,515**	112,515	**112,515**	112,515
		1,181,691	1,086,165	**118,478**	155,667

(a) Other debtors of the Group are stated net of allowance for impairment losses of RM12,037,000 (2012: RM8,988,000).

(b) Included in deposits of the Group and the Company in 2012 was a deposit of RM32,800,000 paid by the Company pursuant to a sale and purchase agreement dated 7 November 2000 between Carta Bintang Sdn Bhd and the Company for the sale and purchase of 60 million shares in SJ Securities Sdn Bhd. This deposit has been fully recovered during the financial year.

9 OTHER ASSETS (CONTINUED)

(c) Reinsurance assets

		Group	
	Note	2013 RM'000	2012 RM'000
Claims liabilities	22(a)(i)	**181,461**	123,888
Premium liabilities	22(a)(ii)	**79,491**	67,259
		260,952	191,147

(d) On 22 October 2009, the Company paid a deposit of RM112,515,000 to the vendor, which is equivalent to 10% of the initial total purchase consideration for the 80% stake in Bank Mestika, as disclosed in Note 50(a).

10 DERIVATIVE ASSETS/(LIABILITIES)

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

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

	Group	
	2013 RM'000	2012 RM'000
Derivative assets:		
- Trading derivatives	**459,033**	275,441
Derivative liabilities:		
- Trading derivatives	**(345,076)**	(310,453)
- Fair value hedging derivatives	**(2,987)**	(9,910)
	(348,063)	(320,363)
	110,970	(44,922)

	Group		
	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
2013			
Trading derivatives:			
Foreign exchange related contracts:			
- Forwards/swaps	**11,661,635**	**137,103**	**(85,439)**
- Options	**174,339**	**772**	**(772)**
- Cross-currency interest rate swaps	**8,137,734**	**143,163**	**(105,309)**
Interest rate related contracts:			
- Swaps	**27,069,222**	**177,995**	**(136,913)**
Structured warrants	**13,099**	**-**	**(16,642)**
Fair value hedging derivatives:			
Interest rate related contracts:			
- Swaps	**1,145,000**	**-**	**(2,988)**
		459,033	**(348,063)**

10 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

	Group		
	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
2012			
Trading derivatives:			
Foreign exchange related contracts:			
- Forwards/swaps	10,272,838	54,324	(87,114)
- Options	101,189	120	(97)
- Cross-currency interest rate swaps	5,605,359	92,075	(53,254)
Over-the-counter ("OTC") derivatives - options and structured products	38,719	56	-
Interest rate related contracts:			
- Swaps	22,681,847	128,866	(155,636)
Structured warrants	60,464	-	(14,352)
Fair value hedging derivatives:			
Interest rate related contracts:			
- Swaps	1,860,000	-	(9,910)
		275,441	(320,363)

Fair value hedging are used by the Group for protection against the changes in fair value of financial assets and financial liabilities due to movements in market interest rates. The Group uses interest rate swaps to hedge against interest rate risk of specific identified fixed rate long term as well as portfolio homogenous pools of loans, advances and financing. Included in other operating income as disclosed in Note 32 is the net gains and losses arising from fair value hedges for the financial year as follows:

	Group	
	2013 RM'000	2012 RM'000
Gain on hedging instruments	**38,418**	4,752
Loss on the hedged items attributable to the hedged risk	**(37,726)**	(3,278)
	692	1,474

11 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

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

12 STATUTORY DEPOSITS

		Group	
	Note	2013 RM'000	2012 RM'000
Statutory deposits with BNM	(a)	**3,891,433**	3,618,565
Statutory deposits with Monetary Authority of Singapore	(b)	**211,716**	204,410
Statutory deposits with Ministry of Finance Negara Brunei Darussalam	(c)	**13,717**	12,528
Statutory deposits with Labuan Offshore Financial Services Authority ("LOFSA")	(d)	**100**	100
Statutory deposits and reserve deposits with National Bank of Cambodia ("NBC")	(e)	**54,496**	47,842
		4,171,462	3,883,445

12 STATUTORY DEPOSITS (CONTINUED)

(a) Non-interest bearing statutory deposits maintained with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2011.

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

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

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

(e) Included in statutory deposits with NBC are:

(i) Interest bearing statutory deposits of RM17.0 million (2012: RM15.9 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") (formerly known as OSK Indochina Bank Limited) voluntarily ceases to operate its banking business in Cambodia.

(ii) Non-interest bearing deposits of RM37.5 million (2012: RM31.9 million) maintained with NBC as reserve requirements, computed at 8.0% and 12.5% (2012: 8.0% and 12.5%) of customer deposits in KHR and in foreign currencies, respectively.

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

13 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deferred tax assets	**31,225**	15,115	**1,181**	1,022
Deferred tax liabilities	**(51,814)**	(67,961)	**-**	-
	(20,589)	(52,846)	**1,181**	1,022
Deferred tax assets:				
- Settled more than twelve months	**9,960**	12,788	**-**	-
- Settled within twelve months	**100,646**	97,316	**1,181**	1,022
Deferred tax liabilities:				
- Settled more than twelve months	**(89,474)**	(130,470)	**-**	-
- Settled within twelve months	**(41,721)**	(32,480)	**-**	-
	(20,589)	(52,846)	**1,181**	1,022

13 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Group	Note	Property, plant and equipment RM'000	Financial investments AFS RM'000	Loans, advances and financing RM'000	Tax losses RM'000	Other liabilities RM'000	Other temporary differences RM'000	Total RM'000
2013								
Balance as at the beginning of the financial year:								
- As previously reported		**(67,507)**	**(85,655)**	**5,341**	**1,651**	**86,596**	**14,142**	**(45,432)**
- Fair value adjustments on completion of accounting for business combination	51(b)	**-**	**-**	**-**	**-**	**-**	**(7,414)**	**(7,414)**
- As restated		**(67,507)**	**(85,655)**	**5,341**	**1,651**	**86,596**	**6,728**	**(52,846)**
Transfer (to)/from income statements	38	**(7,068)**	**-**	**(5,341)**	**147**	**13,850**	**(5,068)**	**(3,480)**
Transfer to equity		**-**	**36,302**	**-**	**-**	**-**	**-**	**36,302**
Exchange differences		**(49)**	**-**	**-**	**-**	**624**	**(1,140)**	**(565)**
Balance as at the end of the financial year		**(74,624)**	**(49,353)**	**-**	**1,798**	**101,070**	**520**	**(20,589)**
2012								
Balance as at the beginning of the financial year		(60,094)	(71,934)	(10,250)	17,978	59,875	15,947	(48,478)
Amount arising from acquisition of subsidiaries		(9,294)	(7,082)	-	-	10,545	2,335	(3,496)
Fair value adjustments on completion of accounting for business combination	51(b)	-	-	-	-	-	(7,414)	(7,414)
Transfer from/(to) income statements	38	1,884	(77)	15,591	(16,549)	16,176	(4,390)	12,635
Transfer to equity		-	(6,565)	-	-	-	276	(6,289)
Exchange differences		(3)	3	-	222	-	(26)	196
Balance as at the end of the financial year		(67,507)	(85,655)	5,341	1,651	86,596	6,728	(52,846)

13 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

		Company		
	Note	Property, plant and equipment RM'000	Other liabilities RM'000	Total RM'000
2013				
Balance as at the beginning of the financial year		**(46)**	**1,068**	**1,022**
Transfer from income statements	38	**37**	**122**	**159**
Balance as at the end of the financial year		**(9)**	**1,190**	**1,181**
2012				
Balance as at the beginning of the financial year		(45)	-	(45)
Transfer (to)/from income statements	38	(1)	1,068	1,067
Balance as at the end of the financial year		(46)	1,068	1,022

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	
	2013 RM'000	2012 RM'000
Unabsorbed tax losses carried forward	**1,462,226**	1,463,323
Unabsorbed capital allowances carried forward	**24,336**	24,337
	1,486,562	1,487,660

The above deductible temporary differences have no expiry date.

14 INVESTMENTS IN SUBSIDIARIES

	Company	
	2013 RM'000	2012 RM'000
Unquoted shares in Malaysia companies, at cost	**11,130,499**	11,138,463
Unquoted shares in companies outside Malaysia, at cost	**7,167**	7,167
	11,137,666	11,145,630
Accumulated impairment losses	**(336,614)**	(336,614)
	10,801,052	10,809,016

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by non-controlling interests		Principal activities
			2013 %	2012 %	2013 %	2012 %	
RHB Bank Berhad ("RHB Bank")	Malaysia	3,318,085,121	**100**	100	**-**	-	Commercial banking and finance business
RHB Islamic Bank Berhad ("RHB Islamic Bank")	Malaysia	1,173,424,002	**100**	100	**-**	-	Islamic banking
RHB Bank (L) Ltd	Malaysia	USD54,000,000	**100**	100	**-**	-	Offshore banking
RHB International Trust (L) Ltd	Malaysia	USD40,000	**100**	100	**-**	-	Offshore trust company
RHB Corporate Services Sdn Bhd	Malaysia	150,000	**100**	100	**-**	-	Corporate secretarial services
RHB Indochina Bank Limited[1,2] *(formerly known as OSK Indochina Bank Limited)*	Cambodia	USD52,000,000	**100**	100	**-**	-	Commercial banking
RHB OSK Indochina Securities Limited[1] *(formerly known as OSK Indochina Securities Limited)*	Cambodia	USD11,500,000	**100**	100	**-**	-	Securities underwriting, dealing, brokerage and investment advisory service
RHB Capital Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Nominee services for Malaysian beneficial shareholders
RHB Capital Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Nominee services for foreign beneficial shareholders
RHB Investment Ltd[1]	Singapore	SGD19,000,000	**100**	100	**-**	-	Property investment and rental
Banfora Pte Ltd[1]	Singapore	SGD25,000,000	**100**	100	**-**	-	Property investment and rental
RHB Bank Nominees Pte Ltd[1]	Singapore	SGD100,000	**100**	100	**-**	-	Nominee services
RHB Leasing Sdn Bhd	Malaysia	10,000,000	**100**	100	**-**	-	Leasing
RHB Trade Services Limited[3]	Hong Kong	HKD2	**100**	100	**-**	-	Processing of letters of credit reissuance favouring Hong Kong beneficiaries
RHB Capital Properties Sdn Bhd	Malaysia	21,800,000	**100**	100	**-**	-	Property investment
Utama Assets Sdn Bhd	Malaysia	2,300,000	**100**	100	**-**	-	Property investment
RHB Investment Bank Berhad ("RHB Investment Bank")	Malaysia	818,646,000	**100**	100	**-**	-	Merchant banking business, dealing in securities, stock, debt and derivatives, stockbroking business and the business of brokers and dealers in futures and options contracts
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Nominee services for foreign beneficial shareholders
RHB Nominees Sdn Bhd	Malaysia	25,000	**100**	100	**-**	-	Nominee and custodian services

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by non-controlling interests		Principal activities
			2013 %	2012 %	2013 %	2012 %	
RHB Nominees (Asing) Sdn Bhd	Malaysia	25,000	**100**	100	**-**	-	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	25,000	**100**	100	**-**	-	Nominee and custodian services for Malaysian beneficial shareholders
RHB Asset Management Sdn Bhd *(formerly known as RHB Investment Management Sdn Bhd)* ("RHBAM")	Malaysia	10,000,000	**100**	100	**-**	-	Investment management services, management of unit trust funds and private retirement schemes and provision of investment advisory services
RHB Islamic International Asset Management Berhad[4] *(formerly known as OSK-UOB Islamic Fund Management Berhad)* ("RHBIIAM")	Malaysia	13,000,000	**100**	70	**-**	30	Management of Islamic funds
RHB Research Institute Sdn Bhd	Malaysia	500,000	**100**	100	**-**	-	Research services
RHB Private Equity Holdings Sdn Bhd	Malaysia	55,000,002	**100**	100	**-**	-	Investment holding
RHB Private Equity Management Ltd	Malaysia	USD1	**100**	100	**-**	-	Investment advisor, investment consultant and other ancillary services only for private funds
RHB Private Equity Fund Ltd	Cayman Islands	USD10,001	**100**	100	**-**	-	Investment company
RHB OSK International Investments Pte Ltd[1] *(formerly known as OSK International Investments Pte Ltd)*	Singapore	SGD5,000,000	**100**	100	**-**	-	Investment holding
RHB OSK Asset Management Pte Ltd[1] *(formerly known as RHB OSK International Asset Management Pte Ltd and OSK International Asset Management Pte Ltd)*	Singapore	SGD5,100,000	**100**	100	**-**	-	Fund management
RHB Holdings Hong Kong Limited[3] *(formerly known as OSK Holdings Hong Kong Limited)* ("RHBHK")	Hong Kong	HKD300,000,000	**100**	93.5	**-**	6.5	Investment holding
RHB OSK Securities Hong Kong Limited[3] *(formerly known as OSK Securities Hong Kong Limited)*	Hong Kong	HKD220,000,000	**100**	93.5	**-**	6.5	Securities dealing and provision of securities margin financing

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by non-controlling interests		Principal activities
			2013 %	2012 %	2013 %	2012 %	
RHB OSK Futures Hong Kong Limited[3] *(formerly known as OSK Futures Hong Kong Limited)*	Hong Kong	HKD35,000,000	**100**	93.5	**-**	6.5	Dealing in futures contracts
RHB OSK Finance Hong Kong Limited[3] *(formerly known as OSK Finance Hong Kong Limited)*	Hong Kong	HKD1	**100**	93.5	**-**	6.5	Money lending
RHB OSK Capital Hong Kong Limited[3] *(formerly known as OSK Capital Hong Kong Limited)*	Hong Kong	HKD10,000,000	**100**	93.5	**-**	6.5	Provision of corporate finance advisory services
RHB OSK Precious Metals Hong Kong Limited[3] *(formerly known as OSK Precious Metals Hong Kong Limited)*	Hong Kong	HKD10,000,000	**100**	93.5	**-**	6.5	Investment holding
RHB OSK Asset Management Limited[3] *(formerly known as OSK International Investments Hong Kong Limited)*	Hong Kong	HKD14,000,000	**100**	93.5	**-**	6.5	Dealing in securities, advising on securities and provision of asset management services
RHB OSK Wealth Management Hong Kong Limited[3] *(formerly known as OSK Wealth Management Hong Kong Limited)*	Hong Kong	HKD5,000,000	**100**	93.5	**-**	6.5	Negotiating or arranging contracts of insurance
RHB OSK (China) Investment Advisory Co Ltd[3] *(formerly known as OSK (China) Investment Advisory Co Ltd)*	People's Republic of China	RMB5,000,000	**100**	93.5	**-**	6.5	Provision of investment and business advisory and related services
PT RHB OSK Securities Indonesia[1] *(formerly known as PT OSK Nusadana Securities Indonesia)*	Indonesia	IDR204,082 million	**99**	99	**1**	1	Securities brokerage and underwriting
PT RHB OSK Asset Management[1] *(formerly known as PT OSK Nusadana Asset Management)*	Indonesia	IDR50,000 million	**98.62**	98.62	**1.38**	1.38	Investment manager

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by non-controlling interests		Principal activities
			2013 %	2012 %	2013 %	2012 %	
DMG & Partners Securities Pte Ltd[1] ("DMG & Partners")	Singapore	SGD75,000,000	**51**	51	**49**	49	Provision of stock and share broking services and corporate finance advisory services
DMG & Partners Research Pte Ltd[1]	Singapore	SGD175,000	**51**	51	**49**	49	Financial advisory services
DMG & Partners Nominees Pte Ltd[1]	Singapore	SGD2	**51**	51	**49**	49	Inactive
Summit Nominees Pte Ltd[1]	Singapore	SGD2,000	**51**	51	**49**	49	Inactive
RHB OSK Securities (Thailand) Public Company Limited[1] *(formerly known as OSK Securities (Thailand) Public Company Limited)*	Thailand	THB819,171,600	**99.95**	97.41	**0.05**	2.59	Provision of stock and share broking services
RD RHB OSK Indonesia Dynamic Resources Plus Fund[3,^] *(formerly known as OSK Nusadana Indonesia Dynamic Resources Plus Fund)*	Indonesia	-	**100**	100	**-**	-	Investment in equity securities of entities operating in diversified industries
RHB OSK Resources Fund[3,^] *(formerly known as OSK Resources Fund)*	Hong Kong	-	**93.7**	93.7	**6.3**	6.3	Investment in equity and equity related securities of entities operating in substantially related to natural resources industries
TCL Nominees (Tempatan) Sdn Bhd	Malaysia	644,000	**100**	100	**-**	-	Inactive
TCL Nominees (Asing) Sdn Bhd	Malaysia	4,000	**100**	100	**-**	-	Inactive
KE-ZAN Nominees (Tempatan) Sdn Bhd	Malaysia	650,000	**100**	100	**-**	-	Inactive
KE-ZAN Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Inactive
RHB Trustees Berhad *(formerly known as OSK Trustees Berhad)* ("RHBT")	Malaysia	6,000,000	**100**	100	**-**	-	Professional retail trustee services (will writing, estate planning and private trust) and corporate trustee services (collective investment schemes)
Malaysian Trustees Berhad ("MTB")	Malaysia	550,000	**100**	100	**-**	-	Engage in the business of trustee agents, executors and administrators pursuant to the Trust Companies Act, 1949
RHB Finexasia.Com Sdn Bhd *(formerly known as Finexasia.Com Sdn Bhd)*	Malaysia	11,361,111	**100**	100	**-**	-	Development and provision of internet financial solutions and related activities

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by non-controlling interests		Principal activities
			2013 %	2012 %	2013 %	2012 %	
RHB OSK Stock 188.Com Sdn Bhd *(formerly known as Stock 188. Com Sdn Bhd)*	Malaysia	480,000	**100**	100	**-**	-	Support its holding company as an application service provider to facilitate access to online equity trading, other online information and financial services
RHB Insurance Berhad	Malaysia	100,000,000	**94.7**	94.7	**5.3**	5.3	General insurance
RHB-OSK Income Plus Fund 9^	Malaysia	-	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
RHB-OSK Income Plus Fund 2^	Malaysia	-	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
AmIncome Value^	Malaysia	-	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
Straits Asset Holdings Sdn Bhd	Malaysia	48,240,000	**100**	100	**-**	-	Investment holding
RHB Hartanah Sdn Bhd	Malaysia	100,000	**100**	100	**-**	-	Property investment
Positive Properties Sdn Bhd	Malaysia	23,192,000	**100**	100	**-**	-	Property investment
RHB Property Management Sdn Bhd	Malaysia	500,000	**100**	100	**-**	-	Property management
RHB Capital (Jersey) Limited	Jersey, Channel Islands	GBP4,012	**100**	100	**-**	-	Investment holding
RHB Kawal Sdn Bhd	Malaysia	1,500,000	**100**	100	**-**	-	Security services
RHB Capital Berhad's dormant subsidiaries							
RHB Equities Sdn Bhd[5]	Malaysia	20,000,000	**100**	100	**-**	-	Ceased operations
RHB (Philippines) Inc.[1,6]	Philippines	PHP180,000,000	**100**	100	**-**	-	Dormant
RHBF Sdn Bhd	Malaysia	148,145,176	**100**	100	**-**	-	Dormant
SFSB Services (Melaka) Sdn Bhd	Malaysia	5,000,000	**100**	100	**-**	-	Dormant
SSSB Services (Melaka) Sdn Bhd[7]	Malaysia	40,000,000	**100**	100	**-**	-	Dormant
KYB Sdn Bhd[7]	Malaysia	1,735,137,489	**100**	100	**-**	-	Dormant
RHB Venture Capital Sdn Bhd	Malaysia	2	**100**	100	**-**	-	Dormant
OSKIB Sdn Bhd[10] *(formerly known as OSK Investment Bank Berhad)* ("OSK Investment Bank")	Malaysia	660,000,000	**100**	100	**-**	-	Dormant
KYF Sdn Bhd[8]	Malaysia	50,000,000	**-**	100	**-**	-	Dormant
OSK Investment Bank (Labuan) Limited[10] ("OSKL")	Malaysia	USD4,811,000	**100**	100	**-**	-	Dormant
RHB Bank's dormant subsidiaries							
UMBC Sdn Bhd	Malaysia	499,999,818	**100**	100	**-**	-	Dormant
RHB Delta Sdn Bhd[9]	Malaysia	175,000,000	**100**	100	**-**	-	Dormant
Utama Gilang Sdn Bhd[9]	Malaysia	800,000,000	**100**	100	**-**	-	Dormant

14 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by non-controlling interests		Principal activities
			2013 %	2012 %	2013 %	2012 %	
RHB Investment Bank's dormant subsidiaries							
RHB Excel Sdn Bhd[7]	Malaysia	200,000,000	**100**	100	**-**	-	Dormant
RHB Progressive Sdn Bhd[7]	Malaysia	13,500,000	**100**	100	**-**	-	Dormant
RHB Marketing Services Sdn Bhd[9]	Malaysia	100,000	**100**	100	**-**	-	Dormant
RHB Unit Trust Management Berhad[7]	Malaysia	5,000,000	**100**	100	**-**	-	Dormant
OSK Futures and Options Sdn Bhd	Malaysia	10,000,000	**100**	100	**-**	-	Dormant
OSK Research Sdn Bhd[10]	Malaysia	500,000	**100**	100	**-**	-	Dormant
RHB OSK International Asset Management Sdn Bhd *(formerly known as OSK International Asset Management Sdn Bhd)*	Malaysia	7,000,000	**100**	100	**-**	-	Dormant
OSK Nominees (Tempatan) Sdn Bhd[10]	Malaysia	3,670,000	**100**	100	**-**	-	Dormant
OSK Nominees (Asing) Sdn Bhd[10]	Malaysia	2,670,000	**100**	100	**-**	-	Dormant
RHB Islamic Asset Management Sdn Bhd[10]	Malaysia	4,000,000	**100**	100	**-**	-	Dormant
OSK Investment Management Berhad[4, 10] *(formerly known as OSK-UOB Investment Management Berhad)* ("OIM")	Malaysia	10,000,000	**100**	70	**-**	30	Dormant
RHB OSK Nominees Hong Kong Limited[3] (formerly known as OSK Nominees Hong Kong Limited)	Hong Kong	HKD1	**100**	93.5	**-**	6.5	Dormant

Notes:

1 Subsidiary audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia.
2 The company has become a wholly-owned subsidiary of RHB Bank with effect from 9 April 2013.
3 Subsidiary audited by a firm other than member firms of PricewaterhouseCoopers International Limited.
4 As set out in Note 51(a)(i), RHB Investment Bank acquired the remaining 30% equity interest in OIM from non-controlling interests on 22 October 2013. Subsequently, on 1 December 2013, OIM had transferred its entire business, assets and liabilities to RHBAM, which resulted in RHBIIAM becoming a wholly-owned subsidiary of RHBAM. Thereafter, OIM has become a dormant subsidiary of RHB Investment Bank.
5 With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.
6 The company has ceased operations effective from the close of business on 10 December 2001.
7 The company has commenced member's voluntary winding up on 28 March 2012.
8 The company has been dissolved on 15 August 2013 at the expiration of the three months after the lodgment of the Return by Liquidator Relating To Final Meeting to the Companies Commission of Malaysia and the Official Receiver pursuant to Section 272(5) of the Companies Act, 1965.
9 The company has commenced member's voluntary winding up on 16 February 2011.
10 As set out in Note 50(c), the company has ceased operations subsequent to the vesting order.

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

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Note	Group 2013 RM'000	Group 2012 RM'000
Share of net assets of associates	(a)	**974**	17,623
Share of net assets of joint ventures	(b)	**25,911**	24,902
Less: Allowance for impairment loss		**(5,936)**	(5,936)
		19,975	18,966
		20,949	36,589

(a) Share of net assets of associates

The details of the associates are as follows:

Name of companies	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest 2013 %	Effective equity interest 2012 %	Principal activities
iFast-OSK Sdn Bhd	Malaysia	26,000,000	**34.88**	38.27	Investment holding
UOB-OSK Asset Management Sdn Bhd ("UOAM")^	Malaysia	4,000,000	**-**	30.00	Provision of investment management and related services

Note:

^ RHB Investment Bank has disposed its entire equity interest in UOAM on 22 October 2013 as disclosed in Note 51(a)(ii).

There are no capital commitments or contingent liabilities relating to the Group's interest in the associates as at 31 December 2013.

(b) Share of net assets of joint ventures

The details of the joint ventures are as follows:

Name of companies	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest 2013 %	Effective equity interest 2012 %	Principal activities
Vietnam Securities Corporation ("VSEC")	Vietnam	VND135 billion	**49**	49	Stock-broking and corporate finance advisory
RHB OSK GC-Millennium Capital Pte Ltd *(formerly known as OSK GC-Millennium Capital Pte Ltd)* ("RHB OSK GC")	Singapore	SGD10,000	**40**	40	Management of business operation and administration of approved funds

There are no capital commitments or contingent liabilities relating to the Group's interest in the joint ventures as at 31 December 2013.

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

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

(i) Summarised statements of financial position

	VSEC		RHB OSK GC		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Assets						
Cash and cash equivalents	**24,029**	21,659	**24**	24	**24,053**	21,683
Other current assets	**1,397**	1,763	**2**	-	**1,399**	1,763
Total assets	**25,426**	23,422	**26**	24	**25,452**	23,446
Liabilities						
Financial liabilities	**(137)**	(178)	**(27)**	(25)	**(164)**	(203)
Other current liabilities	**(6)**	(235)	**-**	-	**(6)**	(235)
Total liabilities	**(143)**	(413)	**(27)**	(25)	**(170)**	(438)
Net assets	**25,283**	23,009	**(1)**	(1)	**25,282**	23,008

(ii) Summarised statements of comprehensive income

	VSEC		RHB OSK GC		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Interest income	**2,148**	2,723	**-**	-	**2,148**	2,723
Interest expense	**(2)**	(2)	**-**	-	**(2)**	(2)
Net interest income	**2,146**	2,721	**-**	-	**2,146**	2,721
Other operating income	**250**	785	**-**	-	**250**	785
Net operating income	**2,396**	3,506	**-**	-	**2,396**	3,506
Other operating expenses	**(1,249)**	(1,259)	**-**	(26)	**(1,249)**	(1,285)
Including:						
Depreciation and amortisation	**(161)**	(149)	**-**	-	**(161)**	(149)
Profit/(loss) before taxation	**1,147**	2,247	**-**	(26)	**1,147**	2,221
Taxation	**(275)**	(540)	**-**	-	**(275)**	(540)
Net profit/(loss) for the financial year	**872**	1,707	**-**	(26)	**872**	1,681

15 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

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

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

	VSEC		RHB OSK GC		Total	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Balance as at the beginning of the financial year	**23,009**	21,959	**(1)**	25	**23,008**	21,984
Net profit/(loss) for the the financial year	**872**	1,707	**-**	(26)	**872**	1,681
Translation reserves	**1,402**	(657)	**-**	-	**1,402**	(657)
Balance as at the end of the financial year	**25,283**	23,009	**(1)**	(1)	**25,282**	23,008
Equity interest attributable to net assets	**12,389**	11,274	**-**	-	**12,389**	11,274
Goodwill	**14,204**	14,204	**-**	-	**14,204**	14,204
Accumulated impairment losses	**(5,936)**	(5,936)	**-**	-	**(5,936)**	(5,936)
Exchange differences	**(682)**	(576)	**-**	-	**(682)**	(576)
Carrying value	**19,975**	18,966	**-**	-	**19,975**	18,966

16 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
			Less than 50 years RM'000	50 years or more RM'000						
2013										
Cost										
Balance as at the beginning of the financial year		198,083	1,426	128,024	489,107	491,095	516,463	297,845	24,925	2,146,968
Additions		-	-	-	-	31,576	34,757	10,219	3,709	80,261
Disposals		-	-	-	-	-	(728)	(532)	(1,278)	(2,538)
Written off		-	-	-	-	(1,421)	(21,378)	(3,181)	-	(25,980)
Exchange differences		57	-	3,675	1,969	172	371	1,183	(65)	7,362
Reclassifications		-	-	(731)	731	(75,597)	16,264	77,529	321	18,517
Balance as at the end of the financial year		198,140	1,426	130,968	491,807	445,825	545,749	383,063	27,612	2,224,590
Accumulated depreciation										
Balance as at the beginning of the financial year		-	750	6,279	143,357	281,296	391,603	258,244	18,460	1,099,989
Charge for the financial year	34	-	35	461	9,767	28,937	50,203	21,579	2,493	113,475
Disposals		-	-	-	-	-	(601)	(531)	(693)	(1,825)
Written off		-	-	-	-	(1,032)	(21,499)	(2,990)	-	(25,521)
Exchange differences		-	-	35	638	466	499	671	(52)	2,257
Reclassifications		-	-	(106)	105	(57,126)	6,981	61,238	325	11,417
Balance as at the end of the financial year		-	785	6,669	153,867	252,541	427,186	338,211	20,533	1,199,792
Accumulated impairment loss										
Balance as at the beginning of the financial year		-	-	-	2,985	-	1,676	-	-	4,661
Written back		-	-	-	(379)	-	-	-	-	(379)
Exchange differences		-	-	-	35	-	-	-	-	35
Balance as at the end of the financial year		-	-	-	2,641	-	1,676	-	-	4,317
Net book value as at the end of the financial year		198,140	641	124,299	335,299	193,284	116,887	44,852	7,079	1,020,481

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Freehold land RM'000	Leasehold land Less than 50 years RM'000	Leasehold land 50 years or more RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2012										
Cost										
Balance as at the beginning of the financial year		203,149	1,426	125,388	492,517	345,595	450,478	251,018	15,782	1,885,353
Amount arising from acquisition of subsidiaries		-	-	-	-	123,427	38,890	32,420	10,617	205,354
Additions		-	-	-	-	41,014	36,979	5,702	1,048	84,743
Disposals		(5,107)	-	-	(4,747)	(680)	(78)	(114)	(2,125)	(12,851)
Written off		-	-	-	-	(2,954)	(11,563)	(5,542)	(426)	(20,485)
Exchange differences		41	-	2,636	1,337	337	328	288	29	4,996
Reclassifications		-	-	-	-	(15,644)	1,429	14,073	-	(142)
Balance as at the end of the financial year		198,083	1,426	128,024	489,107	491,095	516,463	297,845	24,925	2,146,968
Accumulated depreciation										
Balance as at the beginning of the financial year		-	715	5,801	134,140	172,303	339,745	226,286	12,966	891,956
Amount arising from acquisition of subsidiaries		-	-	-	-	84,891	21,754	20,799	6,244	133,688
Charge for the financial year	34	-	35	458	9,793	28,246	39,980	16,674	1,233	96,419
Disposals		-	-	-	(984)	(117)	(53)	(64)	(1,585)	(2,803)
Written off		-	-	-	-	(4,430)	(10,079)	(5,543)	(426)	(20,478)
Exchange differences		-	-	20	408	240	256	255	28	1,207
Reclassifications		-	-	-	-	163	-	(163)	-	-
Balance as at the end of the financial year		-	750	6,279	143,357	281,296	391,603	258,244	18,460	1,099,989
Accumulated impairment loss										
Balance as at the beginning of the financial year		-	-	-	2,984	-	29,546	-	-	32,530
Exchange differences		-	-	-	1	-	(27,870)	-	-	(27,869)
Balance as at the end of the financial year		-	-	-	2,985	-	1,676	-	-	4,661
Net book value as at the end of the financial year		198,083	676	121,745	342,765	209,799	123,184	39,601	6,465	1,042,318

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group	
	2013 RM'000	**2012 RM'000**
At cost:		
Renovations and improvements	**9,765**	29,958

Company	Note	Renovations RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Computer equipment RM'000	Total RM'000
2013						
Cost						
Balance as at the beginning of the financial year		**376**	**623**	**535**	**737**	**2,271**
Additions		**7**	**6**	**-**	**74**	**87**
Disposals		**-**	**(1)**	**-**	**-**	**(1)**
Written off		**(13)**	**(3)**	**-**	**(21)**	**(37)**
Balance as at the end of the financial year		**370**	**625**	**535**	**790**	**2,320**
Accumulated depreciation						
Balance as at the beginning of the financial year		**304**	**615**	**289**	**577**	**1,785**
Charge for the financial year	34	**11**	**10**	**107**	**119**	**247**
Disposals		**-**	**(1)**	**-**	**-**	**(1)**
Written off		**(13)**	**(3)**	**-**	**(21)**	**(37)**
Balance as at the end of the financial year		**302**	**621**	**396**	**675**	**1,994**
Net book value as at the end of the financial year		**68**	**4**	**139**	**115**	**326**
2012						
Cost						
Balance as at the beginning of the financial year		376	620	1,250	684	2,930
Additions		-	3	-	93	96
Disposals		-	-	(715)	-	(715)
Written off		-	-	-	(40)	(40)
Balance as at the end of the financial year		376	623	535	737	2,271
Accumulated depreciation						
Balance as at the beginning of the financial year		304	592	897	502	2,295
Charge for the financial year	34	-	23	107	115	245
Disposals		-	-	(715)	-	(715)
Written off		-	-	-	(40)	(40)
Balance as at the end of the financial year		304	615	289	577	1,785
Net book value as at the end of the financial year		72	8	246	160	486

16 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group 2013 RM'000	Group 2012 RM'000	Company 2013 RM'000	Company 2012 RM'000
Accumulated depreciation and impairment loss				
Balance as at the beginning of the financial year	**1,104,650**	924,486	**1,785**	2,295
Balance as at the end of the financial year	**1,204,109**	1,104,650	**1,994**	1,785

17 GOODWILL AND INTANGIBLE ASSETS

	Note	Group 2013 RM'000	Group 2012 RM'000
Goodwill on consolidation	(a)	**5,020,840**	5,020,840
Intangible assets:	(b)		
- Customer relationship		**19,728**	22,333
- Brand		**16,683**	25,098
- Trading rights and memberships		**1,124**	1,110
- Computer software license		**179,095**	158,607
		5,237,470	5,227,988

(a) Goodwill on consolidation

	Note	Group 2013 RM'000	Group 2012 RM'000
Balance as at the beginning of the financial year:			
- As previously reported		**5,043,081**	3,806,860
- Fair value adjustments on completion of accounting for business combination	51(b)	**(22,241)**	-
- As restated		**5,020,840**	3,806,860
Goodwill arising from acquisition of subsidiaries during the financial year		**-**	1,213,980
Balance as at the end of the financial year		**5,020,840**	5,020,840

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

	Group 2013 RM'000	Group 2012 RM'000
CGU		
Corporate and Investment Banking	**1,217,349**	1,217,349
Retail Banking	**1,001,017**	1,001,017
Business Banking	**398,844**	398,844
Group Treasury	**1,886,880**	1,886,880
Islamic Banking	**258,571**	258,571
RHB Indochina Bank	**116,301**	116,301
DMG & Partners	**63,948**	63,948
PT RHB OSK Securities Indonesia	**74,005**	74,005
Others	**3,925**	3,925
	5,020,840	5,020,840

17 GOODWILL AND 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 flow projections based on financial budgets or forecasts approved by Directors covering a four-year (2012: 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 flow projections are derived based on a number of key factors including the past performance and the management's expectations of the market developments.

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

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.

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

	Discount rate		Growth rate	
	2013	**2012**	**2013**	**2012**
	%	**%**	**%**	**%**
CGU				
Corporate and Investment Banking	**7.9**	8.7	**3.0**	3.0
Retail Banking	**7.8**	8.9	**3.0**	3.0
Business Banking	**7.8**	8.8	**3.0**	3.0
Group Treasury	**8.0**	8.8	**3.0**	3.0
Islamic Banking	**7.8**	8.7	**3.0**	3.0
RHB Indochina Bank	**16.1**	-	**7.0**	-
DMG & Partners	**4.7**	-	**2.0**	-
PT RHB OSK Securities Indonesia	**11.3**	-	**5.0**	-

17 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(b) Intangible assets

Group	Note	Customer relationship RM'000	Brand RM'000	Trading rights and memberships RM'000	Computer software license RM'000	Total RM'000
2013						
Cost						
Balance as at the beginning of the financial year						
- As previously reported		-	-	2,141	710,242	712,383
- Fair value adjustments on completion of accounting for business combination	51(b)	22,333	25,098	-	-	47,431
- As restated		22,333	25,098	2,141	710,242	759,814
Additions		-	-	-	73,199	73,199
Disposals		-	-	-	(5)	(5)
Written off		-	-	-	(3,930)	(3,930)
Exchange differences		-	-	34	904	938
Reclassifications		-	-	-	(13,532)	(13,532)
Balance as at the end of the financial year		22,333	25,098	2,175	766,878	816,484
Accumulated amortisation						
Balance as at the beginning of the financial year		-	-	746	523,765	524,511
Amortisation for the financial year	34	2,605	8,415	-	45,113	56,133
Disposals		-	-	-	(2)	(2)
Written off		-	-	-	(3,711)	(3,711)
Exchange differences		-	-	20	709	729
Reclassifications		-	-	-	(5,961)	(5,961)
Balance as at the end of the financial year		2,605	8,415	766	559,913	571,699
Accumulated impairment loss						
Balance as at the beginning/end of the financial year		-	-	285	27,870	28,155
Net book value as at the end of the financial year		19,728	16,683	1,124	179,095	216,630

17 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(b) Intangible assets (Continued)

Group	Note	Customer relationship RM'000	Brand RM'000	Trading rights and memberships RM'000	Computer software license RM'000	Total RM'000
2012						
Cost						
Balance as at the beginning of the financial year		-	-	-	626,673	626,673
Fair value adjustments on completion of accounting for business combination	51(b)	22,333	25,098	-	-	47,431
Amount arising from acquisition of subsidiaries		-	-	2,136	43,424	45,560
Additions		-	-	-	42,318	42,318
Written off		-	-	-	(890)	(890)
Exchange differences		-	-	-	420	420
Reclassifications		-	-	5	(1,703)	(1,698)
Balance as at the end of the financial year		22,333	25,098	2,141	710,242	759,814
Accumulated amortisation						
Balance as at the beginning of the financial year		-	-	-	481,037	481,037
Amount arising from acquisition of subsidiaries		-	-	744	11,512	12,256
Amortisation for the financial year	34	-	-	-	32,052	32,052
Written off		-	-	-	(890)	(890)
Exchange differences		-	-	-	331	331
Reclassifications		-	-	2	(277)	(275)
Balance as at the end of the financial year		-	-	746	523,765	524,511
Accumulated impairment loss						
Balance as at the beginning of the financial year		-	-	-	27,870	27,870
Amount arising from acquisition of subsidiaries		-	-	285	-	285
Balance as at the end of the financial year		-	-	285	27,870	28,155
Net book value as at the end of the financial year		22,333	25,098	1,110	158,607	207,148

18 DEPOSITS FROM CUSTOMERS

	Group	
	2013 RM'000	**2012 RM'000**
(i) By type of deposits		
Demand deposits	**24,572,177**	22,504,610
Savings deposits	**7,532,754**	6,932,789
Fixed/investment deposits	**105,594,645**	108,700,459
Negotiable instruments of deposits	**41,665**	90,428
	137,741,241	138,228,286
(ii) By type of customer		
Government and statutory bodies	**11,940,337**	15,358,963
Business enterprises	**82,779,114**	85,324,913
Individuals	**38,461,412**	32,808,239
Others	**4,560,378**	4,736,171
	137,741,241	138,228,286
(iii) By maturity structure of fixed/investment deposits and negotiable instruments of deposits		
Due within six months	**92,955,781**	89,643,985
Six months to one year	**11,888,152**	18,227,392
One year to three years	**763,304**	881,087
Three years to five years	**29,073**	38,423
	105,636,310	108,790,887

19 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2013 RM'000	**2012 RM'000**
Licensed banks	**10,564,885**	7,788,585
Licensed investment banks	**362,348**	907,280
Licensed Islamic banks	**609,614**	1,148,524
BNM	**826,123**	1,149,572
Other financial institutions	**4,635,385**	2,456,168
	16,998,355	13,450,129

20 OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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

The financial assets sold under repurchase agreements are as follows:

	Group	
	2013 RM'000	**2012 RM'000**
Financial assets HFT	**200,296**	-
Financial investments AFS	**260,231**	267,635
Financial investments HTM	**168,571**	-
	629,098	267,635

21 CLIENTS' AND BROKERS' BALANCES

	Group	
	2013 RM'000	**2012 RM'000**
Amounts due to:		
- Clients	**644,241**	1,073,711
- Brokers	**1,653,584**	1,492,532
- Clearing houses and stock exchanges	**17,985**	165,452
	2,315,810	2,731,695

22 OTHER LIABILITIES

		Group		Company	
	Note	**2013 RM'000**	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Other creditors and accruals		**871,628**	961,494	**2,535**	57,857
General insurance contract liabilities	(a)	**662,211**	517,285	**-**	-
Short term employee benefits		**258,377**	226,185	**3,709**	3,602
Lessee deposits		**29,774**	30,689	**-**	-
Prepaid instalments		**73,852**	77,984	**-**	-
Remisiers' trust deposits		**55,887**	51,911	**-**	-
Amount due to Danaharta		**1,864**	1,827	**-**	-
Amount due to trust funds		**35,355**	23,084	**-**	-
		1,988,948	1,890,459	**6,244**	61,459

(a) General insurance contract liabilities

	Group	
	2013 RM'000	**2012 RM'000**
Claims liabilities	**432,709**	328,162
Premium liabilities	**229,502**	189,123
	662,211	517,285

	Gross RM'000	**Reinsurance RM'000**	**Net RM'000**
2013			
Claims reported by policyholders	**315,224**	**(137,485)**	**177,739**
Incurred but not reported claims ("IBNR")	**117,485**	**(43,976)**	**73,509**
Claims liabilities (i)	**432,709**	**(181,461)**	**251,248**
Premium liabilities (ii)	**229,502**	**(79,491)**	**150,011**
Total	**662,211**	**(260,952)**	**401,259**
2012			
Claims reported by policyholders	234,273	(91,357)	142,916
IBNR	93,889	(32,531)	61,358
Claims liabilities (i)	328,162	(123,888)	204,274
Premium liabilities (ii)	189,123	(67,259)	121,864
Total	517,285	(191,147)	326,138

22 OTHER LIABILITIES (CONTINUED)

(a) General insurance contract liabilities (Continued)

	Gross RM'000	Reinsurance RM'000	Net RM'000
(i) Claims liabilities			
2013			
Balance as at the beginning of the financial year	**328,162**	**(123,888)**	**204,274**
Claims incurred in current accident year:			
- Paid	**95,877**	**(19,895)**	**75,982**
- Case reserve	**147,496**	**(77,923)**	**69,573**
- IBNR	**80,708**	**(32,324)**	**48,384**
Claims incurred in prior accident year:			
- Paid	**98,063**	**(38,327)**	**59,736**
- Case reserve	**(260,067)**	**90,016**	**(170,051)**
- IBNR	**(57,530)**	**20,880**	**(36,650)**
Balance as at the end of the financial year	**432,709**	**(181,461)**	**251,248**
2012			
Balance as at the beginning of the financial year	281,748	(111,260)	170,488
Claims incurred in current accident year:			
- Paid	66,947	(17,801)	49,146
- Case reserve	102,474	(39,668)	62,806
- IBNR	65,219	(22,804)	42,415
Claims incurred in prior accident year:			
- Paid	111,167	(38,557)	72,610
- Case reserve	(251,694)	94,193	(157,501)
- IBNR	(47,699)	12,009	(35,690)
Balance as at the end of the financial year	328,162	(123,888)	204,274
(ii) Premium liabilities			
2013			
Balance as at the beginning of the financial year	**189,123**	**(67,259)**	**121,864**
Premium written for the financial year	**535,681**	**(190,366)**	**345,315**
Premium earned during the financial year	**(495,302)**	**178,134**	**(317,168)**
Balance as at the end of the financial year	**229,502**	**(79,491)**	**150,011**
2012			
Balance as at the beginning of the financial year	152,185	(51,115)	101,070
Premium written for the financial year	467,061	(156,520)	310,541
Premium earned during the financial year	(430,123)	140,376	(289,747)
Balance as at the end of the financial year	189,123	(67,259)	121,864

23 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS

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

24 BORROWINGS AND SENIOR DEBT SECURITIES

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Borrowings:					
Secured					
Revolving credits:					
- Hong Kong Dollar ("HKD")	(a(i))	**66,805**	69,834	**-**	-
Unsecured					
Revolving credits:					
- Ringgit Malaysia ("RM")	(a(ii))	**439,265**	633,146	**920,227**	653,847
- United States Dollar ("USD")	(a(iii))	**-**	76,756	**-**	-
Term loans:					
- RM	(b(i))	**1,151,592**	1,151,503	**1,416,281**	1,416,251
- USD	(b(ii))	**571,049**	632,778	**-**	-
- Singapore Dollar ("SGD")	(b(iii))	**25,937**	42,551	**-**	-
- Indonesia Rupiah ("IDR")	(b(iv))	**44,451**	-	**-**	-
Overdrafts	(c)	**-**	70	**-**	70
RM1.1 billion 7 years Commercial Papers/ Medium Term Notes	(d)	**600,092**	1,036,266	**600,092**	1,036,266
Senior debts securities:					
USD300 million 3.25% senior debt securities due in 2017	(e)	**982,867**	915,246	**-**	-
USD200 million 3.25% senior debt securities due in 2017	(e)	**664,767**	593,782	**-**	-
		4,546,825	5,151,932	**2,936,600**	3,106,434
Schedule repayment of borrowings and senior debts securities:					
- Within one year		**2,093,811**	1,036,557	**2,586,600**	1,050,434
- One year to three years		**563,404**	2,280,691	**350,000**	2,056,000
- Three years to five years		**1,819,942**	1,700,896	**-**	-
- Over five years		**69,668**	133,788	**-**	-
		4,546,825	5,151,932	**2,936,600**	3,106,434

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

(a) Revolving credits

(i) HKD revolving credits

The secured HKD revolving credit facilities of the Group bears interest at 1.54% (2012: 1.76%) per annum.

(ii) RM revolving credits

The unsecured RM revolving credit facilities of the Group and the Company bear interest at rates ranging from 3.30% to 4.40% (2012: 3.92% to 4.40%) per annum.

24 BORROWINGS AND SENIOR DEBT SECURITIES (CONTINUED)

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

(a) Revolving credits (Continued)

(iii) USD revolving credits

In 2012, the unsecured USD revolving credit facilities of the Group bears interest at rates ranging at 2.23% to 2.36% per annum.

(b) Term loans

(i) RM term loans

The Group and the Company have unsecured RM term loans which bear interest at rates ranging from 3.95% to 4.20% (2012: 3.95% to 4.00%) and 3.95% to 4.20% (2012: 3.95% to 4.23%) per annum respectively.

(ii) USD term loans

On 7 April 2006, RHB Bank, a wholly-owned subsidiary, entered into an agreement with Japan Bank for International Cooperation ("JBIC"), to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 11 years. Disbursements of USD50 million and USD30 million were done on 29 June 2006 and 20 October 2006 respectively. Final disbursement of USD20 million was done on 31 January 2007. The said loan is repayable on 8 March and 8 September each year for 20 equal installments 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 0.78% to 1.13% (2012: 0.89% to 1.14%) per annum.

On 24 March 2008, RHB Bank entered into another agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 10 years. Disbursement of USD100 million was done on 30 May 2008. The said loan is repayable on 8 March and 8 September each year for 20 equal installments 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 0.70% to 1.05% (2012: 0.81% to 1.05%) per annum.

On 28 May 2009, RHB Bank entered into a third agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 8 years. Disbursement of USD100 million was done on 28 July 2009. The said loan is repayable on 10 April and 10 October each year for 16 equal installments 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 1.16% to 1.53% (2012: 1.25% to 1.53%) per annum.

(iii) SGD term loans

The Group has unsecured SGD term loans which bears interest at 0.97% (2012: 0.99%) per annum.

(iv) IDR term loans

The Group has unsecured IDR term loans which bears interest at rates ranging from 10.60% to 11.50% (2012: Nil) per annum.

(c) Overdrafts

In 2012, the unsecured overdrafts of the Group and the Company bear interest at 6.80% per annum.

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

The Company has issued the following Medium Term Notes under the CP/MTN Programme and these are still outstanding as at 31 December 2013:

Issuance date	Nominal value RM'million	Maturity date	Coupon rate (per annum)	
			2013	2012
30 December 2010	350.0	30 December 2015	**4.80%**	4.80%
8 November 2012	250.0	8 May 2014	**3.60%**	3.60%

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

24 BORROWINGS AND SENIOR DEBT SECURITIES (CONTINUED)

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

(e) Senior debt securities

The amount of senior unsecured Medium Term Notes issued by RHB Bank, the wholly owned commercial banking subsidiary, under the USD500 million under a Euro Medium Term Notes ("EMTN") Programme are as follows:

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

25 SUBORDINATED OBLIGATIONS

		Group	
	Note	2013 RM'000	2012 RM'000
5.50% RM700 million Tier II Subordinated Notes 2007/2022	(a)	**703,481**	703,375
5.50% RM45 million Tier II Subordinated Notes 2008/2018	(b)	**-**	45,482
5.00% RM700 million Tier II Subordinated Notes 2010/2020	(c)	**706,137**	706,137
5.60% RM300 million Tier II Subordinated Notes 2010/2025	(c)	**302,946**	302,946
4.25% RM250 million Tier II Subordinated Notes 2011/2021	(d)	**251,003**	250,741
4.30% RM750 million Tier II Subordinated Notes 2012/2022	(e)	**754,171**	753,984
4.40% RM1,300 million Tier II Subordinated Notes 2012/2022	(e)	**1,304,131**	1,303,735
4.40% RM245 million Tier II Subordinated Notes 2012/2022	(f)	**245,659**	245,650
7.50% RM100 million Tier II Subordinated Notes 2008/2018	(g)	**-**	106,250
7.25% RM125 million Tier II Subordinated Notes 2010/2020	(h)	**131,536**	137,223
7.15% RM75 million Tier II Subordinated Notes 2010/2020	(i)	**78,342**	81,701
5.20% RM100 million Tier II Subordinated Notes 2011/2021	(j)	**103,561**	105,212
		4,580,967	4,742,436

The subordinated obligations comprise of unsecured liabilities of its commercial bank and investment bank subsidiaries and are subordinated to the senior indebtedness in accordance with their respective terms and conditions of issuance and qualify as Tier II capital as disclosed in Note 47 for the purpose of determining the capital adequacy ratios of the respective subsidiaries.

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

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

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

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

25 SUBORDINATED OBLIGATIONS (CONTINUED)

(b) 5.50% RM45 million Tier II Subordinated Notes 2008/2018

On 21 April 2008, RHB Investment Bank issued RM45 million nominal value of the Subordinated Notes ("Sub-Notes") at par which qualify as Tier II Capital of RHB Investment Bank for the purpose of BNM's capital adequacy requirements.

The Sub-Notes proceeds raised were utilised for RHB Investment Bank's general working capital.

The coupon for Sub-Notes are accrued at the rate of 5.50% per annum and commencing from the beginning of the sixth year from the issue date, the coupon rate shall be stepped-up annually at 0.50% per annum. Coupon payments are payable semi-annually in arrears, with the last payment to be made on maturity date.

This RM45 million Sub-Notes has been fully redeemed during the current financial year.

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

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

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2010/2020	700	29 April 2020 (Callable with step-up in 2015)	5.00% per annum chargeable to 29 April 2015 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi-annually in arrears
2010/2025	300	29 April 2025 (Callable with step-up in 2020)	5.60% per annum chargeable to 29 April 2020 (but exclusive of payment date), thereafter on step-up coupon rate of 0.5% per annum	Accrued and payable semi-annually in arrears

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

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

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

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

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

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2012/2022	750	6 May 2022 (Callable in 2017)	4.30% per annum chargeable to 6 May 2022	Accrued and payable semi-annually in arrears
2012/2022	1,300	30 November 2022 (Callable in 2017)	4.40% per annum chargeable to 9 December 2022	Accrued and payable semi-annually in arrears

25 SUBORDINATED OBLIGATIONS (CONTINUED)

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

On 10 December 2012, RHB Investment Bank issued RM245 million nominal value of Subordinated Notes. The RM245 million in nominal value is as follows:

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

(g) 7.50% RM100 million Tier II Subordinated Notes 2008/2018

On 14 July 2008, OSK Investment Bank issued RM100 million nominal value of Subordinated Notes which qualify as Tier II Capital of OSK Investment Bank for the purpose of BNM's capital adequacy requirements.

The tenure of the issue is 10 years, maturing on 13 July 2018 and callable after a minimum period of 5 years from the issue date (i.e. on 13 July 2013) and on every semi-annual coupon payment date thereafter. These Subordinated Notes carry a yield to maturity of 7.50% per annum and a coupon rate of 7.50% per annum. There will be a step-up coupon from 7.50% to 8.50% per annum on the 5th year from the issuance date until the date of early redemption in full or final maturity, whichever is earlier.

RHB Investment Bank had fully redeemed the RM100 million Tier II Subordinated Notes 2008/2018 during the current financial year, subsequent to the completion of the vesting order exercise.

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

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

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

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

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

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

On 13 April 2013, subordinated obligations issued by OSK Investment Bank as mentioned from (g) to (j) were vested to RHB Investment Bank.

26 HYBRID TIER-1 CAPITAL SECURITIES

	Note	Group	
		2013 RM'000	2012 RM'000
RM370 million Hybrid Tier-1 Capital Securities due in 2039, callable with step-up in 2019	(a)	**375,577**	375,448
RM230 million Hybrid Tier-1 Capital Securities due in 2039, callable with step-up in 2019	(b)	**225,624**	225,624
		601,201	601,072

(a) On 31 March 2009, RHB Bank completed the first issuance of RM370 million nominal value of Hybrid Tier-1 Capital Securities ("HT1 Capital Securities") out of its RM600 million HT1 Capital Securities Programme. The RM370 million HT1 Capital Securities will mature in 2039 and is callable in 2019. The HT1 Capital Securities bear interest at the rate of 8.00% per annum commencing from the first issue date and thereafter at a step-up rate of 9.00% per annum from 2019 if not called. The interest is payable semi-annually in arrears.

(b) On 17 December 2009, RHB Bank issued the remaining RM230 million nominal value of HT1 Capital Securities which will mature in 2039 and is callable in 2019. The second issuance of HT1 Capital Securities bear interest at the rate of 6.75% per annum commencing from the first issue date and thereafter at a step-up rate of 7.75% per annum from 2019 if not called. The interest is payable semi-annually in arrears.

27 SHARE CAPITAL

	Note	Group and Company	
		2013 RM'000	2012 RM'000
Ordinary shares of RM1.00 each			
Authorised:			
Balance as at the beginning/end of the financial year		**5,000,000**	5,000,000
Issued and fully paid:			
Balance as at the beginning of the financial year		**2,494,208**	2,204,819
Shares issued under DRP:			
- Issued on 1 August 2013	(a)	**37,166**	-
- Issued on 13 November 2013	(b)	**15,536**	-
- Issued on 11 June 2012	(c)	**-**	30,944
- Issued on 27 November 2012	(e)	**-**	13,445
Acquisition of a subsidiary	(d)	**-**	245,000
Balance as at the end of the financial year		**2,546,910**	2,494,208

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

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

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

(a) RM2,494,207,802 to RM2,531,373,891 via the issuance of 37,166,089 new ordinary shares of RM1.00 each arising from the DRP relating to the single-tier final dividend of 16.09% in respect of the financial year ended 31 December 2012 on 1 August 2013; and

(b) RM2,531,373,891 to RM2,546,909,962 via the issuance of 15,536,071 new ordinary shares of RM1.00 each arising from the DRP relating to the single-tier interim dividend of 6.00% in respect of the financial year ended 31 December 2013 on 13 November 2013.

27 SHARE CAPITAL (CONTINUED)

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

(c) RM2,204,818,717 to RM2,235,763,288 via the issuance of 30,944,571 new ordinary shares of RM1.00 each arising from the DRP relating to the final dividend of 11.82% less 25% tax and single-tier dividend of 5.59% in respect of the financial year ended 31 December 2011 on 11 June 2012;

(d) RM2,235,763,288 to RM2,480,763,288 via the issuance of 245,000,000 new ordinary shares of RM1.00 each arising from the acquisition of OSK Investment Bank; and

(e) RM2,480,763,288 to RM2,494,207,802 via the issuance of 13,444,514 new ordinary shares of RM1.00 each arising from the DRP relating to the interim single-tier dividend of 6.00% in respect of the financial year ended 31 December 2012 on 27 November 2012.

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

28 RESERVES

		Group		Company	
	Note	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Retained profits	(a)	**5,563,177**	4,386,948	**646,471**	893,013
Share premium	(b)	**4,888,541**	4,548,602	**4,888,541**	4,548,602
Reserve funds	(c)	**3,577,647**	3,494,397	**-**	-
AFS reserves	(d)	**122,389**	234,337	**-**	-
Translation reserves	(e)	**12,211**	(69,473)	**-**	-
Other reserves		**28,196**	28,196	**-**	-
		14,192,161	12,623,007	**5,535,012**	5,441,615

(a) Pursuant to the Finance Act, 2007 which was gazetted on 28 November 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Company, but are exempted from tax to the shareholders ("single-tier system"). During the financial year 2012, the Company has fully utilised the credit in the Section 108 balance via distribution of dividends to its shareholders as allowed in the transitional provision under the Finance Act, 2007. As at 31 December 2013, the Company has sufficient tax exempt account balances to pay tax exempt dividends out of its retained earnings.

(b) Share premium comprises of share premium of a subsidiary consolidated after the Scheme of Arrangement under Section 176 of the Companies Act, 1965, undertaken by the Company and the subsidiary in 1994, whereby the Company acquired the entire issued and fully paid-up share capital of that subsidiary via an exchange of shares.

(c) Reserve funds represent non-distributable profits held by:

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

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

(iii) The Islamic banking subsidiary in compliance with Section 57(2)(f) of Islamic Financial Services Act, 2013; and

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

These reserve funds are not distributable as cash dividends.

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

(e) Translation reserves comprise all foreign exchange differences from the translation of the financial statements of foreign operations, subsidiaries and joint ventures.

29 NON-CONTROLLING INTERESTS ("NCI")

	Group	
	2013 RM'000	**2012 RM'000**
Balance as at the beginning of the financial year	**223,265**	11,922
Share of profit during the financial year	**12,348**	5,027
Amount arising from acquisition of a subsidiary	**-**	210,703
Amount arising from acquisition of additional equity interests in a subsidiary	**431**	(4,059)
Net assets acquired from NCI	**(32,250)**	-
Share of AFS reserves during the financial year	**5,554**	747
Dividends paid	**(10,442)**	(993)
Exchange differences	**4,750**	(82)
Balance as at the end of the financial year	**203,656**	223,265

Set out below is summarised financial information for subsidiary that has NCI that are material to the Group:

(i) Summarised statements of financial position

	DMG & Partners	
	2013 RM'000	**2012 RM'000**
Assets		
Cash and cash equivalents	**8,136**	10,337
Clients' and brokers' balances	**1,858,579**	1,538,512
Other assets	**346,994**	357,842
Total assets	**2,213,709**	1,906,691
Liabilities		
Clients' and brokers' balances	**1,766,232**	1,456,101
Other liabilities	**69,564**	87,965
Total liabilities	**1,835,796**	1,544,066
Net assets	**377,913**	362,625
Accumulated NCI	**185,177**	177,686

29 NON-CONTROLLING INTERESTS ("NCI") (CONTINUED)

Set out below is summarised financial information for subsidiary that has NCI that are material to the Group: (Continued)

(ii) Summarised statements of comprehensive income

	DMG & Partners	
	2013 RM'000	9 November 2012 (date of acquisition) to 31 December 2012 RM'000
Interest income	**20,586**	2,468
Interest expense	**(1,984)**	(103)
Net interest income	**18,602**	2,365
Other operating income	**144,039**	20,594
Net operating income	**162,641**	22,959
Other operating expenses	**(123,051)**	(19,119)
Including:		
Depreciation and amortisation	**(3,707)**	(573)
Operating profit before allowances	**39,590**	3,840
Allowance for impairment on loans, financing and other losses	**(30,452)**	(789)
Profit before taxation	**9,138**	3,051
Taxation	**1,409**	(163)
Net profit for the financial year	**10,547**	2,888
Other comprehensive income	**10,878**	-
Total comprehensive income	**21,425**	2,888

(iii) Summarised statements of cash flows

	DMG & Partners	
	2013 RM'000	9 November 2012 (date of acquisition) to 31 December 2012 RM'000
Cash flows from operating activities		
Cash generated from operations	**17,132**	38,565
Interest received	**20,691**	2,468
Dividend received	**932**	-
Interest paid	**(2,090)**	(103)
Income tax (paid)/refunded	**(3,636)**	779
Net cash generated from operating activities	**33,029**	41,709
Net cash used in investing activities	**(2,057)**	(663)
Net cash used in financing activities	**(33,525)**	(41,922)
Net decrease in cash and cash equivalents	**(2,553)**	(876)
Effects of exchange rate differences	**352**	(810)
Cash and cash equivalents:		
- at the beginning of the financial year	**10,337**	12,023
- at the end of the financial year	**8,136**	10,337

30 INTEREST INCOME

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Loans, advances and financing	**5,388,737**	4,846,075	**-**	-
Money at call and deposits and placements with banks and other financial institutions	**329,721**	436,001	**1,605**	2,202
Securities purchased under resale agreements	**3,891**	401	**-**	-
Financial assets HFT	**41,821**	32,892	**-**	-
Financial investments AFS	**462,231**	305,825	**-**	-
Financial investments HTM	**662,494**	525,883	**-**	-
Others	**12,023**	6,155	**401**	764
	6,900,918	6,153,232	**2,006**	2,966
Of which:				
Interest income accrued on impaired loans, advances and financing	**171,591**	148,120	**-**	-

31 INTEREST EXPENSE

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Deposits and placements of banks and other financial institutions	**162,472**	216,754	**-**	-
Deposits from customers	**2,923,827**	2,462,901	**-**	-
Borrowings and senior debt securities	**184,261**	161,224	**130,883**	141,061
Subordinated obligations	**212,684**	204,900	**-**	-
Hybrid Tier-1 Capital Securities	**45,078**	45,179	**-**	-
Recourse obligation on loans sold to Cagamas	**43,130**	54,084	**-**	-
Others	**54,980**	48,092	**-**	-
	3,626,432	3,193,134	**130,883**	141,061

32 OTHER OPERATING INCOME

	Note	Group		Company	
		2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Fee income					
Service charges and fees		**281,671**	225,012	**-**	-
Commission		**155,039**	118,087	**-**	-
Guarantee fees		**48,707**	47,608	**-**	-
Commitment fees		**48,944**	46,151	**-**	-
Net brokerage		**371,695**	111,677	**-**	-
Fund management fees		**97,310**	21,607	**-**	-
Unit trust fee income		**80,834**	17,175	**-**	-
Corporate advisory fees		**35,161**	13,373	**-**	-
Underwriting and arrangement fees		**131,512**	61,054	**-**	-
Other fee income		**82,705**	42,258	**-**	-
		1,333,578	704,002	**-**	-
Net gain arising from financial assets HFT					
- Net gain on disposal		**27,415**	69,158	**-**	-
- Unrealised net gain on revaluation		**8,130**	5,221	**-**	-
- Gross dividend income		**6,670**	3,508	**-**	-
		42,215	77,887	**-**	-
Net gain on revaluation of derivatives		**18,713**	13,598	**-**	-
Net gain on fair value hedges	10	**692**	1,474	**-**	-
Net gain arising from financial investments AFS					
- Net gain on disposal		**106,360**	76,260	**-**	-
- Gross dividend income		**21,890**	18,015	**-**	-
		128,250	94,275	**-**	-
Net gain arising from financial investments HTM					
- Net gain on redemption		**10,658**	2,997	**-**	-
Gross dividend income from subsidiaries		**-**	-	**473,149**	756,499
Other income					
Foreign exchange gain/(loss):					
- Realised		**219,623**	326,633	**-**	-
- Unrealised		**113,459**	(12,767)	**(506)**	(115)
Insurance underwriting surplus before management expenses		**98,904**	88,000	**-**	-
Net gain on disposal of property, plant and equipment		**316**	1,321	**2**	190
Rental income		**3,712**	3,692	**-**	-
Gain on deemed disposal of a subsidiary		**-**	1,421	**-**	-
Gain on disposal of an associate	51(a)(ii)	**8,737**	-	**-**	-
Gain on acquisition of a subsidiary		**-**	1,638	**-**	-
Other operating income		**67,908**	71,801	**-**	-
Other non-operating income		**38,640**	3,465	**29,679**	-
		551,299	485,204	**29,175**	75
		2,085,405	1,379,437	**502,324**	756,574

33 NET INCOME FROM ISLAMIC BANKING BUSINESS

	Group	
	2013 RM'000	**2012 RM'000**
Income derived from investment of depositors' fund	**1,108,231**	1,054,708
Income derived from investment of shareholders' fund	**118,967**	82,092
	1,227,198	1,136,800
Transfer to Profit Equalisation Reserve	**-**	7,192
	1,227,198	1,143,992
Income attributable to depositors	**(636,326)**	(653,935)
	590,872	490,057
Of which:		
Financing income earned on impaired financing and advances	**16,971**	21,715

34 OTHER OPERATING EXPENSES

	Group		Company	
	2013 RM'000	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Personnel costs				
Salaries, bonus, wages and allowances	**1,394,640**	1,072,794	**17,111**	15,438
Defined contribution plan	**196,681**	160,427	**2,695**	2,450
Other staff related costs	**142,903**	107,043	**3,057**	2,074
	1,734,224	1,340,264	**22,863**	19,962
Establishment costs				
Property, plant and equipment:				
- Depreciation	**113,475**	96,419	**247**	245
- Written off	**459**	7	**-**	-
Intangible assets:				
- Amortisation	**56,133**	32,052	**-**	-
- Written off	**219**	-	**-**	-
Information technology expenses	**136,117**	121,493	**10**	10
Repair and maintenance	**40,843**	26,325	**150**	161
Security and escorting charges	**46,579**	41,932	**44**	35
Rental of premises	**136,990**	100,415	**1,160**	1,208
Water and electricity	**33,436**	27,281	**100**	106
Rental of equipment	**10,994**	6,864	**8**	35
Insurance	**19,717**	11,119	**1**	3
Others	**22,388**	7,847	**-**	-
	617,350	471,754	**1,720**	1,803
Marketing expenses				
Sales commission	**118,934**	51,419	**-**	-
Advertisements and publicity	**98,675**	91,778	**1,717**	1,676
Others	**127,769**	85,724	**276**	260
	345,378	228,921	**1,993**	1,936

34 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Administration and general expenses				
Auditors' remuneration				
(i) Audit:				
Statutory audit:				
- Malaysia	**2,676**	3,006	**190**	504
- Overseas	**1,731**	1,524	**-**	-
Limited review	**455**	350	**-**	-
Other audit related	**520**	165	**-**	-
(ii) Non-audit:				
- Malaysia	**1,325**	1,733	**27**	906
- Overseas	**-**	10	**-**	-
Communication expenses	**162,079**	106,111	**247**	336
Legal and professional fees	**40,304**	52,201	**23,102**	42,905
Others	**146,119**	87,687	**1,349**	1,123
	355,209	252,787	**24,915**	45,774
	3,052,161	2,293,726	**51,491**	69,475

Included in the personnel costs of the Group are the Group Managing Director's remuneration (excluding estimated monetary value of benefits-in-kind) totaling RM3,173,000 (2012: RM3,025,000) as disclosed in Note 35.

Included in the administration and general expenses of the Group and Company are other Directors' remuneration (excluding estimated monetary value of benefits-in-kind) totalling RM3,352,000 (2012: RM1,859,000) and RM1,392,000 (2012: RM744,000) respectively as disclosed in Note 35.

35 DIRECTORS' REMUNERATION

	Group and Company			
	Salary and other remuneration, including meeting allowance RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
2013				
Group Managing Director				
Kellee Kam Chee Khiong	**1,553**	**36**	**1,620**	**3,209**
2012				
Group Managing Director				
Kellee Kam Chee Khiong	1,585	35	1,440	3,060

35 DIRECTORS' REMUNERATION (CONTINUED)

	Group				Company			
	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others* RM'000	Total RM'000	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others* RM'000	Total RM'000
2013								
Non-executive Directors								
Dato' Mohamed Khadar Merican	**473**	**31**	**218**	**722**	**180**	**31**	**35**	**246**
Tan Sri Azlan Zainol	**476**	**31**	**57**	**564**	**150**	**-**	**21**	**171**
Datuk Haji Faisal Siraj	**425**	**-**	**193**	**618**	**150**	**-**	**55**	**205**
Dato' Teo Chiang Liang	**270**	**-**	**118**	**388**	**150**	**-**	**54**	**204**
Dato' Saw Choo Boon	**273**	**-**	**238**	**511**	**150**	**-**	**101**	**251**
Datuk Wira Jalilah Baba	**150**	**-**	**26**	**176**	**150**	**-**	**26**	**176**
Dato' Nik Mohamed Din Datuk Nik Yusoff	**413**	**-**	**22**	**435**	**150**	**-**	**20**	**170**
	2,480	**62**	**872**	**3,414**	**1,080**	**31**	**312**	**1,423**
2012								
Non-executive Directors								
Dato' Mohamed Khadar Merican	300	31	168	499	100	31	35	166
Tan Sri Azlan Zainol	280	31	39	350	80	-	24	104
Datuk Haji Faisal Siraj	240	-	159	399	80	-	56	136
Dato' Teo Chiang Liang	160	-	106	266	80	-	52	132
Dato' Saw Choo Boon	160	-	171	331	80	-	81	161
Datuk Wira Jalilah Baba (Appointed on 1 May 2012)	53	-	11	64	53	-	11	64
Dato' Nik Mohamed Din Datuk Nik Yusoff (Appointed on 20 November 2012)	9	-	3	12	9	-	3	12
	1,202	62	657	1,921	482	31	262	775

* Others comprise of Directors' committee allowance and meeting allowance.

36 ALLOWANCE FOR IMPAIRMENT ON LOANS, FINANCING AND OTHER LOSSES

	Group	
	2013 RM'000	2012 RM'000
Allowance for impaired loans and financing:		
- Individual impairment allowance made	**297,254**	267,911
- Collective impairment allowance made	**194,069**	157,290
Impaired loans and financing recovered	**(330,608)**	(463,292)
Bad debts written off	**256,832**	185,579
Allowance made for impairment on other debtors	**30,414**	1,004
	447,961	148,492

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

	Group	
	2013 RM'000	**2012 RM'000**
Charge for the financial year:		
- Financial investments AFS	**24,516**	8,870
- Financial investments HTM	**-**	12,885
- Investments in a joint venture	**-**	5,936
- Foreclosed properties	**275**	-
	24,791	27,691
Reversal for the financial year:		
- Financial investments AFS	**(11,496)**	(7,316)
- Financial investments HTM	**(31,465)**	(13,377)
- Foreclosed properties	**(355)**	(22)
- Property, plant and equipment	**(379)**	-
- Others	**-**	(3,105)
	(43,695)	(23,820)
	(18,904)	3,871

38 TAXATION

		Group		Company	
	Note	**2013 RM'000**	**2012 RM'000**	**2013 RM'000**	**2012 RM'000**
Income tax based on profit for the financial year:					
- Malaysian income tax		**622,864**	692,143	**15,133**	149,267
- Overseas tax		**9,839**	2,254	**-**	-
Deferred tax	13	**3,480**	(12,635)	**(159)**	(1,067)
		636,183	681,762	**14,974**	148,200
(Over)/under provision in respect of prior years		**(8,954)**	(86,908)	**324**	-
		627,229	594,854	**15,298**	148,200
Current tax					
Current year		**632,703**	694,397	**15,133**	149,267
(Over)/under provision in respect of prior years		**(8,954)**	(86,908)	**324**	-
		623,749	607,489	**15,457**	149,267
Deferred tax					
Origination and reversal of temporary differences		**(4,477)**	(66,452)	**(159)**	(1,067)
Reversal of previously recognised deferred tax assets		**7,957**	53,817	**-**	-
		3,480	(12,635)	**(159)**	(1,067)
		627,229	594,854	**15,298**	148,200

38 TAXATION (CONTINUED)

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

	Group		Company	
	2013 %	**2012 %**	**2013 %**	**2012 %**
Tax at Malaysian statutory tax rate	**25.0**	25.0	**25.0**	25.0
Tax effects in respect of:				
Effects of different tax rate in Labuan/other countries	**(0.2)**	(0.1)	**-**	-
Non-taxable income	**(0.8)**	(0.3)	**(27.3)**	-
Non-allowable expenses	**1.9**	1.8	**7.0**	2.0
Utilisation of unabsorbed business losses previously not recognised	**(0.1)**	(0.5)	**-**	-
Reversal of temporary differences recognised in prior years	**-**	2.5	**-**	-
(Over)/under provision in respect of prior years	**(0.4)**	(3.5)	**0.1**	-
	25.4	24.9	**4.8**	27.0

	Group	
	2013 RM'000	**2012 RM'000**
Tax savings as a result of the utilisation of tax losses brought forward from previous years from which the related credit is recognised during the financial year	**31**	12,251

39 EARNINGS PER SHARE ("EPS")

(a) Basic earnings per share

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

	Group	
	2013 RM'000	**2012 RM'000**
Net profit attributable to equity holders	**1,831,190**	1,784,742
Weighted average number of ordinary shares in issue ('000)	**2,511,873**	2,258,709
Basic EPS (sen)	**72.9**	79.0

(b) Diluted earnings per share

The diluted EPS of the Group is calculated by dividing the net profit attributable to equity holders of the Company for the financial year ended 31 December 2013 by the weighted average number of ordinary shares in issue and adjusted for the number of shares that could have been issued under the approved DRP scheme of the Company.

In the diluted EPS calculation, it has been assumed that 100% of the electable portion of the proposed final dividend payment under the DRP will be exercised into new ordinary shares of RM1.00 each in the Company. The new shares will be issued at an assumed price which is equivalent to the 5-day volume weighted average price of the Company's shares as at 31 December 2013 after applying a discount of not more than 10%. These calculations serve to determine the number of dilutive shares to be added to the weighted average ordinary shares in issue for the purpose of computing the dilution. No adjustment has been made to the net profit attributable to the equity holders of the Company for the financial year ended 31 December 2013.

The dilution effect on the basic EPS arising from the DRP is immaterial. As a result, the diluted EPS is equal to the basic EPS for the financial year ended 31 December 2013.

Other than the above, there were no other dilutive potential ordinary shares outstanding as at 31 December 2013.

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

	Group		
	Before tax RM'000	Tax benefits RM'000	Net of tax amount RM'000
2013			
Financial investments AFS			
- Fair value loss on revaluation, net of transfer to income statements	**(148,228)**	**36,280**	**(111,948)**
2012			
Financial investments AFS			
- Fair value gain on revaluation, net of transfer to income statements	28,178	(7,495)	20,683

41 ORDINARY DIVIDENDS

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

	Group and Company			
	2013		2012	
	Gross dividend per share %	Total dividend RM'000	Gross dividend per share %	Total dividend RM'000
Ordinary shares				
Interim dividend – 2013/2012	**6.00%**	**151,882**	6.00%	134,146
Proposed final dividend – 2013/2012	**10.30%**	**262,332**	16.09%	401,318
	16.30%	**414,214**	22.09%	535,464

At the forthcoming Annual General Meeting, a single-tier final dividend in respect of the current financial year of 10.30% amounting to RM262,332,000 will be proposed for shareholders' approval. These financial statements do not reflect such final dividend which will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2014 when approved by shareholders.

Subject to the relevant regulatory approvals being obtained and shareholders' approval on the renewal of the DRP scheme at the forthcoming Annual General Meeting, the Board of Directors, in its absolute discretion, recommends that the shareholders of the Company be given an option to elect to reinvest the entire proposed single-tier final dividend into new ordinary shares of RM1.00 each in the Company in accordance with the approved DRP scheme of the Company.

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

	Group and Company			
	2013		2012	
	Gross dividend per share %	Amount of dividends, single-tier RM'000	Gross dividend per share %	Amount of dividends, net of tax/ single-tier RM'000
Ordinary shares				
Interim dividend – 2013/2012	**6.00%**	**151,882**	6.00%	134,146
Final dividend – 2012/2011	**16.09%**	**401,318**	17.41%	318,827
	22.09%	**553,200**	23.41%	452,973

42 COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies comprise the following:

	2013			2012		
Group	**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#	**3,738,396**	**3,705,381**	**2,144,445**	2,181,636	2,144,725	1,426,061
Transaction-related contingent items#	**3,035,866**	**1,524,593**	**995,458**	2,496,866	1,225,275	881,715
Short term self-liquidating trade-related contingencies	**1,567,318**	**311,555**	**175,489**	1,009,851	199,301	128,967
Obligations under underwriting agreements	**343,648**	**171,824**	**123,356**	151,971	75,986	65,986
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements^	**-**	**-**	**-**	38,719	2,305	538
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	**12,531,458**	**6,181,453**	**4,611,035**	12,036,947	5,834,978	3,710,736
- Maturity exceeding one year	**30,827,639**	**15,207,203**	**10,671,666**	24,718,743	11,661,549	7,865,628
Foreign exchange-related contracts^:						
- Less than one year	**11,477,071**	**257,638**	**199,534**	10,766,174	182,006	112,935
- One year to less than five years	**8,496,637**	**1,259,794**	**461,462**	5,213,212	922,498	275,190
Equity related contracts^:						
- Less than one year	**-**	**-**	**-**	4,423	4,423	4,423
Interest rate-related contract^:						
- Less than one year	**4,780,460**	**10,730**	**4,364**	8,728,637	28,174	10,030
- One year to less than five years	**21,957,869**	**674,566**	**265,257**	15,198,210	468,334	240,991
- More than five years	**1,475,893**	**103,342**	**38,207**	615,000	55,316	53,484
	100,232,255	**29,408,079**	**19,690,273**	83,160,389	22,804,870	14,776,684

^ 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 derivatives assets or derivatives liabilities.

Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of RM3,139,158,000 (2012: RM2,035,724,000), of which fair value at the time of issuance is zero.

* The credit equivalent amount is arrived at using the credit conversion factors as per BNM's guidelines. Foreign exchange, interest rate and equity related contracts are subject to market risk and credit risk.

42 COMMITMENTS AND CONTINGENCIES (CONTINUED)

The credit equivalent amount ("CE") and risk weighted amount ("RWA") of the Group are an aggregate of CE and RWA of:

(i) Its commercial banking subsidiary, which is computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework (Basel II-RWA): Internal Ratings Based ("IRB") Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk ("Basel II");

(ii) Its Islamic banking 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"); and

(iii) Its investment banking subsidiaries, which is computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk ("Basel II").

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

The commercial banking subsidiary, RHB Bank, has also given a guarantee to the Ministry of Finance of Negara Brunei Darussalam to undertake any liabilities which may be incurred in respect of its branch in Brunei. In addition, RHB Bank has issued a guarantee to Bank of Thailand to provide support to meet any legal liabilities which may be incurred in respect of its operation in Thailand.

	Group	
	2013 RM'000	**2012 RM'000**
Corporate guarantee in favour of client's trading facilities granted by a subsidiary	**68,000**	68,000

	Company	
	2013 RM'000	**2012 RM'000**
Corporate guarantee provided to licensed banks for credit facilities granted to subsidiaries	**327,742**	95,680
Corporate guarantee in favour of client's trading facilities granted by a subsidiary	**68,000**	68,000
Letter of undertaking in favour of Monetary Authority of Singapore provided for a subsidiary	**129,680**	-
	525,422	163,680

The Company has given a continuing guarantee to LOFSA to meet the liabilities and financial obligations and requirements of its subsidiary, OSKL, arising from its offshore investment banking business in the Federal Territory of Labuan. The said corporate guarantee is still applicable at year end and will only be terminated upon the surrender of the offshore investment banking business following the transfer of the entire business, assets and liabilities of OSKL to RHB Bank (L) Ltd.

43 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

	Group	
	2013 RM'000	**2012 RM'000**
Rental of premises		
Within one year	**63,200**	57,510
Between one to five years	**72,208**	64,040
More than five years	**1,207**	3,102
	136,615	124,652

44 CAPITAL COMMITMENTS

	Note	Group	
		2013 RM'000	**2012 RM'000**
Capital expenditure for property, plant and equipment:			
- authorised and contracted for		**52,638**	67,570
- authorised but not contracted for		**215,323**	175,290
		267,961	242,860
Proposed acquisition of Bank Mestika	50(a)	**538,620**	538,620
		806,581	781,480

45 RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

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

Related parties	Relationship
Employees Provident Fund ("EPF")	Substantial shareholder, a fund body that is significantly influenced by the government
Subsidiaries, associates and joint ventures of EPF as disclosed in its financial statements	Reporting entities that EPF has control or significant influence
Subsidiaries of the Company as disclosed in Note 14	Subsidiaries
Key management personnel	The key management personnel of the Group and the Company consists of: - All Directors of the Company and its key subsidiaries; and - Management Committee of the Company and its key subsidiaries
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel; and (ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

45 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant related party balances and transactions

In addition to related party disclosures mentioned in Note 11, set out below are other significant related party transactions and balances.

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

Group	2013		2012	
	Key management personnel RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	EPF and EPF Group of companies RM'000
Income				
Interest on loans, advances and financing	**190**	**77,658**	225	51,035
Fees on loans, advances and financing	**2**	**996**	2	-
Insurance premium	**205**	**9,064**	136	28,809
Brokerage fees	**-**	**20,831**	-	15,539
Other income	**-**	**7,064**	-	7
	397	**115,613**	363	95,390
Expenses				
Interest on deposits from customers	**578**	**21,011**	587	87,653
Other expenses	**189**	**-**	95	-
Rental of premises	**11,237**	**-**	1,894	-
	12,004	**21,011**	2,576	87,653
Amounts due from				
Loans, advances and financing	**4,669**	**1,892,280**	6,843	1,317,534
Clients' and brokers' balances	**-**	**-**	-	10,908
Financial assets HFT	**-**	**140,345**	-	-
Financial investments AFS	**-**	**35,800**	-	-
Other assets	**3,088**	**4,754**	3,152	-
	7,757	**2,073,179**	9,995	1,328,442
Amounts due to				
Deposits from customers	**85,024**	**2,753,978**	40,866	3,301,821
Clients' and brokers' balances	**-**	**4,238**	15	4
Other liabilities	**3**	**-**	304	-
	85,027	**2,758,216**	41,185	3,301,825

45 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Company	Subsidiary companies 2013 RM'000	Subsidiary companies 2012 RM'000
Income		
Interest on deposits and placements with other financial institutions	**1,572**	2,172
Other income	**401**	764
	1,973	2,936
Expenses		
Interest on borrowings	**12,772**	12,213
Rental of premises	**1,056**	1,006
Legal and professional fees	**5,793**	6,941
Security and escorting charges	**44**	35
Personnel costs	**44**	39
Other expenses	**633**	149
	20,342	20,383
Amounts due from		
Cash and short term funds	**16,972**	36,166
Inter-company balances	**800**	9,785
	17,772	45,951
Amounts due to		
Inter-company balances	**8,960**	11,772
Borrowings	**745,642**	285,449
	754,602	297,221

(c) Key management personnel

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

	Group		Company	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Short term employee benefits:				
- Fees	**2,480**	1,202	**1,080**	482
- Salary and other remuneration	**39,956**	34,161	**3,689**	4,117
- Contribution to EPF	**4,626**	4,930	**595**	713
- Benefits-in-kind	**918**	142	**36**	36
	47,980	40,435	**5,400**	5,348

The above includes Directors' remuneration as disclosed in Note 35.

	Group 2013 RM'000	Group 2012 RM'000
Approved limit on loans, advances and financing for key management personnel	**24,874**	19,672

46 SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is the person or group that allocates resources to and assesses the performance of the operating segments of an entity. The Group has determined its 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 structure, the operations of regional investment banking business is now under the purview and responsibility of Corporate and Investment Banking ("CIB") segment. Thus, the operating results and financial position of such business are now reported in CIB segment. Previously, the operating results and financial position of regional investment banking business was reported under Global Financial Banking segment.

Following such changes in the composition of the reportable segments, the Group has restated the corresponding items of segment information retrospectively.

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

(a) CIB

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

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

This segment also includes stockbroking and investment banking products and services to our regional customers in Singapore, Hong Kong, Indonesia and Thailand.

(b) Retail Banking

Retail Banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgages, hire purchase financing, study loans, lease financing and personal loans), credit cards, remittance services, deposit collection, general insurance and investment products.

(c) Business Banking

Business Banking caters to funding or lending needs to small and medium sized enterprises, and wholesale clients.

(d) Group Treasury

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

(e) Islamic Banking Business

Islamic Banking Business focuses on providing a full range of commercial banking products and services in accordance with the principles of Shariah to individual customers, corporate clients, government and state owned entities as well as small and medium sized enterprises.

(f) Global Financial Banking

Global Financial Banking primarily focuses on providing commercial banking related products and services tailored to the specific needs in foreign countries. The Group has established its commercial banking business in Singapore, Cambodia, Thailand and Brunei.

(g) Support Center and Others

Support Center and Others comprise results from other business segments in the Group (nominee services, property investment and rental, dormant operations and other related financial services), funding center of the commercial banking subsidiary and investment holding company, whose results are not material to the Group and therefore do not render a separate disclosure in the financial statements and thus, have been reported in aggregate.

The business segment results are prepared based on the Group's internal management reporting, which reflects the organisation's management reporting structure. Internal allocation of costs, for example, back office support, 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.

46 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis

	CIB RM'000	Retail Banking RM'000	Business Banking RM'000	Group Treasury RM'000	Islamic Banking Business RM'000	Global Financial Banking RM'000	Support Centre and Others RM'000	Inter-Segment Elimination RM'000	Total RM'000
2013									
External revenue	1,771,850	2,295,490	708,677	377,112	551,783	319,933	(74,082)	-	5,950,763
Inter-segment revenue	27,313	11,251	-	119,339	(110,365)	8,916	15,566	(72,020)	-
Segment revenue	1,799,163	2,306,741	708,677	496,451	441,418	328,849	(58,516)	(72,020)	5,950,763
Other operating expenses	(943,293)	(1,138,529)	(345,955)	(130,769)	(204,178)	(242,948)	(118,509)	72,020	(3,052,161)
Including:									
Depreciation of property, plant and equipment	(24,892)	(63,038)	(6,140)	(2,063)	(3,904)	(6,970)	(6,468)	-	(113,475)
Amortisation of intangible assets	(21,983)	(18,970)	(8,253)	(3,009)	(523)	(1,822)	(1,573)	-	(56,133)
Allowance for impairment on loans, financing and other losses	(157,604)	(175,101)	(14,381)	-	(32,089)	(18,262)	(50,524)	-	(447,961)
Impairment losses written back/(made) on other assets	18,096	79	727	324	(701)	379	-	-	18,904
	716,362	993,190	349,068	366,006	204,450	68,018	(227,549)	-	2,469,545
Share of results of associates									795
Share of results of joint ventures									427
Profit before taxation									2,470,767
Taxation									(627,229)
Net profit for the financial year									1,843,538

46 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (Continued)

	CIB RM'000	Retail Banking RM'000	Business Banking RM'000	Group Treasury RM'000	Islamic Banking Business RM'000	Global Financial Banking RM'000	Support Centre and Others RM'000	Total RM'000
2013								
Segment assets	40,531,461	50,337,981	13,289,506	49,456,330	19,587,792	15,706,504	570,333	189,479,907
Investments in associates and joint ventures								20,949
Tax recoverable								148,677
Deferred tax assets								31,225
Unallocated assets								1,409,149
Total assets								191,089,907
Segment liabilities	25,265,808	37,834,172	9,117,811	63,371,909	8,879,613	12,536,052	5,551,656	162,557,021
Tax liabilities								29,767
Deferred tax liabilities								51,814
Borrowings and senior debt securities								4,546,825
Subordinated obligations								4,580,967
Hybrid Tier-1 Capital Securities								601,201
Unallocated liabilities								1,779,585
Total liabilities								174,147,180
Other segment items								
Capital expenditure	26,217	79,552	13,346	10,758	8,112	13,095	2,380	153,460

46 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (Continued)

	CIB RM'000	Retail Banking RM'000	Business Banking RM'000	Group Treasury RM'000	Islamic Banking Business RM'000	Global Financial Banking RM'000	Support Centre and Others RM'000	Inter-Segment Elimination RM'000	Total RM'000
Restated 2012									
External revenue	985,956	2,116,942	704,996	524,188	410,966	267,585	(181,041)	-	4,829,592
Inter-segment revenue	28,182	24,394	-	39,268	(30,499)	3,304	29,407	(94,056)	-
Segment revenue	1,014,138	2,141,336	704,996	563,456	380,467	270,889	(151,634)	(94,056)	4,829,592
Other operating expenses	(380,198)	(1,074,613)	(322,714)	(110,768)	(165,317)	(203,914)	(130,258)	94,056	(2,293,726)
Including:									
Depreciation of property, plant and equipment	(9,913)	(60,941)	(7,223)	(2,417)	(5,855)	(3,552)	(6,518)	-	(96,419)
Amortisation of intangible assets	(4,285)	(15,009)	(7,240)	(3,292)	(230)	(1,994)	(2)	-	(32,052)
Allowance for impairment on loans, financing and other losses	135,345	(159,307)	(54,015)	(9)	(78,202)	(1,807)	9,503	-	(148,492)
Impairment losses written back/(made) on other assets	1,816	27	119	(6,266)	-	433	-	-	(3,871)
	771,101	907,443	328,386	446,413	136,948	65,601	(272,389)	-	2,383,503
Share of results of associates									294
Share of results of joint ventures									826
Profit before taxation									2,384,623
Taxation									(594,854)
Net profit for the financial year									1,789,769

46 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (Continued)

	CIB RM'000	Retail Banking RM'000	Business Banking RM'000	Group Treasury RM'000	Islamic Banking Business RM'000	Global Financial Banking RM'000	Support Centre and Others RM'000	Total RM'000
Restated 2012								
Segment assets	42,463,782	44,765,381	11,924,133	58,733,591	16,583,407	12,553,760	733,275	187,757,329
Investments in associates and joint ventures								36,589
Tax recoverable								142,912
Deferred tax assets								15,115
Unallocated assets								1,160,310
Total assets								189,112,255
Segment liabilities	27,653,664	34,831,237	8,003,560	63,296,837	7,878,190	9,724,983	9,972,959	161,361,430
Tax liabilities								145,280
Deferred tax liabilities								67,961
Borrowings and senior debt securities								5,151,932
Subordinated obligations								4,742,436
Hybrid Tier-1 Capital Securities								601,072
Unallocated liabilities								1,701,664
Total liabilities								173,771,775
Other segment items								
Capital expenditure	15,337	64,986	21,814	5,761	5,976	11,434	1,753	127,061

46 SEGMENT REPORTING (CONTINUED)

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

	Revenue RM'000	Segment assets RM'000	Capital expenditure RM'000
2013			
Malaysia	**5,305,263**	**172,304,312**	**132,275**
Outside Malaysia	**645,500**	**18,785,595**	**21,185**
	5,950,763	**191,089,907**	**153,460**
2012			
Malaysia	4,515,112	173,833,373	115,627
Outside Malaysia	314,480	15,278,882	11,434
	4,829,592	189,112,255	127,061

47 CAPITAL ADEQUACY RATIO

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

Effective 1 January 2013, the capital ratios of RHB Bank and RHB Investment Bank have been computed based on BNM's Capital Adequacy Framework (Capital Components) issued on 28 November 2012. Correspondingly, the comparative disclosures for the financial year ended 31 December 2012 have been restated accordingly.

Effective 1 January 2013, the capital ratios of RHB Islamic Bank have been computed based on BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 28 November 2012. Correspondingly, the comparative disclosures for the financial year ended 31 December 2012 have been restated accordingly.

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

Currently, the Group is not required to maintain any capital adequacy ratio requirements.

47 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Bank@	
	2013 RM'000	**2012 RM'000**
Common Equity Tier I ("CET I")/Tier I Capital		
Paid-up ordinary share capital	**3,318,085**	3,318,085
Share premium	**8,563**	8,563
Retained profits	**5,424,998**	4,238,287
Other reserves	**3,492,002**	3,447,064
AFS reserves	**179,873**	219,015
	12,423,521	11,231,014
Less:		
Goodwill	**(905,519)**	(905,519)
Intangible assets (include associated deferred tax liabilities)	**(109,845)**	(112,409)
55% of cumulative gains of AFS financing instruments	**(98,930)**	(120,458)
Shortfall of eligible provisions to expected losses under the IRB approach	**(280,768)**	(372,855)
Other deductions#	**(17,374)**	(5,701)
CET I	**11,011,085**	9,714,072
Hybrid Tier-1 Capital Securities*	**540,000**	597,744
Total Tier I Capital	**11,551,085**	10,311,816
Tier II Capital		
Subordinated obligations**	**3,600,000**	3,996,781
Collective impairment allowance^	**269,973**	279,362
	3,869,973	4,276,143
Less:		
Investments in subsidiaries	**(1,539,997)**	(1,072,656)
Total Tier II Capital	**2,329,976**	3,203,487
Total Capital	**13,881,061**	13,515,303

47 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Bank@	
	2013	**2012**
	%	**%**
Capital ratios		
Before proposed dividends:		
CET I Capital Ratio	**11.103%**	11.039%
Tier I Capital Ratio	**11.647%**	11.718%
Total Capital Ratio	**13.997%**	15.359%
After proposed dividends:		
CET I Capital Ratio	**11.103%**	10.768%
Tier I Capital Ratio	**11.647%**	11.448%
Total Capital Ratio	**13.997%**	15.088%

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

^ 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.

* 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).

47 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Islamic Bank	
	2013 RM'000	2012 RM'000
CET I/Tier I Capital		
Paid-up ordinary share capital	**1,173,424**	973,424
Retained profits	**441,401**	358,151
Other reserves	**441,609**	358,359
AFS reserves	**(29,302)**	3,740
	2,027,132	1,693,674
Less:		
Deferred tax assets	**(17,281)**	(5,265)
Intangible assets (include associated deferred tax liabilities)	**(5,580)**	(3,585)
55% of cumulative gains of AFS financing instruments	**-**	(2,057)
Other deductions#	**(92)**	(5,091)
CET I Capital/Total Tier I Capital	**2,004,179**	1,677,676
Tier II Capital		
Collective impairment allowance^	**81,059**	87,435
Total Tier II Capital	**81,059**	87,435
Total Capital	**2,085,238**	1,765,111
Capital ratios		
CET I Capital Ratio	**13.864%**	13.971%
Tier I Capital Ratio	**13.864%**	13.971%
Total Capital Ratio	**14.424%**	14.699%

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

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

47 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Investment Bank	
	2013 RM'000	**2012 RM'000**
CET I/Tier I Capital		
Paid-up ordinary share capital	**818,646**	263,646
Share premium	**1,515,150**	-
Retained profits	**176,310**	76,788
Other reserves	**278,549**	2,081,357
AFS reserves	**(32,510)**	10,997
	2,756,145	2,432,788
Less:		
Goodwill	**(1,118,418)**	(1,118,418)
Intangible assets (include associated deferred tax liabilities)	**(42,967)**	(56,994)
Securitisation exposure subject to deductions	**(1,744)**	(4,879)
55% of cumulative gains of AFS financing instruments	**-**	(6,048)
Other deductions	**(2,019)**	(782)
Deferred tax assets	**(11,382)**	-
Reduction in excess of Tier II capital due to insufficient Tier II Capital#	**(554,041)**	(268,120)
CET I Capital/Total Tier I Capital	**1,025,574**	977,547
Tier II Capital		
Subordinated obligations*	**545,000**	674,706
Collective impairment allowance^	**7,714**	5,188
	552,714	679,894
Less:		
Investments in subsidiaries and associates	**(552,714)**	(679,894)
Total Tier II Capital	**-**	-
Total Capital	**1,025,574**	977,547

47 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Investment Bank	
	2013 %	**2012 %**
Capital ratios		
Before proposed dividends:		
CET I Capital Ratio	**24.556%**	22.712%
Tier I Capital Ratio	**24.556%**	22.712%
Total Capital Ratio	**24.556%**	22.712%
After proposed dividends:		
CET I Capital Ratio	**24.556%**	22.317%
Tier I Capital Ratio	**24.556%**	22.317%
Total Capital Ratio	**24.556%**	22.317%

^ 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".

* 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).

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

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

	RHB Bank@ RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
2013			
Credit risk	**88,598,853**	**13,511,201**	**2,518,192**
Market risk	**2,899,375**	**160,838**	**1,070,638**
Operational risk	**7,670,991**	**783,884**	**587,482**
Total risk-weighted assets	**99,169,219**	**14,455,923**	**4,176,312**
2012			
Credit risk	78,034,944	11,053,722	3,197,581
Market risk	2,676,807	265,386	720,014
Operational risk	7,283,570	689,105	386,394
Total risk-weighted assets	87,995,321	12,008,213	4,303,989

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

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

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

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

47 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	2013 %	2012 %
Before deducting proposed dividends:		
Core capital ratio	**#**	#
Solvency ratio	**18.987%**	31.164%
After deducting proposed dividends:		
Core capital ratio	**#**	#
Solvency ratio	**18.987%**	31.164%

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

No equivalent ratio in Cambodia.

48 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.

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

RHB CAPITAL BERHAD

Liquidity risk

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

Interest rate risk

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

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

Overview and Organisation

Risk is inherent in banking business and sound risk management is the cornerstone of prudent banking.

In compliance with best practices under the Malaysian Code of Corporate Governance, the Board of Directors ("Board") through the Group Risk Management Committee ("GRMC") and the Group Risk Management function ("GRM function") is responsible for identifying principal risks and ensuring that there is an on-going process to manage these risks within tolerable ranges.

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Overview and Organisation (Continued)

The GRMC provides oversight and management of all risks. The GRM function is independent of the origination and sales function, and assists the GRMC and Board in formulating risk-related policies.

The GRMC comprises non-executive Directors with at least five (5) members. Members of the GRMC are Directors who are exclusively non-executive in all of their directorships within the Group.

Objectives of the GRMC:

(i) To provide oversight and governance of risks of the Group;

(ii) To oversee Senior Management's activities in managing credit, market, liquidity, operational, legal and other industry-specific risks and to ensure that the risk management process of each entity in the Group is in place and functioning; and

(iii) To deliberate and make recommendations to the Board of each relevant entity within the Group in respect of risk management matters of the respective entities.

The primary responsibility for managing risks, however, rests with the business managers who are best equipped to ensure that risk management and control are focused on the way business is conducted. There is a continuous review of business activities and processes to identify significant risk areas and to ensure that control procedures are implemented in order to operate within established corporate policies and limits. Additionally, policies and procedures are in place to manage the risks that may arise in connection with the use of financial instruments.

Major Areas of Risk

As a banking institution with key activities covering retail, business banking, corporate banking and treasury products and services, the Group 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 potential loss resulting from adverse movements in the level of market prices, interest/profit rate and foreign currency exchange.

(ii) Liquidity risk - the risk of the banking subsidiaries being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due and transact at a reasonable cost.

(iii) Credit risk - the risk of potential loss of revenue as a result of failure or inability by customers or counterparties to meet their contractual financial obligations with the banking subsidiaries.

(iv) Operational risk - the risk of loss resulting from inadequate or failed internal processes, people, systems or external events as well as the risk of breach of applicable laws and regulatory requirements.

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Overview and Organisation (Continued)

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

Market Risk

- A framework of risk policies, measurement methodologies and limits, as approved by the Board, which controls the banking subsidiaries' financial market activities as well as to identify potential risk areas early in order to mitigate against any adverse effects arising from market volatility.

- The GRM function plays an independent role in the monitoring and assessing of risk exposures, and reports independently to the GRMC.

- Risk measurement techniques and stress testing are applied to the Banking subsidiaries' portfolios on a regular basis.

- For Currency Risk:

  - Approved overall position limits are applied for foreign exchange spot trading portfolio. Trading loss limits are imposed on each trading desk. The levels of these exposures (including off-balance sheet items), by overall total for both intra-day and overnight positions, are monitored daily for compliance with the approved limits. These limits are reviewed regularly and are in line with the strategies set by the GRMC.

  - Foreign and overseas investments, which are funded by purchases with resultant open foreign exchange positions, are monitored and appropriate hedging strategies are undertaken in line with market trends.

- For Interest/Profit Rate Risk:

  - The Group Asset and Liability Committee ("Group ALCO") monitors the balance sheet position and assesses it for profit and loss impacts arising from sensitivity to interest/profit rate movements.

  - The Group ALCO also sets and reviews limits on the level of mismatch of interest/profit rate re-pricing that may be undertaken. Likewise, fixed rate assets, especially long term assets, are subject to various limit parameters.

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.

- 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 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.

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

BANKING SUBSIDIARIES
RHB BANK, RHB ISLAMIC BANK AND RHB INVESTMENT BANK (CONTINUED)

Overview and Organisation (Continued)

Credit Risk

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

- The Group also ensures that internal processes and credit underwriting standards are adhered to before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being evaluated by an independent credit evaluation and management function. The Central Credit Committee and the Group Credit Committee sanction credits beyond established threshold. The adherence to the discretionary powers sanctioned by the Board is monitored by the Central Compliance function.

- A risk rating system is used to categorise the risk of individual credits. Clients' accounts are reviewed at regular intervals and weakening credits are transferred to Loan Recovery for more effective management.

- Counterparty, industry and product exposure limits/directions are set and risk reward relationship are mapped with the aim of maintaining a diverse credit profile and track the changing risk concentrations in response to market changes and external events.

- RHB Bank has obtained BNM's approval to apply the Internal Ratings-Based ("IRB") approach for credit risk, whereby more advanced Basel II approaches and key program components are implemented, which includes (i) enhancing the economic returns of the Bank using established credit risk framework and methodologies, (ii) implementing and using empirical credit scoring models for consumer financing and credit grading models for business loans/financing, and (iii) designing and implementing modeling of expected and unexpected losses.

- Plans are underway to migrate material portfolios of RHB Islamic Bank 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 inputs to the business units on operational risk areas. The respective business units are primarily responsible for managing operational risk on a day-to-day basis.

- The Group uses an 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 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.

48 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	Financial investments AFS RM'000	Financial investments HTM RM'000	Total RM'000
2013					
ASSETS					
Cash and short term funds	9,998,667	-	-	-	9,998,667
Securities purchased under resale agreements	184,560	-	-	-	184,560
Deposits and placements with banks and other financial institutions	2,773,314	-	-	-	2,773,314
Financial assets HFT	-	4,037,728	-	-	4,037,728
Financial investments AFS	-	-	16,930,513	-	16,930,513
Financial investments HTM	-	-	-	22,778,009	22,778,009
Loans, advances and financing	119,542,545	-	-	-	119,542,545
Clients' and brokers' balances	2,573,583	-	-	-	2,573,583
Other financial assets	1,063,314	-	-	-	1,063,314
Derivative assets	-	459,033	-	-	459,033
	136,135,983	4,496,761	16,930,513	22,778,009	180,341,266

Group	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
2013			
LIABILITIES			
Deposits from customers	-	137,741,241	137,741,241
Deposits and placements of banks and other financial institutions	-	16,998,355	16,998,355
Obligations on securities sold under repurchase agreements	-	566,621	566,621
Obligations on securities borrowed	-	31,734	31,734
Bills and acceptances payables	-	2,076,481	2,076,481
Clients' and brokers' balances	-	2,315,810	2,315,810
Other financial liabilities	-	1,420,942	1,420,942
Derivative liabilities	348,063	-	348,063
Recourse obligation on loans sold to Cagamas	-	2,269,353	2,269,353
Borrowings and senior debt securities	-	4,546,825	4,546,825
Subordinated obligations	-	4,580,967	4,580,967
Hybrid Tier-1 Capital Securities	-	601,201	601,201
	348,063	173,149,530	173,497,593

48 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	Financial investments AFS RM'000	Financial investments HTM RM'000	Total RM'000
2012					
ASSETS					
Cash and short term funds	23,974,020	-	-	-	23,974,020
Securities purchased under resale agreements	676,858	-	-	-	676,858
Deposits and placements with banks and other financial institutions	3,638,529	-	-	-	3,638,529
Financial assets HFT	-	2,739,650	-	-	2,739,650
Financial investments AFS	-	-	15,154,931	-	15,154,931
Financial investments HTM	-	-	-	18,954,536	18,954,536
Loans, advances and financing	109,276,880	-	-	-	109,276,880
Clients' and brokers' balances	2,986,878	-	-	-	2,986,878
Other financial assets	829,981	-	-	-	829,981
Derivative assets	-	275,441	-	-	275,441
	141,383,146	3,015,091	15,154,931	18,954,536	178,507,704

Group	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
2012			
LIABILITIES			
Deposits from customers	-	138,228,286	138,228,286
Deposits and placements of banks and other financial institutions	-	13,450,129	13,450,129
Obligations on securities sold under repurchase agreements	-	240,010	240,010
Obligations on securities borrowed	-	119,905	119,905
Bills and acceptances payables	-	3,636,886	3,636,886
Clients' and brokers' balances	-	2,731,695	2,731,695
Other financial liabilities	-	1,386,501	1,386,501
Derivative liabilities	320,363	-	320,363
Recourse obligation on loans sold to Cagamas	-	2,445,361	2,445,361
Borrowings and senior debt securities	-	5,151,932	5,151,932
Subordinated obligations	-	4,742,436	4,742,436
Hybrid Tier-1 Capital Securities	-	601,072	601,072
	320,363	172,734,213	173,054,576

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category (Continued)

Company	Loans and receivables 2013 RM'000	Loans and receivables 2012 RM'000
Cash and short term funds	**16,973**	36,247
Deposits and placements with banks and other financial institutions	**983**	951
Amounts due from subsidiaries	**800**	9,785
Other financial assets	**114,854**	147,538
	133,610	194,521

Company	Other financial liabilities at amortised cost 2013 RM'000	Other financial liabilities at amortised cost 2012 RM'000
Other financial liabilities	**6,244**	61,459
Amounts due to subsidiaries	**8,960**	11,772
Borrowings	**2,936,600**	3,106,434
	2,951,804	3,179,665

(c) Market Risk

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

The scenarios used are based on the assumption that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables. The Company and the Group 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:

	2013		2012	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
Group				
+100 bps	**(88,696)**	**(496,964)**	(10,860)	(458,258)
-100 bps	**93,986**	**530,880**	14,535	489,035
Company				
+100 bps	**(12,469)**	**-**	(9,604)	-
-100 bps	**12,469**	**-**	9,604	-

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (Continued)

(i) Interest/profit rate sensitivity analysis (Continued)

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

Impact on the profit after tax is the sum of valuation changes on fixed income instruments held in the trading portfolio and earnings movement for all short term interest rate sensitive assets and liabilities (with maturity or re-pricing tenure of up to one year) that is not held in the trading portfolio. Earnings movement for the short term interest rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 100 bps interest rate (100 bps for 2012) change impact. For assets and liabilities with non fixed maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of these interest bearing assets and liabilities.

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

(ii) Foreign currency sensitivity analysis

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

Group	Impact on profit after tax RM'000
2013	
+5%	**18,698**
-5%	**(18,698)**
2012	
+5%	21,690
-5%	(21,690)

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (Continued)

Interest/Profit rate risk

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

	Non-trading book								
Group	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-6 months RM'000**	**>6-12 months RM'000**	**>1-3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
2013									
ASSETS									
Cash and short term funds	7,995,980	60,031	-	-	-	-	1,942,656	-	9,998,667
Securities purchased under resale agreements	184,544	-	-	-	-	-	16	-	184,560
Deposits and placements with banks and other financial institutions	23,156	1,608,449	364,940	90,385	195,885	356,370	134,129	-	2,773,314
Financial assets HFT	-	-	-	-	-	-	121,017	3,916,711	4,037,728
Financial investments AFS	1,615,780	2,200,907	1,848,078	290,920	1,397,926	8,987,967	588,935	-	16,930,513
Financial investments HTM	965,064	2,078,843	669,709	1,313,405	3,450,556	14,221,715	78,717#	-	22,778,009
Loans, advances and financing									
- performing	75,445,991	8,945,418	3,585,120	3,288,703	7,017,718	19,884,985	131,635	-	118,299,570
- impaired	-	-	-	-	-	-	1,242,975*	-	1,242,975
Clients' and brokers' balances	13,239	-	-	-	-	-	2,560,344	-	2,573,583
Other assets	32,915	-	-	6	-	174	1,148,596	-	1,181,691
Derivative assets	-	-	-	-	-	-	-	459,033	459,033
Statutory deposits	-	-	-	-	-	-	4,171,462	-	4,171,462
Tax recoverable	-	-	-	-	-	-	148,677	-	148,677
Deferred tax assets	-	-	-	-	-	-	31,225	-	31,225
Investments in associates and joint ventures	-	-	-	-	-	-	20,949	-	20,949
Property, plant and equipment	-	-	-	-	-	-	1,020,481	-	1,020,481
Goodwill and intangible assets	-	-	-	-	-	-	5,237,470	-	5,237,470
TOTAL ASSETS	**86,276,669**	**14,893,648**	**6,467,847**	**4,983,419**	**12,062,085**	**43,451,211**	**18,579,284**	**4,375,744**	**191,089,907**

\# Included impairment loss.

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (Continued)

Interest/Profit rate risk (Continued)

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

	Non-trading book								
Group	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
2013									
LIABILITIES									
Deposits from customers	61,194,370	23,270,459	16,751,254	12,217,696	438,581	29,072	23,839,809	-	137,741,241
Deposits and placements of banks and other financial institutions	7,554,423	6,816,620	1,163,859	464,139	292,256	649,400	57,658	-	16,998,355
Obligations on securities sold under repurchase agreements	399,923	-	164,084	-	-	-	2,614	-	566,621
Obligations on securities borrowed	-	-	-	-	-	31,734	-	-	31,734
Bills and acceptances payable	773,800	860,008	145,376	-	-	-	297,297	-	2,076,481
Clients' and brokers' balances	1,812,485	-	-	-	-	-	503,325	-	2,315,810
Other liabilities	-	-	-	-	-	-	1,988,948	-	1,988,948
Derivative liabilities	-	-	155	804	1,959	69	-	345,076	348,063
Recourse obligation on loans sold to Cagamas	-	-	-	500,000	457,678	1,301,664	10,011	-	2,269,353
Tax liabilities	-	-	-	-	-	-	29,767	-	29,767
Deferred tax liabilities	-	-	-	-	-	-	51,814	-	51,814
Borrowings and senior debt securities	137,185	1,045,206	926,046	439,345	350,000	1,640,235	8,808	-	4,546,825
Subordinated obligations	-	-	-	-	1,258,871	3,293,271	28,825	-	4,580,967
Hybrid Tier-1 Capital Securities	-	-	-	-	-	593,035	8,166	-	601,201
TOTAL LIABILITIES	71,872,186	31,992,293	19,150,774	13,621,984	2,799,345	7,538,480	26,827,042	345,076	174,147,180
Shareholders' funds	-	-	-	-	-	-	16,739,071	-	16,739,071
Non-controlling interests	-	-	-	-	-	-	203,656	-	203,656
TOTAL LIABILITIES AND EQUITY	71,872,186	31,992,293	19,150,774	13,621,984	2,799,345	7,538,480	43,769,769	345,076	191,089,907
On-balance sheet interest sensitivity gap	14,404,483	(17,098,645)	(12,682,927)	(8,638,565)	9,262,740	35,912,731			
Off-balance sheet interest sensitivity gap	(2,122,407)	(518,511)	(1,682,804)	750,887	1,512,743	2,087,738			
TOTAL INTEREST SENSITIVITY GAP	12,282,076	(17,617,156)	(14,365,731)	(7,887,678)	10,775,483	38,000,469			

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (Continued)

Interest/Profit rate risk (Continued)

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

	Non-trading book								
Group	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
2012									
ASSETS									
Cash and short term funds	21,931,739	-	-	-	-	-	2,042,281	-	23,974,020
Securities purchased under resale agreements	676,858	-	-	-	-	-	-	-	676,858
Deposits and placements with banks and other financial institutions	40,572	2,602,714	275,628	86,825	196,492	417,494	18,804	-	3,638,529
Financial assets HFT	-	-	-	-	-	-	-	2,739,650	2,739,650
Financial investments AFS	1,536,975	1,640,749	1,460,829	132,355	1,432,943	8,026,877	924,203	-	15,154,931
Financial investments HTM	1,392,036	528,226	1,063,704	439,617	3,631,907	11,968,959	(69,913)#	-	18,954,536
Loans, advances and financing									
- performing	61,764,572	9,559,583	4,506,212	2,280,619	9,243,579	20,664,148	123,971	-	108,142,684
- impaired	-	-	-	-	-	-	1,134,196*	-	1,134,196
Clients' and brokers' balances	187,242	-	-	-	-	-	2,799,636	-	2,986,878
Other assets	-	-	-	7	27	345	1,085,786	-	1,086,165
Derivative assets	-	-	-	-	-	-	-	275,441	275,441
Statutory deposits	-	-	-	-	-	-	3,883,445	-	3,883,445
Tax recoverable	-	-	-	-	-	-	142,912	-	142,912
Deferred tax assets	-	-	-	-	-	-	15,115	-	15,115
Investments in associates and joint ventures	-	-	-	-	-	-	36,589	-	36,589
Property, plant and equipment	-	-	-	-	-	-	1,042,318	-	1,042,318
Goodwill and intangible assets	-	-	-	-	-	-	5,227,988	-	5,227,988
TOTAL ASSETS	87,529,994	14,331,272	7,306,373	2,939,423	14,504,948	41,077,823	18,407,331	3,015,091	189,112,255

Included impairment loss.

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (Continued)

Interest/Profit rate risk (Continued)

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

Group	Non-trading book								
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
2012									
LIABILITIES									
Deposits from customers	61,145,129	23,691,040	13,500,275	17,148,757	873,316	43,288	21,826,481	-	138,228,286
Deposits and placements of banks and other financial institutions	7,219,359	3,204,724	1,518,337	275,611	533,703	643,382	55,013	-	13,450,129
Obligations on securities sold under repurchase agreements	-	211,580	27,546	-	-	-	884	-	240,010
Obligations on securities borrowed	-	-	-	-	-	119,905	-	-	119,905
Bills and acceptances payable	1,374,840	1,546,608	421,129	-	-	-	294,309	-	3,636,886
Clients' and brokers' balances	-	-	-	-	-	-	2,731,695	-	2,731,695
Other liabilities	271	-	-	-	-	-	1,890,188	-	1,890,459
Derivative liabilities	-	-	1,131	133	8,645	-	-	310,454	320,363
Recourse obligation on loans sold to Cagamas	-	-	-	-	500,000	1,933,887	11,474	-	2,445,361
Tax liabilities	-	-	-	-	-	-	145,280	-	145,280
Deferred tax liabilities	-	-	-	-	-	-	67,961	-	67,961
Borrowings and senior debt securities	199,360	1,613,000	367,712	685,000	746,000	1,502,250	38,610	-	5,151,932
Subordinated obligations	-	-	45,000	100,000	923,215	3,641,782	32,439	-	4,742,436
Hybrid Tier-1 Capital Securities	-	-	-	-	-	592,744	8,328	-	601,072
TOTAL LIABILITIES	69,938,959	30,266,952	15,881,130	18,209,501	3,584,879	8,477,238	27,102,662	310,454	173,771,775
Shareholders' funds	-	-	-	-	-	-	15,117,215	-	15,117,215
Non-controlling interests	-	-	-	-	-	-	223,265	-	223,265
TOTAL LIABILITIES AND EQUITY	69,938,959	30,266,952	15,881,130	18,209,501	3,584,879	8,477,238	42,443,142	310,454	189,112,255
On-balance sheet interest sensitivity gap	17,591,035	(15,935,680)	(8,574,757)	(15,270,078)	10,920,069	32,600,585			
Off-balance sheet interest sensitivity gap	777,351	4,961,054	(1,589,373)	243,460	(449,748)	(2,106,016)			
TOTAL INTEREST SENSITIVITY GAP	18,368,386	(10,974,626)	(10,164,130)	(15,026,618)	10,470,321	30,494,569			

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (Continued)

Interest/Profit rate risk (Continued)

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

Company	Non-trading book								
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
2013									
ASSETS									
Cash and short term funds	15,400	-	-	-	-	-	1,573	-	16,973
Deposits and placements with banks and other financial institutions	-	379	423	169	-	-	12	-	983
Other assets	-	-	-	-	-	-	118,478	-	118,478
Amounts due from subsidiaries	-	-	-	-	-	-	800	-	800
Tax recoverable	-	-	-	-	-	-	93,933	-	93,933
Deferred tax assets	-	-	-	-	-	-	1,181	-	1,181
Investments in subsidiaries	-	-	-	-	-	-	10,801,052	-	10,801,052
Property, plant and equipment	-	-	-	-	-	-	326	-	326
TOTAL ASSETS	15,400	379	423	169	-	-	11,017,355	-	11,033,726
Other liabilities	-	-	-	-	-	-	6,244	-	6,244
Amounts due to subsidiaries	-	-	-	-	-	-	8,960	-	8,960
Borrowings	260,000	750,000	1,130,000	396,000	350,000	-	50,600	-	2,936,600
TOTAL LIABILITIES	260,000	750,000	1,130,000	396,000	350,000	-	65,804	-	2,951,804
Total equity	-	-	-	-	-	-	8,081,922	-	8,081,922
TOTAL LIABILITIES AND EQUITY	260,000	750,000	1,130,000	396,000	350,000	-	8,147,726	-	11,033,726
On-balance sheet interest sensitivity gap	(244,600)	(749,621)	(1,129,577)	(395,831)	(350,000)				
Off-balance sheet interest sensitivity gap	-	-	-	-	-				
TOTAL INTEREST SENSITIVITY GAP	(244,600)	(749,621)	(1,129,577)	(395,831)	(350,000)				

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (Continued)

Interest/Profit rate risk (Continued)

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

	Non-trading book								
Company	**Up to 1 month RM'000**	**>1-3 months RM'000**	**>3-6 months RM'000**	**>6-12 months RM'000**	**>1-3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
2012									
ASSETS									
Cash and short term funds	33,919	-	-	-	-	-	2,328	-	36,247
Deposits and placements with banks and other financial institutions	-	368	408	163	-	-	12	-	951
Other assets	-	-	-	-	-	-	155,667	-	155,667
Amounts due from subsidiaries	-	-	-	-	-	-	9,785	-	9,785
Tax recoverable	-	-	-	-	-	-	102,314	-	102,314
Deferred tax assets	-	-	-	-	-	-	1,022	-	1,022
Investments in subsidiaries	-	-	-	-	-	-	10,809,016	-	10,809,016
Property, plant and equipment	-	-	-	-	-	-	486	-	486
TOTAL ASSETS	33,919	368	408	163	-	-	11,080,630	-	11,115,488
Other liabilities	-	-	-	-	-	-	61,459	-	61,459
Amounts due to subsidiaries	-	-	-	-	-	-	11,772	-	11,772
Borrowings	275,320	1,238,050	127,350	685,000	746,000	-	34,714	-	3,106,434
TOTAL LIABILITIES	275,320	1,238,050	127,350	685,000	746,000	-	107,945	-	3,179,665
Total equity	-	-	-	-	-	-	7,935,823	-	7,935,823
TOTAL LIABILITIES AND EQUITY	275,320	1,238,050	127,350	685,000	746,000	-	8,043,768	-	11,115,488
On-balance sheet interest sensitivity gap	(241,401)	(1,237,682)	(126,942)	(684,837)	(746,000)				
Off-balance sheet interest sensitivity gap	-	-	-	-	-				
TOTAL INTEREST SENSITIVITY GAP	(241,401)	(1,237,682)	(126,942)	(684,837)	(746,000)				

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Company to meet its contractual or regulatory obligations when they fall due without incurring substantial losses. 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 Company seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

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

Group	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
2013								
ASSETS								
Cash and short term funds	5,541,808	4,456,859	-	-	-	-	-	9,998,667
Securities purchased under resale agreements	184,560	-	-	-	-	-	-	184,560
Deposits and placements with banks and other financial institutions	128,214	23,156	1,613,323	365,833	90,532	552,256	-	2,773,314
Financial assets HFT	323,601	51,982	1,191,599	653,556	-	1,542,083	274,907	4,037,728
Financial investments AFS	97,324	478,756	622,406	298,374	697,730	13,859,101	876,822	16,930,513
Financial investments HTM	500,853	349,648	2,174,531	768,924	1,503,705	17,480,348	-	22,778,009
Loans, advances and financing	4,475,200	5,090,682	5,658,698	4,199,979	5,253,871	94,864,115	-	119,542,545
Clients' and brokers' balances	1,801,508	772,075	-	-	-	-	-	2,573,583
Other assets	90,243	38,619	4,347	100,459	265,144	150,664	532,215	1,181,691
Derivative assets	4,057	13,662	64,972	33,612	21,394	321,336	-	459,033
Statutory deposits	-	-	-	-	-	-	4,171,462	4,171,462
Tax recoverable	-	-	-	-	-	-	148,677	148,677
Deferred tax assets	-	-	-	-	-	-	31,225	31,225
Investments in associates and joint ventures	-	-	-	-	-	-	20,949	20,949
Property, plant and equipment	-	-	-	-	-	-	1,020,481	1,020,481
Goodwill and intangible assets	-	-	-	-	-	-	5,237,470	5,237,470
TOTAL ASSETS	**13,147,368**	**11,275,439**	**11,329,876**	**6,420,737**	**7,832,376**	**128,769,903**	**12,314,208**	**191,089,907**

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (Continued)

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

Group	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
2013								
LIABILITIES								
Deposits from customers	50,930,523	33,842,556	23,303,059	16,684,508	12,510,995	469,600	-	137,741,241
Deposits and placements of banks and other financial institutions	2,153,073	5,181,271	6,838,801	1,171,728	466,550	1,186,932	-	16,998,355
Obligations on securities sold under repurchase agreements	-	401,523	-	165,098	-	-	-	566,621
Obligations on securities borrowed	-	-	-	-	-	31,734	-	31,734
Bills and acceptances payable	488,542	582,555	860,008	145,376	-	-	-	2,076,481
Clients' and brokers' balances	1,621,319	694,491	-	-	-	-	-	2,315,810
Other liabilities	101,452	281,542	228,569	81,164	789,662	162,091	344,468	1,988,948
Derivative liabilities	2,524	28,304	29,842	11,504	26,959	248,930	-	348,063
Recourse obligation on loans sold to Cagamas	-	561	2,782	-	500,000	1,766,010	-	2,269,353
Tax liabilities	-	-	28	-	-	-	29,739	29,767
Deferred tax liabilities	-	-	-	-	-	-	51,814	51,814
Borrowings and senior debt securities	106,204	30,981	735,181	728,517	492,621	2,453,321	-	4,546,825
Subordinated obligations	-	-	-	28,825	9,673	4,542,469	-	4,580,967
Hybrid Tier-1 Capital Securities	-	-	7,542	638	-	593,021	-	601,201
TOTAL LIABILITIES	55,403,637	41,043,784	32,005,812	19,017,358	14,796,460	11,454,108	426,021	174,147,180
Shareholders' funds	-	-	-	-	-	-	16,739,071	16,739,071
Non-controlling interests	-	-	-	-	-	-	203,656	203,656
TOTAL LIABILITIES AND EQUITY	55,403,637	41,043,784	32,005,812	19,017,358	14,796,460	11,454,108	17,368,748	191,089,907

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (Continued)

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

Group	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
2012								
ASSETS								
Cash and short term funds	13,353,095	10,620,925	-	-	-	-	-	23,974,020
Securities purchased under resale agreements	676,858	-	-	-	-	-	-	676,858
Deposits and placements with banks and other financial institutions	40,572	-	2,611,643	276,016	87,534	622,764	-	3,638,529
Financial assets HFT	91,676	26,474	561,285	398,526	49,450	1,474,161	138,078	2,739,650
Financial investments AFS	553,724	543,071	473,661	297,954	170,160	13,050,252	66,109	15,154,931
Financial investments HTM	354,798	1,006,985	603,256	1,104,478	439,913	15,445,106	-	18,954,536
Loans, advances and financing	3,203,468	8,160,013	6,683,912	3,789,483	3,092,358	84,332,273	15,373	109,276,880
Clients' and brokers' balances	2,081,207	905,671	-	-	-	-	-	2,986,878
Other assets	106,025	5,125	8,064	61,812	203,448	220,892	480,799	1,086,165
Derivative assets	10,951	18,680	18,947	14,308	15,181	197,374	-	275,441
Statutory deposits	-	-	-	-	-	-	3,883,445	3,883,445
Tax recoverable	-	-	-	-	-	-	142,912	142,912
Deferred tax assets	-	-	-	-	-	-	15,115	15,115
Investments in associates and joint ventures	-	-	-	-	-	-	36,589	36,589
Property, plant and equipment	-	-	-	-	-	-	1,042,318	1,042,318
Goodwill and intangible assets	-	-	-	-	-	-	5,227,988	5,227,988
TOTAL ASSETS	20,472,374	21,286,944	10,960,768	5,942,577	4,058,044	115,342,822	11,048,726	189,112,255

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (Continued)

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

Group	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
2012								
LIABILITIES								
Deposits from customers	47,742,851	34,853,690	23,827,789	13,625,632	17,259,022	919,302	-	138,228,286
Deposits and placements of banks and other financial institutions	1,146,533	6,115,163	3,207,681	1,504,548	290,253	1,185,951	-	13,450,129
Obligations on securities sold under repurchase agreements	-	-	212,361	27,649	-	-	-	240,010
Obligations on securities borrowed	-	-	-	-	-	119,905	-	119,905
Bills and acceptances payable	532,507	1,136,642	1,546,608	421,129	-	-	-	3,636,886
Clients' and brokers' balances	1,904,622	827,073	-	-	-	-	-	2,731,695
Other liabilities	202,447	218,530	196,648	91,605	653,344	203,576	324,309	1,890,459
Derivative liabilities	5,311	27,711	35,248	40,038	15,858	196,197	-	320,363
Recourse obligation on loans sold to Cagamas	-	559	2,906	-	-	2,441,896	-	2,445,361
Tax liabilities	-	-	23	-	-	-	145,257	145,280
Deferred tax liabilities	-	-	-	-	-	-	67,961	67,961
Borrowings and senior debt securities	112,384	76	39,145	28,108	1,116,649	3,855,570	-	5,151,932
Subordinated obligations	-	3,463	-	73,977	100,000	4,564,996	-	4,742,436
Hybrid Tier-1 Capital Securities	-	-	7,704	624	-	592,744	-	601,072
TOTAL LIABILITIES	51,646,655	43,182,907	29,076,113	15,813,310	19,435,126	14,080,137	537,527	173,771,775
Shareholders' funds	-	-	-	-	-	-	15,117,215	15,117,215
Non-controlling interests	-	-	-	-	-	-	223,265	223,265
TOTAL LIABILITIES AND EQUITY	51,646,655	43,182,907	29,076,113	15,813,310	19,435,126	14,080,137	15,878,007	189,112,255

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (Continued)

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

Company	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
2013								
ASSETS								
Cash and short term funds	16,973	-	-	-	-	-	-	16,973
Deposits and placements with banks and other financial institutions	-	-	380	432	171	-	-	983
Other assets	-	-	-	-	-	-	118,478	118,478
Amounts due from subsidiaries	-	-	-	-	-	-	800	800
Tax recoverable	-	-	-	-	-	-	93,933	93,933
Deferred tax assets	-	-	-	-	-	-	1,181	1,181
Investments in subsidiaries	-	-	-	-	-	-	10,801,052	10,801,052
Property, plant and equipment	-	-	-	-	-	-	326	326
TOTAL ASSETS	16,973	-	380	432	171	-	11,015,770	11,033,726
LIABILITIES								
Other liabilities	-	-	-	-	-	-	6,244	6,244
Amounts due to subsidiaries	-	-	-	-	-	-	8,960	8,960
Borrowings	-	264,689	751,810	1,130,756	439,345	350,000	-	2,936,600
TOTAL LIABILITIES	-	264,689	751,810	1,130,756	439,345	350,000	15,204	2,951,804
Total equity	-	-	-	-	-	-	8,081,922	8,081,922
TOTAL LIABILITIES AND EQUITY	-	264,689	751,810	1,130,756	439,345	350,000	8,097,126	11,033,726

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (Continued)

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

Company	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
2012								
ASSETS								
Cash and short term funds	3,731	32,516	-	-	-	-	-	36,247
Deposits and placements with banks and other financial institutions	-	-	369	416	166	-	-	951
Other assets	-	-	-	-	-	-	155,667	155,667
Amounts due from subsidiaries	-	-	-	-	-	-	9,785	9,785
Tax recoverable	-	-	-	-	-	-	102,314	102,314
Deferred tax assets	-	-	-	-	-	-	1,022	1,022
Investments in subsidiaries	-	-	-	-	-	-	10,809,016	10,809,016
Property, plant and equipment	-	-	-	-	-	-	486	486
TOTAL ASSETS	3,731	32,516	369	416	166	-	11,078,290	11,115,488
LIABILITIES								
Other liabilities	-	-	-	-	-	-	61,459	61,459
Amounts due to subsidiaries	-	-	-	-	-	-	11,772	11,772
Borrowings	-	4,916	7,417	1,410	1,010,700	2,081,991	-	3,106,434
TOTAL LIABILITIES	-	4,916	7,417	1,410	1,010,700	2,081,991	73,231	3,179,665
Total equity	-	-	-	-	-	-	7,935,823	7,935,823
TOTAL LIABILITIES AND EQUITY	-	4,916	7,417	1,410	1,010,700	2,081,991	8,009,054	11,115,488

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (Continued)

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

Group	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2013							
Deposits from customers	84,661,117	40,461,784	12,814,404	457,869	34,852	-	138,430,026
Deposits and placements of banks and other financial institutions	7,533,923	8,054,838	484,123	324,925	717,687	-	17,115,496
Obligations on securities sold under repurchase agreements	401,926	165,903	-	-	-	-	567,829
Obligations on securities borrowed	-	-	-	-	13,838	17,896	31,734
Bills and acceptances payable	1,071,098	1,005,383	-	-	-	-	2,076,481
Clients' and brokers' balances	2,314,971	-	-	-	-	-	2,314,971
Other financial liabilities	403,170	249,744	391,289	278,029	25,392	73,318	1,420,942
Derivative liabilities:							
- Gross settled derivatives:							
- Inflow	(1,783,686)	(1,423,592)	(912,465)	(1,533,604)	(3,074,719)	-	(8,728,066)
- Outflow	1,818,237	1,423,548	884,056	1,384,541	3,172,506	-	8,682,888
- Net settled derivatives	6,237	10,363	24,722	18,414	(8,996)	1,624	52,364
Recourse obligation on loans sold to Cagamas	25,391	113,252	640,015	912,728	791,472	-	2,482,858
Borrowings and senior debt securities	137,350	1,511,885	616,055	641,159	1,849,785	70,205	4,826,439
Subordinated obligations	-	110,349	110,407	1,399,825	3,534,497	342,000	5,497,078
Hybrid Tier-1 Capital Securities	-	22,394	22,394	89,575	89,575	669,775	893,713
TOTAL LIABILITIES	**96,589,734**	**51,705,851**	**15,075,000**	**3,973,461**	**7,145,889**	**1,174,818**	**175,664,753**

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (Continued)

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

Group	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
2012							
Deposits from customers	82,723,859	37,776,013	17,671,672	904,081	50,652	-	139,126,277
Deposits and placements of banks and other financial institutions	7,433,927	4,744,946	296,379	416,864	720,621	-	13,612,737
Obligations on securities sold under repurchase agreements	-	240,339	-	-	-	-	240,339
Obligations on securities borrowed	-	-	-	-	65,810	54,095	119,905
Bills and acceptances payable	1,669,150	1,967,736	-	-	-	-	3,636,886
Clients' and brokers' balances	2,731,695	-	-	-	-	-	2,731,695
Other financial liabilities	420,703	250,389	296,326	279,200	43,352	96,531	1,386,501
Derivative liabilities:							
- Gross settled derivatives:							
- Inflow	(1,054,644)	(2,423,013)	(701,428)	(762,460)	(586,217)	-	(5,527,762)
- Outflow	1,074,384	2,485,553	715,993	755,453	577,113	-	5,608,496
- Net settled derivatives	20,166	18,895	20,033	59,162	(8,547)	(1,691)	108,018
Recourse obligation on loans sold to Cagamas	24,522	111,225	137,215	1,036,234	1,443,031	-	2,752,227
Borrowings and senior debt securities	112,647	379,003	937,587	2,251,153	1,778,769	135,479	5,594,638
Subordinated obligations	3,740	156,601	214,118	1,316,788	3,647,855	342,000	5,681,102
Hybrid Tier-1 Capital Securities	-	22,394	22,394	89,575	89,575	669,775	893,713
TOTAL LIABILITIES	95,160,149	45,730,081	19,610,289	6,346,050	7,822,014	1,296,189	175,964,772

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (Continued)

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

Company	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	Total RM'000
2013					
Other liabilities	**6,244**	**-**	**-**	**-**	**6,244**
Amounts due to subsidiaries	**8,960**	**-**	**-**	**-**	**8,960**
Borrowings	**265,531**	**1,902,866**	**471,996**	**366,867**	**3,007,260**
TOTAL LIABILITIES	**280,735**	**1,902,866**	**471,996**	**366,867**	**3,022,464**
2012					
Other liabilities	61,459	-	-	-	61,459
Amounts due to subsidiaries	11,772	-	-	-	11,772
Borrowings	5,748	301,986	809,896	2,210,683	3,328,313
TOTAL LIABILITIES	78,979	301,986	809,896	2,210,683	3,401,544

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
2013			
Direct credit substitutes	**1,848,484**	**1,889,912**	**3,738,396**
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	**343,648**	**-**	**343,648**
Irrevocable commitments to extend credit	**12,531,458**	**30,827,639**	**43,359,097**
TOTAL COMMITMENTS AND CONTINGENCIES	**16,436,662**	**35,607,663**	**52,044,325**
2012			
Direct credit substitutes	414,164	1,767,472	2,181,636
Transaction-related contingent items	301,795	2,195,071	2,496,866
Short term self-liquidating trade-related contingencies	698,696	311,155	1,009,851
Obligations under underwriting agreements	151,971	-	151,971
Irrevocable commitments to extend credit	12,036,947	24,718,743	36,755,690
TOTAL COMMITMENTS AND CONTINGENCIES	13,603,573	28,992,441	42,596,014

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk

(i) Maximum exposure to credit risk

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

	Group	
	2013 RM'000	**2012 RM'000**
Credit risk exposure relating to on-balance sheet assets:		
Short term funds (exclude cash in hand)	**9,372,857**	23,032,175
Securities purchased under resale agreements	**184,560**	676,858
Deposits and placements with banks and other financial institutions	**2,773,314**	3,638,529
Financial assets and investments (exclude shares, unit trust and perpetual notes/Sukuk):		
- HFT	**3,762,821**	2,520,365
- AFS	**16,053,691**	14,374,708
- HTM	**22,778,009**	18,954,536
Loans, advances and financing	**119,542,545**	109,276,880
Clients' and brokers' balances	**2,573,583**	2,986,878
Other financial assets	**1,063,314**	829,981
Derivative assets	**459,033**	275,441
	178,563,727	176,566,351
Credit risk exposure relating to off-balance sheet items:		
- Commitments and contingencies	**52,044,325**	42,596,014
Total maximum credit risk exposure	**230,608,052**	219,162,365

	Company	
	2013 RM'000	**2012 RM'000**
Credit risk exposure relating to:		
Short term funds (exclude cash in hand)	**16,973**	36,247
Deposits and placements with banks and other financial institutions	**983**	951
Amounts due from subsidiaries	**800**	9,785
Other financial assets	**114,854**	147,538
Total maximum credit risk exposure	**133,610**	194,521

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (Continued)

(ii) Collaterals

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

(a) Fixed deposits, Mudharabah General Investment Account, negotiable instruments of deposits, foreign currency 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 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 to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing and clients' and brokers' balances are 72.4% (2012: 57.8%) and 97.3% (2012: 98.9%) respectively. The financial effect of collateral held for the remaining on-balance sheet assets are insignificant.

(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.

Internal ratings	Description
Investment Grade	Strong(est) credit quality associated with general standards of investment grade as defined by international rating agencies such as Standard and Poor's ("S&P"), Moody's Investors Service ("Moody's"), Fitch Ratings ("Fitch"), and Rating Agency Malaysia ("RAM").
Lower Investment Grade	Lower credit quality associated with general standards of investments grade as defined by international rating agencies such as S&P, Moody's, Fitch, and RAM.
Non-investment Grade	Weaker credit quality associated with general standards of non-investment grade as defined by international rating agencies such as S&P, Moody's, Fitch, and RAM.

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

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

(a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

	Group	
	2013 RM'000	**2012 RM'000**
Neither past due nor impaired	**112,283,828**	101,914,297
Past due but not impaired	**6,015,742**	6,228,387
Individually impaired	**3,426,629**	3,337,637
Gross loans, advances and financing (inclusive of fair value changes arising from fair value hedges)	**121,726,199**	
Less: Individual impairment allowance	**(903,388)**	(801,495)
Collective impairment allowance	**(1,280,266)**	(1,401,946)
Net loans, advances and financing	**119,542,545**	109,276,880

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (Continued)

(iii) Credit quality (Continued)

(a) Loans, advances and financing (Continued)

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

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

	Group	
	2013 RM'000	2012 RM'000
Investment grade	**67,941,875**	64,376,122
Lower investment grade	**6,379,114**	6,232,534
Non-investment grade	**1,247,188**	1,471,088
Non-rated	**36,715,651**	29,834,553
Neither past due nor impaired	**112,283,828**	101,914,297

Loans, advances and financing classified as non-rated comprise loans/financing under the Standardised Approach for credit risk including financing for Amanah Saham Bumiputera ("ASB") units, Islamic housing financing, Islamic hire purchase and share margin financing.

(ii) Loans, advances and financing past due but not impaired

Analysis of ageing of loans, advances and financing that are past due but not impaired is as follows:

	Group	
	2013 RM'000	2012 RM'000
Past due up to 30 days	**2,061,945**	2,133,755
Past due 31 to 60 days	**2,734,381**	2,791,493
Past due 61 to 90 days	**1,219,416**	1,303,139
Past due but not impaired	**6,015,742**	6,228,387

(iii) Impaired loans, advances and financing

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

	Group	
	2013 RM'000	2012 RM'000
Individually impaired loans	**3,426,629**	3,337,637

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (Continued)

(iii) Credit quality (Continued)

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

Group	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
2013								
Neither past due nor impaired	**12,146,171**	**184,560**	**3,731,371**	**15,917,394**	**22,764,842**	**2,441,569**	**1,063,314**	**459,033**
Past due but not impaired	**-**	**-**	**-**	**-**	**-**	**127,749**	**-**	**-**
Impaired	**-**	**-**	**40,000**	**601,838**	**287,684**	**46,755**	**12,037**	**-**
	12,146,171	**184,560**	**3,771,371**	**16,519,232**	**23,052,526**	**2,616,073**	**1,075,351**	**459,033**
Less: Impairment losses	**-**	**-**	**(8,550)**	**(465,541)**	**(274,517)**	**(42,490)**	**(12,037)**	**-**
	12,146,171	**184,560**	**3,762,821**	**16,053,691**	**22,778,009**	**2,573,583**	**1,063,314**	**459,033**
2012								
Neither past due nor impaired	26,670,704	676,858	2,518,520	14,200,549	18,901,581	2,841,428	829,981	275,441
Past due but not impaired	-	-	-	-	-	140,212	-	-
Impaired	-	-	1,845	730,446	358,428	22,915	8,988	-
	26,670,704	676,858	2,520,365	14,930,995	19,260,009	3,004,555	838,969	275,441
Less: Impairment losses	-	-	-	(556,287)	(305,473)	(17,677)	(8,988)	-
	26,670,704	676,858	2,520,365	14,374,708	18,954,536	2,986,878	829,981	275,441

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (Continued)

(iii) Credit quality (Continued)

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

Company	Short term funds and deposits and placements with banks and other financial institutions RM'000	Amounts due from subsidiaries RM'000	Other financial assets RM'000
2013			
Neither past due nor impaired	**17,956**	**800**	**114,854**
2012			
Neither past due nor impaired	37,198	9,785	147,538

48 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 definition are as follows:

Group	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
2013								
AAA to AA3	1,377,697	184,560	951,453	6,806,288	5,357,124	-	-	175,340
A1 to A3	773,090	-	50,757	1,728,279	343,418	-	-	92,636
Baa1 to Baa3	466,161	-	40,073	781,116	312,840	-	-	1,967
P1 to P3	5,053,936	-	19,897	-	-	-	-	44,907
Non-rated	4,475,287	-	2,669,191	6,601,711	16,751,460	2,441,569	1,063,314	144,183
including:								
- Bank Negara Malaysia	3,535,745	-	1,151,172	-	-	-	-	-
- Malaysian Government Securities	-	-	498,989	1,051,413	2,639,090	-	-	-
- Malaysian Government Investment Issues	-	-	266,950	2,078,025	6,833,778	-	-	-
- Private debt securities	-	-	553,394	2,207,319	4,229,710	-	-	-
- Bankers' acceptances and Islamic accepted notes	-	-	-	378,121	33,634	-	-	-
- Khazanah bonds	-	-	-	63,654	79,176	-	-	-
- Negotiable instruments of deposits	-	-	198,686	503,046	2,449,025	-	-	-
- Others	939,542	-	-	320,133	487,047	2,441,569	1,063,314	144,183
	12,146,171	184,560	3,731,371	15,917,394	22,764,842	2,441,569	1,063,314	459,033

48 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 definition 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 HFT RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
2012								
AAA to AA3	1,175,167	676,858	1,140,667	4,917,396	3,918,469	-	-	106,988
A1 to A3	269,342	-	97,167	1,527,399	361,633	-	-	44,801
Baa1 to Baa3	520,483	-	11,528	338,944	282,436	-	-	33,243
P1 to P3	6,461,117	-	39,877	-	-	-	-	19,816
Non-rated	18,244,595	-	1,229,281	7,416,810	14,339,043	2,841,428	829,981	70,593
including:								
- Bank Negara Malaysia	17,006,110	-	598,073	205,859	-	-	-	1,738
- Malaysian Government Securities	-	-	323,779	806,960	2,463,239	-	-	-
- Malaysian Government Investment Issues	1,813	-	182,081	2,745,906	6,038,528	-	-	-
- Malaysian Government Treasury Bill	-	-	52,869	-	-	-	-	-
- Private debt securities	-	-	72,479	2,684,021	2,964,851	-	-	-
- Bankers' acceptances and Islamic accepted notes	-	-	-	412,555	389,176	-	-	-
- Khazanah bonds	-	-	-	49,116	66,290	-	-	-
- Negotiable instruments of deposits	-	-	-	409,161	2,126,329	-	-	-
- Others	1,236,672	-	-	103,232	290,630	2,841,428	829,981	68,855
	26,670,704	676,858	2,518,520	14,200,549	18,901,581	2,841,428	829,981	275,441

48 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 definition are as follows: (Continued)

Company	Short term funds and deposits and placements with banks and other financial institutions RM'000	Amounts due from subsidiaries RM'000	Other financial assets RM'000
2013			
A1-A3	**983**	**550**	**-**
P1	**16,973**	**-**	**-**
Non-rated	**-**	**250**	**114,854**
	17,956	**800**	**114,854**
2012			
AAA-AA3	-	99	-
A1-A3	951	502	-
P1	36,247	-	-
Non-rated	-	9,184	147,538
	37,198	9,785	147,538

(iv) Repossessed properties

The carrying amount of assets held by the Group as a result of taking possession of collaterals held as securities is as follows:

	Group	
	2013 RM'000	2012 RM'000
Residential properties	**-**	2,167

Repossessed properties are made available for sale in an orderly manner, with the proceeds used to reduce or repay the outstanding indebtedness. The Group generally does not occupy the premises repossessed for its business use.

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (Continued)

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

Group	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT~ RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans, advances and financing# RM'000	Clients' and brokers' balances^ RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
2013										
Agriculture, hunting, forestry and fishing	-	-	10,136	1,394,516	282,893	4,361,880	-	81,224	1,426,590	7,557,239
Mining and quarrying	-	-	-	24,092	-	623,822	-	-	1,219,089	1,867,003
Manufacturing	-	-	39,822	162,761	68,826	8,704,843	-	1,090	8,705,375	17,682,717
Electricity, gas and water	-	-	10,031	1,079,898	1,155,272	2,805,843	-	9,668	693,414	5,754,126
Construction	-	-	193,951	440,803	848,204	4,496,159	-	-	5,666,065	11,645,182
Real estate	-	-	-	242,660	241,110	2,718,855	-	-	962,265	4,164,890
Purchase of landed property	-	-	-	-	-	5,798,104	-	-	10,772,856	16,570,960
General commerce	-	-	6,345	84,420	405,650	7,951,384	-	-	5,731,075	14,178,874
Transport, storage and communication	-	-	184,149	810,140	615,920	5,045,650	-	1,000	1,719,522	8,376,381
Finance, insurance and business services	8,017,521	-	1,710,497	6,639,566	4,772,557	12,325,793	-	167,041	4,244,448	37,877,423
Government and government agencies	4,128,650	184,560	1,570,832	4,781,864	14,007,888	8,283,937	-	-	-	32,957,731
Purchase of securities	-	-	-	-	-	1,099,764	2,577,758	-	3,398,151	7,075,673
Purchase of transport vehicles	-	-	-	-	-	44	-	-	742,059	742,103
Consumption credit	-	-	-	-	-	1,993,864	-	-	4,721,158	6,715,022
Others	-	-	37,058	392,971	379,689	54,612,869	-	1,262,324	2,042,258	58,727,169
	12,146,171	184,560	3,762,821	16,053,691	22,778,009	120,822,811	2,577,758	1,522,347	52,044,325	231,892,493

~ Excludes equity instrument amounting to RM274,907,000.
@ Excludes equity instrument amounting to RM876,822,000.
# Excludes collective impairment allowance amounting to RM1,280,266,000.
^ Excludes collective impairment allowance of RM4,175,000.
* Other financial assets include other assets amounting to RM1,063,314,000 and derivative assets amounting to RM459,033,000.

48 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 HFT~ RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans, advances and financing# RM'000	Clients' and brokers' balances^ RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
2012										
Agriculture, hunting, forestry and fishing	-	-	50,327	985,411	-	4,279,975	-	50,475	1,003,478	6,369,666
Mining and quarrying	-	-	-	15,326	-	728,740	-	-	871,422	1,615,488
Manufacturing	-	-	41,722	276,998	37,796	9,359,174	-	5,562	9,027,147	18,748,399
Electricity, gas and water	-	-	-	693,569	873,860	2,575,350	-	8,828	655,396	4,807,003
Construction	-	-	70,743	343,752	53,428	4,310,477	-	-	5,267,114	10,045,514
Real estate	-	-	5,094	306,205	227,637	2,346,287	-	-	1,089,154	3,974,377
Purchase of landed property	-	-	-	-	-	26,786,528	-	-	4,563,722	31,350,250
General commerce	-	-	10,112	25,764	410,818	7,412,681	-	-	4,886,444	12,745,819
Transport, storage and communication	-	-	111,161	694,130	387,943	4,736,132	-	934	905,523	6,835,823
Finance, insurance and business services	9,664,591	676,858	569,173	5,964,980	4,171,252	10,189,192	-	329,020	3,480,688	35,045,754
Government and government agencies	17,006,113	-	1,662,033	5,063,000	12,734,208	11,860,305	-	1,738	152,900	48,480,297
Purchase of securities	-	-	-	-	57,594	9,890,229	2,992,966	-	1,745,307	14,686,096
Purchase of transport vehicles	-	-	-	-	-	6,697,235	-	-	627,340	7,324,575
Consumption credit	-	-	-	-	-	2,209,361	-	-	4,506,527	6,715,888
Others	-	-	-	5,573	-	7,297,160	-	708,865	3,813,852	11,825,450
	26,670,704	676,858	2,520,365	14,374,708	18,954,536	110,678,826	2,992,966	1,105,422	42,596,014	220,570,399

~ Excludes equity instrument amounting to RM219,285,000.
@ Excludes equity instrument amounting to RM780,223,000.
# Excludes collective impairment allowance amounting to RM1,401,946,000.
^ Excludes collective impairment allowance of RM6,088,000.
* Other financial assets include other assets amounting to RM829,981,000 and derivative assets amounting to RM275,441,000.

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (Continued)

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

Company	Short term funds and deposits and placements with banks and other financial institutions RM'000	Amounts due from subsidiaries RM'000	Other financial assets RM'000	Total RM'000
2013				
Finance, insurance and business services	**17,956**	**-**	**-**	**17,956**
Others	**-**	**800**	**114,854**	**115,654**
	17,956	**800**	**114,854**	**133,610**
2012				
Finance, insurance and business services	37,198	-	-	37,198
Others	-	9,785	147,538	157,323
	37,198	9,785	147,538	194,521

(f) Fair Value of Financial Instruments

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

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

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

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair Value of Financial Instruments (Continued)

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2013				
Recurring fair value measurements				
Financial assets				
Financial assets HFT:	**277,614**	**3,726,819**	**33,295**	**4,037,728**
- Money market instruments	**-**	**2,588,607**	**-**	**2,588,607**
- Quoted securities	**277,614**	**-**	**-**	**277,614**
- Unquoted securities	**-**	**1,138,212**	**33,295**	**1,171,507**
Financial investments AFS:	**24,102**	**15,844,395**	**1,062,016**	**16,930,513**
- Money market instruments	**-**	**5,295,007**	**-**	**5,295,007**
- Quoted securities	**24,102**	**-**	**-**	**24,102**
- Unquoted securities	**-**	**10,549,388**	**1,062,016**	**11,611,404**
Derivative assets:				
- Money market instruments	**-**	**459,033**	**-**	**459,033**
	301,716	**20,030,247**	**1,095,311**	**21,427,274**
Financial liabilities				
Derivative liabilities:				
- Money market instruments	**16,462**	**331,601**	**-**	**348,063**
2012				
Financial assets				
Financial assets HFT:	219,285	2,520,365	-	2,739,650
- Money market instruments	-	1,662,004	-	1,662,004
- Quoted securities	219,285	-	-	219,285
- Unquoted securities	-	858,361	-	858,361
Financial investments AFS:	45,116	14,480,198	629,617	15,154,931
- Money market instruments	-	5,517,443	-	5,517,443
- Quoted securities	45,116	-	-	45,116
- Unquoted securities	-	8,962,755	629,617	9,592,372
Derivative assets:				
- Money market instruments	-	275,441	-	275,441
	264,401	17,276,004	629,617	18,170,022
Financial liabilities				
Derivative liabilities:				
- Money market instruments	14,352	306,011	-	320,363

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

48 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair Value of Financial Instruments (Continued)

(i) Qualitative disclosures of valuation techniques

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

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that use market parameters including but not limited to yield curves, volatilities and foreign exchange rates as inputs. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio-economic reasons and unquoted corporate loan stocks. Fair values for shares held for socio-economic reasons are based on the net tangible assets of the affected companies. For unquoted corporate loan stocks, discounted cash flow analysis have been performed to determine the recoverability of the instrument.

(ii) Reconciliation of fair value measurements in Level 3

The following represents the changes in Level 3 instruments for the Group:

	Financial assets HFT		Financial investments AFS	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Balance as at the beginning of the financial year	-	-	629,617	555,594
Amount arising from acquisition of a subsidiary	-	-	-	38,363
Total gains or losses recognised under other comprehensive income	(8,550)	-	123,256	(32,091)
Purchases	-	-	348,925	68,946
Settlements	-	-	(60,329)	(49,039)
Disposals	-	-	-	(23,057)
Impairment losses made	-	-	(14,692)	(6,783)
Transferred from Level 2	41,845	-	30,297	77,754
Exchange differences	-	-	4,942	(70)
Balance as at the end of the financial year	33,295	-	1,062,016	629,617

49 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(a) The fair value of each financial assets and liabilities presented on the statement of financial position of the Group and the Company approximates the carrying amount as at the reporting date, except for the following:

	Group		Company	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
2013				
Financial assets				
Financial investments HTM	**22,778,009**	**22,614,286**	**-**	**-**
Loans, advances and financing	**119,542,545**	**119,995,697**	**-**	**-**
Financial liabilities				
Deposits from customers	**137,741,241**	**137,762,095**	**-**	**-**
Deposits and placements of banks and other financial institutions	**16,998,355**	**16,980,080**	**-**	**-**
Recourse obligation on loans sold to Cagamas	**2,269,353**	**2,231,757**	**-**	**-**
Borrowings and senior debt securities	**4,546,825**	**3,984,322**	**2,936,600**	**2,926,468**
Subordinated obligations	**4,580,967**	**4,622,768**	**-**	**-**
Hybrid Tier-1 Capital Securities	**601,201**	**679,740**	**-**	**-**
2012				
Financial assets				
Financial investments HTM	18,954,536	19,124,511	-	-
Loans, advances and financing	109,276,880	110,233,140	-	-
Financial liabilities				
Deposits from customers	138,228,286	138,352,720	-	-
Deposits and placements of banks and other financial institutions	13,450,129	13,441,741	-	-
Recourse obligation on loans sold to Cagamas	2,445,361	2,410,223	-	-
Borrowings and senior debt securities	5,151,932	5,152,954	3,106,434	3,069,019
Subordinated obligations	4,742,436	4,826,379	-	-
Hybrid Tier-1 Capital Securities	601,072	703,391	-	-

49 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) The following table analyses within the fair value hierarchy of the Group's and Company's assets and liabilities not measured at fair value at 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
2013				
Financial assets				
Financial investments HTM	-	21,527,817	1,086,469	22,614,286
Loans, advances and financing	-	119,995,697	-	119,995,697
Financial liabilities				
Deposits from customers	-	137,762,095	-	137,762,095
Deposits and placements of banks and other financial institutions	-	16,980,080	-	16,980,080
Recourse obligation on loans sold to Cagamas	-	2,231,757	-	2,231,757
Borrowings and senior debt securities	-	3,984,322	-	3,984,322
Subordinated obligations	-	4,622,768	-	4,622,768
Hybrid Tier-1 Capital Securities	-	679,740	-	679,740

Company	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2013				
Financial liabilities				
Borrowings	-	2,926,468	-	2,926,468

49 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) Assets and liabilities measured at fair value on a non-recurring basis

Certain assets and liabilities are measured at fair value on an non-recurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances, in relation to the acquisition of OSK Investment Bank, as described in Note 51(b). The fair value adjustments are determined based on the purchase price allocation and fair value exercise performed.

The resulting assets and liabilities are amortised over its expected remaining maturity. The carrying values will be reviewed periodically for indications of impairment in value. Adjustments to reflect impairment in value are recognised in earnings during the period in which the determination of impairment is made.

Non-recurring fair value adjustments are as follows:

	2013 RM'000	2012 RM'000
Assets		
Financial investment HTM	**6,729**	9,500
Liabilities		
Deposits from customers	**-**	4,061
Subordinated obligations	**9,673**	23,215

(d) 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 HFT, financial investments HTM and AFS

The estimated fair value for financial assets HFT, financial investments HTM and AFS is based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been assessed by reference to market indicative interest yields or net tangible asset backing of the investee. Where discounted cash flow technique is used, the estimated future cash flows are discounted using the prevailing market rates for a similar instrument at the 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.

49 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(d) The fair values are based on the following methodologies and assumptions: (Continued)

(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, obligations on securities sold under repurchase agreements ("repos"), obligations on securities borrowed and bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, repos, obligations on securities borrowed and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities of six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturities.

(viii) Recourse obligation on loans sold to Cagamas

For amounts due to Cagamas with maturities of less than one year, the carrying amounts are reasonable estimate of their fair values. For amounts due to Cagamas with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

(ix) Borrowings and senior debt securities

For floating rate borrowings, the carrying value is generally a reasonable estimate of fair value.

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

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.

(x) Subordinated obligations

The estimated fair value of subordinated obligations is generally based on quoted and observable market prices at the date of statements of financial position.

(xi) Hybrid Tier-1 Capital Securities

The estimated fair value of Hybrid Tier-1 Capital Securities is generally based on quoted and observable market prices at the date of statements of financial position.

(xii) 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.

(xiii) Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interests rate related contracts are the estimated amounts the Group would receive or pay to terminate the contracts at the date of statements of financial position.

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Proposed acquisition of PT Bank Mestika Dharma

On 19 October 2009, RHB Investment Bank had, on behalf of the Company, announced that the Company will undertake the following proposals subject to relevant regulatory authorities' approval:

(i) proposed acquisition of 80% of the issued and paid up share capital in Bank Mestika for a total cash consideration of Indonesian Rupiah ("Rp") 3,118,300 million (or equivalent to approximately RM1,163 million) ("Proposed Acquisition");

(ii) proposed put and call option for 9% of the issued and paid-up share capital in Bank Mestika ("Proposed Options");

(iii) proposed renounceable rights issue of new ordinary shares of RM1.00 each in RHB Capital ("Shares") to raise gross proceeds of approximately RM1.3 billion ("Proposed Rights Issue"); and

(iv) proposed increase in the authorised share capital of the Company from RM2,500,000,000 comprising 2,500,000,000 RHB Capital shares to RM5,000,000,000 comprising 5,000,000,000 RHB Capital shares ("Proposed Increase In Authorised Share Capital").

In the same announcement, the Company also announced that RHB Venture Capital Sdn Bhd ("RHBVC"), a wholly-owned subsidiary of the Company, had been identified as the entity to hold the investment in Bank Mestika on behalf of the Company pursuant to the Proposed Acquisition and Proposed Options. Accordingly, on 23 October 2009, the Company had assigned all of its rights, title, interest, benefit and entitlement and novated all of its obligations and liabilities as follows to RHBVC:

(i) the conditional sale and purchase agreement dated 19 October 2009 with PT Mestika Benua Mas ("Vendor") ("CSPA") in relation to the Proposed Acquisition;

(ii) the escrow agreement dated 19 October 2009 with the Vendor and The Hongkong and Shanghai Banking Corporation Limited (Jakarta Office), acting as the escrow agent, to facilitate the deposit of an amount equal to 10% of the purchase consideration for the Proposed Acquisition by the Company; and

(iii) the agreement dated 19 October 2009 with the Vendor in relation to the Proposed Options.

BNM had, on 4 January 2010, granted its approval for the Company to acquire up to 89% of the issued and paid-up capital of Bank Mestika, subject to the following conditions:

(i) the Company is to obtain written confirmation from its auditors on the compliance with Financial Reporting Standards in arriving at the impairment methodology adopted and in respect of any change in equity interest in Bank Mestika; and

(ii) the sources of funding and funding cost for the additional capital required by Bank Mestika post-acquisition should not exert pressure on the Company and its subsidiaries' capital and financial soundness.

Subsequently, on 9 April 2010, RHB Investment Bank, on behalf of the Company, had announced on the proposed revision to the utilisation of proceeds arising from the Proposed Rights Issue to, among others, repay the borrowings to finance the Proposed Acquisition in view of the Proposed Acquisition is likely to be completed prior to the completion of the Proposed Rights Issue.

As announced on 22 April 2010, Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 20 April 2010, approved the listing and quotation of new ordinary shares of RM1.00 each in the Company, up to the gross proceeds of approximately RM1.3 billion, to be issued pursuant to the Proposed Rights Issue subject to the condition as stated therein. Bursa Securities had further, on 9 May 2011, granted the Company an extension of time until 19 October 2011 to complete the implementation of the Proposed Rights Issue. Bursa Securities had on 21 October 2011, granted the Company a further extension of time of six (6) months from 20 October 2011 until 19 April 2012 to complete the implementation of the Proposed Rights Issue. As at 19 April 2012, the necessary regulatory approvals for the Proposed Acquisition are still pending and hence, given that the Proposed Rights Issue is conditional upon the Proposed Acquisition, the Company has not been able to implement the Proposed Rights Issue. Bursa Securities' approval for the extension of time of up to 19 April 2012 to complete the implementation of the Proposed Rights Issue thus lapsed on the same day. The Company will, amongst others, resubmit an application to Bursa Securities for the implementation of the Proposed Rights Issue upon obtaining the necessary regulatory approvals for the Proposed Acquisition.

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(a) Proposed acquisition of PT Bank Mestika Dharma (Continued)

The shareholders of the Company had also, at the Extraordinary General Meeting of the Company held on 19 May 2010, approved the Proposed Rights Issue and the Proposed Increase In Authorised Share Capital.

RHBVC had further, on 17 December 2010, assigned and novated the same to RHB Bank, which becomes the new acquirer for the Proposed Acquisition.

As announced on 19 April 2011, RHB Bank and the Vendor had, subsequently on 18 April 2011, by way of an exchange of letter, mutually agreed to further extend the period to satisfy or waive the condition precedent based on the terms of the CSPA to 31 December 2011. The extension of the CSPA is conditional upon, inter-alia, permission and approval from RHB Bank for Bank Mestika to distribute dividend to the Vendor no later than 19 May 2011, pending which, the CSPA will only be extended until 19 May 2011 ("Initial Extension Period"). In the event the Initial Extension Period lapses, the CSPA will be deemed automatically terminated.

RHB Bank has subsequently agreed to give its permission and approval for Bank Mestika to distribute dividend out of the retained earnings accumulated subsequent to the financial year ended 31 December 2008 to the Vendor and the dividend distribution will not have any impact on the purchase consideration for the Proposed Acquisition or the price-to-book ratio represented by the purchase consideration for the Proposed Acquisition.

On 21 December 2011, RHB Investment Bank, on behalf of the Company, announced that RHB Bank and the Vendor had on 16 December 2011, by way of exchange of letters, mutually agreed to further extend the period to satisfy or waive the conditions precedent of the CSPA for the Proposed Acquisition to 29 February 2012. On 24 February 2012, RHB Bank and the Vendor had mutually agreed to further extend such period to 30 June 2012. Both parties had subsequently, on 29 June 2012, mutually agreed to further extend such period to 30 November 2012. On 30 November 2012, both parties had mutually agreed to further extend such period to 31 January 2013.

On 31 January 2013, RHB Investment Bank had, on behalf of the Company, announced that RHB Bank had, on 30 January 2013, entered into an amended agreement to the CSPA ("Amended CSPA") with the Vendor to revise the proposed acquisition from up to 89% of the issued and paid-up share capital in Bank Mestika to 40%, for a total cash consideration of Rp2,066,437,000,000 (equivalent to approximately RM651,134,299 based on an assumed exchange rate of Rp100,000: RM31.51 as at 23 January 2013) ("Proposed 40% Acquisition"). Pursuant to the Amended CSPA, the conditional period for the completion of the Amended CSPA was amended to 30 June 2013, or such other date as may be agreed in writing by RHB Bank and the Vendor.

Simultaneously, RHB Bank had on even date, entered into an option termination agreement with the Vendor to terminate the Proposed Options.

On 26 June 2013, RHB Investment Bank, on behalf of the Company, announced that RHB Bank and the Vendor had an even date, by way of an exchange of letters, mutually agreed to extend the period to satisfy or waive the conditions precedent of the Amended CSPA to 30 September 2013. Furtherance thereto, on 27 September 2013, RHB Bank and the Vendor had mutually agreed to extend such period to 31 December 2013. Both parties had subsequently on 19 December 2013, mutually agreed to further extend such period to 30 June 2014.

None of the Directors, major shareholders and/or persons connected with them have any interest, direct or indirect, in the Proposed 40% Acquisition.

The Proposed 40% Acquisition and Proposed Rights Issue did not have any material effect on the earnings of the Group for the financial year ended 31 December 2013. The Proposed 40% Acquisition is expected to contribute positively to the future revenue and earnings of the Group.

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(b) Acquisition of additional equity stake in RHBHK

On 8 April 2013, OSK Investment Bank acquired the remaining 6.5% of the issued share capital of RHBHK not yet held by RHB Investment Bank for a purchase consideration of HKD9.75 million (equivalent to RM3.85 million). RHBHK has now become a wholly owned subsidiary of RHB Investment Bank. The carrying amount of the non-controlling interests in RHBHK on the acquisition date was RM3.12 million. Such interest was subsequently transferred to RHB Investment Bank on 13 April 2014, pursuant to a vesting order exercise.

For the acquisition of additional shares from non-controlling interests, the difference between purchase consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired of RM0.73 million is deducted from equity.

(c) Completion of vesting order exercise of OSK Investment Bank and its related subsidiaries

The following transfer of the entire business, including all assets and liabilities, have been completed:

(i) Completed on 13 April 2013:

- OSK Investment Bank to RHB Investment Bank;
- OSK Nominees (Tempatan) Sdn Bhd to RHB Nominees (Tempatan) Sdn Bhd;
- OSK Nominees (Asing) Sdn Bhd to RHB Nominees (Asing) Sdn Bhd; and
- OSK Research Sdn Bhd to RHB Research Institute Sdn Bhd.

(ii) Completed on 1 December 2013:

- RHB Islamic Asset Management Sdn Bhd to RHBIIAM
- OIM to RHBAM

(iii) Completed on 30 December 2013:

- OSKL to RHB Bank (L) Ltd

The above vesting order exercise of OSK Investment Bank and its related subsidiaries has no impact on the financial results of the Group and the Company.

(d) Acquisition of the remaining 30% equity interest in OIM and RHBIIAM, a subsidiary of OIM; and disposal of 30% equity interest in UOAM

On 3 July 2013, the following sale and purchase agreements ("SPA") have been entered into between:

(i) RHB Investment Bank and United Overseas Bank (Malaysia) Bhd ("UOBM") for the sale of all the shares owned by UOBM in OIM, a subsidiary of RHB Investment Bank, comprising 3 million ordinary shares, representing 30% of the issued share capital of OIM, to RHB Investment Bank at the consideration of RM43.1 million;

(ii) OIM and UOB Asset Management Limited ("UOBAM") for the sale of all the shares owned by UOBAM in RHBIIAM, a subsidiary of OIM, comprising 3.9 million ordinary shares, representing 30% of the issued share capital of RHBIIAM, to OIM at the consideration of RM3.0 million; and

(iii) RHB Investment Bank and UOBAM for the acquisition by UOBAM of all the shares owned by RHB Investment Bank in UOAM, comprising 1.2 million ordinary shares, representing 30% of the issued share capital of UOAM, at the consideration of RM26.2 million.

Upon the approval received from Malaysia and Singapore, the above transactions were completed on 22 October 2013, and satisfied wholly in cash.

Refer to Note 51(a) for the effects of the above transactions on the financial statements of the Group.

(e) Redemption of 5.50% RM45 million Tier II subordinated notes 2008/2018

On 22 April 2013, RHB Investment Bank had fully redeemed its existing 5.50% RM45 million in nominal value Tier II subordinated notes 2008/2018, which was issued on 21 April 2008.

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(f) Redemption of 7.50% RM100 million Tier II subordinated notes 2008/2018

On 15 July 2013, RHB Investment Bank had fully redeemed its existing 7.50% RM100 million in nominal value subordinated notes which was issued on 14 July 2008.

(g) Establishment of RHB Bank (Lao) Limited

On 14 November 2013, the Company announced that RHB Bank had obtained temporary approval from the Governor of the Bank of Lao People's Democratic Republic ("Lao PDR") on 29 October 2013 for the establishment of RHB Bank (Lao) Limited ("RHB Bank Lao"). The incorporation of RHB Bank (Lao) shall commence in due course to fulfill its performance obligations (including the applications to the relevant regulators in Lao PDR) within 6 months from the date of the temporary approval for a consideration of a permanent approval to operate in Lao. The temporary approval is valid until 28 April 2014.

(h) Proposed revision to the existing principal terms and conditions

(i) RM3.0 billion Multi-Currency Medium Term Note Programme ("MCMTN Programme") for Issuance of Senior Notes and/or Subordinated Notes by RHB Bank; and

(ii) RM3.0 billion Medium Term Note Programme ("MTN Programme") for Issuance of Subordinated Notes and/or Senior Notes by RHB Bank.

RHB Bank has submitted to the Securities Commission of Malaysia ("SC"), all relevant notification and documentation in relation to the proposed revisions to the principal terms and conditions in respect of the subordinated notes to be issued in future ("Proposed Revision"), including the duly executed amended and restated trust deed and addendum to the information memorandum under the following programmes:

(i) RM3.0 billion MCMTN Programme submitted on 27 December 2013; and

(ii) RM3.0 billion MTN Programme submitted on 10 January 2014.

The Proposed Revision was approved by BNM on 30 August 2013 to comply with the regulatory requirements of Tier-2 Capital instruments as set out in the Capital Adequacy Framework (Capital Components) issued by BNM on 28 November 2012, also commonly referred as "Basel III".

(i) Issuance of Multi-Currency Medium Term Note Programme ("MCMTN Programme") by RHB Bank and RHB Investment Bank

RHB Investment Bank and RHB Bank have obtained approval from the SC for their respective proposed MCMTN Programme:

	RHB Investment Bank	RHB Bank
Programme	Issuance of senior notes and/or subordinated notes of up to RM1.0 billion in nominal value (or its equivalent in other currencies)	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 SC	25 July 2013	4 February 2014
Date of approval from BNM	12 June 2013	20 December 2013
Utilisation of proceeds	To be utilised for RHB Investment Bank and its subsidiaries' general banking purposes, including but not limited to repayment of borrowings and subordinated debts	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

The subordinated notes to be issued under both the MCMTN Programme are Basel III compliant.

As of todate, RHB Investment Bank and RHB Bank have yet to issue any part of the MCMTN Programme.

50 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(j) Proposed Subordinated Sukuk Murabahah Programme for the issuance of up to RM1.0 billion in nominal value of Subodinated Sukuk ("Sukuk Programme") by RHB Islamic Bank

RHB Islamic Bank has obtained approval and authorisation from the SC vide its letter dated 14 February 2014 for the Sukuk Programme. The Subordinated Sukuk to be issued under the Sukuk Programme are Basel III compliant.

In addition, the approval from BNM for the establishment of the Sukuk Programme had also been obtained on 20 December 2013 (subject to the terms and conditions contained therein).

The proceeds raised from the Sukuk Programme will be utilised for RHB Islamic Bank's working capital and general banking purposes, including but not limited to repayment of its financing facilities and any subordinated Sukuk provided always that any such utilisation shall be for Shariah-compliant purposes.

51 BUSINESS COMBINATIONS

(a) Acquisition of the remaining 30% equity interests in OIM and RHBIIAM, a subsidiary of OIM; and disposal of 30% equity interest in UOAM

(i) Acquisition of NCI

On 22 October 2013, RHB Investment Bank acquired the remaining equity interests in OIM and RHBIIAM from its NCI for a cash consideration of RM43.1 million and RM3.0 million respectively. As a result of this acquisition, OIM and RHBIIAM become wholly-owned subsidiaries of RHB Investment Bank, which in turn is a wholly-owned subsidiary of the Company.

Financial position of OIM and RHBIIAM as at the date of acquisition:

	OIM RM'000	RHBIIAM RM'000
Carrying value of net assets	86,782	10,307
Carrying value of the additional interests acquired	26,035	3,092

The following summarised the effects of the change in the Group's ownership interests in OIM and RHBIIAM on the equity attributable to owners of the Group arising from the above acquisition. The difference between the carrying value and the additional interests acquired has been recognised within retained earnings:

	OIM RM'000	RHBIIAM RM'000	Total RM'000
Consideration paid for the acquisition of NCI	43,123	3,040	46,163
Decrease in equity attributable to NCI	(26,035)	(3,092)	(29,127)
Decrease/(Increase) in equity attributable to owners of the Group	**17,088**	**(52)**	**17,036**

51 BUSINESS COMBINATIONS (CONTINUED)

(a) Acquisition of the remaining 30% equity interests in OIM and RHBIIAM, a subsidiary of OIM; and disposal of 30% equity interest in UOAM (Continued)

(ii) Disposal of 30% equity interest of an associate

On 22 October 2013, RHB Investment Bank, had disposed its entire 30% equity interest in UOAM for a cash consideration of RM26.2 million.

The effects of the disposal on the financial position of the Group as at 31 December 2013 is as below:

	Total RM'000
Proceeds from disposal	26,201
Equity attributable to net assets	(17,464)
Gain on disposal of an associate	8,737

(b) Completion of initial accounting for the acquisition of OSK Investment Bank and its ancillary subsidiaries

The Group had previously accounted for the acquisition of the assets and liabilities of OSK Investment Bank and its ancillary subsidiaries by using the provisional fair value for the financial year ended 31 December 2012.

During the financial year, the Group has completed its allocation of cost of business combination to the assets acquired and liabilities and contingent liabilities assumed, in accordance with MFRS 3 "Business Combination". The fair value adjustments and intangible assets identified on acquisition are based on finalised purchase price allocation and fair value exercise.

The fair values of assets and liabilities arising from the acquisition of OSK Investment Bank and its ancillary subsidiaries on 9 November 2012 have been restated accordingly and are set out as follows:

	Group		
	Provisional fair value RM'000	Fair value adjustments RM'000	Adjusted fair value RM'000
Cash and short term funds	1,317,945	-	1,317,945
Deposits and placements with banks and other financial institutions	132,281	-	132,281
Securities portfolio	4,787,758	9,500	4,797,258
Loans, advances and financing	1,948,638	-	1,948,638
Clients' and brokers' balances	2,533,390	-	2,533,390
Other assets	221,179	-	221,179
Derivatives assets	20,176	-	20,176
Statutory deposits	235,377	-	235,377
Tax recoverable	36,625	-	36,625
Deferred tax assets	3,990	-	3,990
Investments in associates and jointly ventures	25,314	-	25,314
Property, plant and equipment	71,666	-	71,666
Intangible assets	33,019	47,431	80,450
Total assets acquired	11,367,358	56,931	11,424,289

51 BUSINESS COMBINATIONS (CONTINUED)

(b) Completion of initial accounting for the acquisition of OSK Investment Bank and its ancillary subsidiaries (Continued)

The fair values of assets and liabilities arising from the acquisition of OSK Investment Bank and its ancillary subsidiaries on 9 November 2012 have been restated accordingly and are set out as follows: (Continued)

	Group		
	Provisional fair value RM'000	**Fair value adjustments RM'000**	**Adjusted fair value RM'000**
Deposits from customers	(5,997,703)	(4,061)	(6,001,764)
Deposits and placements of banks and other financial institutions	(850,719)	-	(850,719)
Obligations on securities sold under repurchase agreements	(335,627)	-	(335,627)
Clients' and brokers' balances	(2,230,559)	-	(2,230,559)
Other liabilities	(184,221)	-	(184,221)
Derivative liabilities	(45,449)	-	(45,449)
Tax liabilities	(9,549)	-	(9,549)
Deferred tax liabilities	(7,486)	(7,414)	(14,900)
Borrowings	(206,769)	-	(206,769)
Subordinated obligations	(405,355)	(23,215)	(428,570)
Provisional fair value of the identifiable assets and liabilities acquired	1,093,921	22,241	1,116,162
Add/(less):			
- Goodwill arising from consolidation	1,236,221	(22,241)	1,213,980
- Gain arising from acquisition	(1,638)	-	(1,638)
- Fair value of existing interests	(8,351)	-	(8,351)
	2,320,153	-	2,320,153
NCI	(210,703)	-	(210,703)
Total acquisition costs	2,109,450	-	2,109,450
Less:			
- Issuance of shares	(1,874,250)	-	(1,874,250)
- Cash and cash equivalents of subsidiaries acquired	(1,317,945)	-	(1,317,945)
Net cash inflow on acquisition	(1,082,745)	-	(1,082,745)

52 DETERMINATION OF REALISED AND UNREALISED PROFITS OR LOSSES IN THE CONTEXT OF DISCLOSURES PURSUANT TO BURSA SECURITIES LISTING REQUIREMENTS

The following analysis of realised and unrealised profits or losses of the Group and the Company is prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants.

The breakdown of retained profits of the Group and the Company is as follows:

	Group		
	Realised profits/ (losses) RM'000	Unrealised profits RM'000	Total RM'000
2013			
Operating subsidiaries	**6,763,395**	**491,177**	**7,254,572**
Dormant subsidiaries*	**(7,925,232)**	**-**	**(7,925,232)**
Total (accumulated losses)/retained profits of the Group	**(1,161,837)**	**491,177**	**(670,660)**
Total share of retained profits from associates and joint ventures	**4,249**	**-**	**4,249**
	(1,157,588)	**491,177**	**(666,411)**
Less: Consolidation adjustments			**6,229,588**
Total Group retained profits			**5,563,177**
2012			
Operating subsidiaries	5,657,392	345,327	6,002,719
Dormant subsidiaries*	(7,925,930)	-	(7,925,930)
Total (accumulated losses)/retained profits of the Group	(2,268,538)	345,327	(1,923,211)
Total share of retained profits from associates and joint ventures	2,696	-	2,696
	(2,265,842)	345,327	(1,920,515)
Less: Consolidation adjustments			6,307,463
Total Group retained profits			4,386,948

* The realised losses relate mainly to dormant subsidiaries which are currently in the process of being liquidated.

	Company	
	2013 RM'000	2012 RM'000
Retained profits	**645,290**	891,991
Unrealised profits	**1,181**	1,022
Total Company retained profits	**646,471**	893,013

The disclosure of realised and unrealised profits/(losses) above is solely for compliance with the directive issued by the Bursa Securities and should not be used for any other purpose.

On December 2010, the Malaysian Institute of Accountants issued Guidance on Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Securities Listing Requirements. Accordingly, the Group views translation gains or losses on monetary items as realised as it is incurred in the ordinary course of business.

The disclosure above does not affect or alter the existing divisible profit rule in Malaysia. Likewise, this shall not be applied to address or interpret any legal matters regarding the availability of profit for distribution to shareholders. Listed corporations are required to observe the existing requirements in the Malaysian legal framework in dealing with matters related to distribution of profits to shareholders.

Statement by Directors

Pursuant to Section 169(15) of the Companies Act, 1965

We, Dato' Mohamed Khadar Merican and Kellee Kam Chee Khiong, being two of the Directors of RHB Capital Berhad state that, in the opinion of the Directors, the accompanying financial statements set out on pages 7 to 150 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2013 and of the results and cash flows of the Group and of the Company for the financial year ended 31 December 2013 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

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

DATO' MOHAMED KHADAR MERICAN
CHAIRMAN

KELLEE KAM CHEE KHIONG
GROUP MANAGING DIRECTOR

Kuala Lumpur
6 March 2014

Statutory Declaration

Pursuant to Section 169(16) of the Companies Act, 1965

I, Yap Choi Foong, being the Officer primarily responsible for the financial management of RHB Capital Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 7 to 150 are, in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

YAP CHOI FOONG

Subscribed and solemnly declared by the abovenamed Yap Choi Foong at Kuala Lumpur in Malaysia on 6 March 2014.

ZULKIFLA MOHD DAHLIM
COMMISSIONER FOR OATHS
Kuala Lumpur

Independent Auditors' Report to the Members of RHB Capital Berhad

(Incorporated in Malaysia)
(Company No. 312952-H)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Capital Berhad on pages 7 to 150, which comprise the statements of financial position as at 31 December 2013 of the Group and the Company, and the income statements, statements of comprehensive income, changes in equity and cash flows of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 51.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2013 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.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 14 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report to the Members of RHB Capital Berhad

(Incorporated in Malaysia)
(Company No. 312952-H)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 52 on page 150 is disclosed to meet the requirement of Bursa Securities and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Securities. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Securities.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/14 (J))
Chartered Accountant

Kuala Lumpur
6 March 2014

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