



ANNUAL REPORT

20  
13

A NEW DAWN

# CROSSING BOUNDARIES...



## **CROSSING BOUNDARIES**

With a strong focus on delivering enhanced customer service experiences, the Group is now poised on the threshold of a new dawn. As we propel forward towards achieving our aspiration to be the region's Leading Multinational Financial Services Group, we are confident of making strong advances towards achieving our 2020 ambitions of attaining strong market leadership in the local arena while gaining recognition as a regional powerhouse.





**INDONESIA**

**BRUNEI**

**MALAYSIA**

**SINGAPORE**



# Inside this Report

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# RHB's Aspirations



**By 2020**

## To be a Leading Multinational Financial Services Group

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

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

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

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

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

# Five-Year Group Financial Highlights

	2013	Restated 2012 <sup>^</sup>	Restated 2011 <sup>*</sup>	Restated 2010 <sup>*</sup>	2009
<b>RESULTS (RM'000)</b>					
Profit Before Tax	<b>185,585</b>	114,997	38,170	89,506	153,013
Net profit for the financial year	<b>141,067</b>	86,494	23,948	67,235	113,243
Net dividend	-	17,005	29,265	69,998	185,870
<b>STATEMENT OF FINANCIAL POSITION (RM'000)</b>					
Share capital	<b>818,646</b>	263,646	263,646	263,646	263,646
Shareholder's equity (attributable to owner of the Bank)	<b>2,770,363</b>	2,467,283	614,308	653,683	742,486
Total Assets	<b>13,945,383</b>	16,106,158	5,804,345	6,535,482	5,789,630
Loans and advances	<b>2,393,747</b>	1,727,602	43,582	50,651	60,158
Total deposits	<b>7,105,107</b>	9,633,300	4,604,205	5,132,302	4,305,318
<b>RATIOS</b>					
Basic Earnings Per Share (sen)	<b>19.8</b>	32.1	9.1	25.5	43.0
Gross Dividends Per Share (sen)	-	8.6	14.8	35.4	94.0
Net tangible assets per shares (sen)	<b>244.6</b>	504.6	165.3	179.9	216.1
Return on shareholder's equity (%)	<b>4.7</b>	3.4	3.8	9.6	15.5

\* Restated as a result of retrospective application of MFRS 139 and FRSIC 18.

<sup>^</sup> Restated to reflect the effect of acquisition of assets and liabilities of OSK Investment Bank Berhad by applying predecessor accounting.

# Five-Year Group Performance





# Corporate Information

As at 3 March 2014

## BOARD OF DIRECTORS

**Tan Sri Ong Leong Huat @ Wong Joo Hwa**  
*Non-Independent Non-Executive Chairman*

**Dato' Mohamed Khadar Merican**  
*Independent Non-Executive Director*

**Tan Sri Azlan Zainol**  
*Non-Independent Non-Executive Director*

**Charles Lew Foon Keong**  
*Senior Independent Non-Executive Director*

**Patrick Chin Yoke Chung**  
*Independent Non-Executive Director*

**Dato' Saw Choo Boon**  
*Independent Non-Executive Director*

**Abdul Aziz Peru Mohamed**  
*Independent Non-Executive Director*

**Mike Chan Cheong Yuen**  
*Managing Director/Chief Executive Officer*

## COMPANY SECRETARY

**Azman Shah Md Yaman**

## BOARD COMMITTEES

### BOARD AUDIT COMMITTEE#

**Ong Seng Pheow**  
*Chairman*

**Dato' Othman Jusoh**

**Dato' Saw Choo Boon**

**Datuk Haji Faisal Siraj**

## BOARD NOMINATING & REMUNERATION COMMITTEE\*

**Datuk Haji Faisal Siraj**  
*Chairman*

**Dato' Mohamed Khadar Merican**

**Dato' Teo Chiang Liang**

**Dato' Saw Choo Boon**

**Tuan Haji Md Ja'far Abdul Carrim**

**Choong Tuck Oon**

## BOARD RISK COMMITTEE\*

**Tuan Haji Khairuddin Ahmad**  
*Chairman*

**Patrick Chin Yoke Chung**

**Tuan Haji Md Ja'far Abdul Carrim**

**Choong Tuck Oon**

**Dato' Saw Choo Boon**

## BOARD CREDIT COMMITTEE#

**Dato' Mohamed Khadar Merican**  
*Chairman*

**Tuan Haji Khairuddin Ahmad**

**Abdul Aziz Peru Mohamed**

**Patrick Chin Yoke Chung**

**Tuan Haji Md Ja'far Abdul Carrim**

## BOARD TECHNOLOGY COMMITTEE#

**Choong Tuck Oon**  
*Chairman*

**Ong Seng Pheow**

**Dato' Mohd Ali Mohd Tahir**

**Kellee Kam Chee Khiong**

**Dato' Khairussaleh Ramli**

**Charles Lew Foon Keong**

Note:

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

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

## GROUP SENIOR MANAGEMENT

**Kellee Kam Chee Khiong**  
*Group Managing Director  
RHB Banking Group*

**Dato' Khairussaleh Ramli**  
*Deputy Group Managing Director,  
RHB Banking Group,  
Managing Director, RHB Bank Berhad*

**Mike Chan Cheong Yuen**  
*Managing Director/Chief Executive Officer  
RHB Investment Bank Berhad*

**U Chen Hock**  
*Executive Director  
Group International Business*



**Ibrahim Hassan**

Managing Director  
RHB Islamic Bank Berhad

**Yap Choi Foong**

Group Chief Financial Officer

**Rohan Krishnalingam**

Group Chief Operations Officer

**Norazzah Sulaiman**

Group Chief Governance Officer

**Patrick Ho Kwong Hoong**

Group Chief Risk Officer

**Jamaluddin Bakri**

Group Chief Human Resource Officer

**Christopher Loh Meng Heng**

Group Chief Strategy & Transformation  
Officer

**MANAGEMENT OF  
SUBSIDIARIES****RHB ASSET MANAGEMENT SDN BHD**

(formerly known as RHB Investment  
Management Sdn Bhd)

**Eliza Ong Yin Suen**

Managing Director

**RHB ISLAMIC INTERNATIONAL ASSET  
MANAGEMENT BERHAD**

(formerly known as OSK-UOB Islamic Fund  
Management Berhad)

**Tuan Haji Md Noor Hj A Rahman**

Chief Executive Officer

**RHB TRUSTEES BERHAD**

(formerly known as OSK Trustees Berhad)

**Tony Chieng Siong Ung**

Executive Director

**MALAYSIAN TRUSTEES BERHAD****Tay Kok Leong**

Executive Director

**RHB RESEARCH INSTITUTE SDN BHD****Lim Chee Sing**

Chairman/Executive Director

**RHB OSK INTERNATIONAL  
INVESTMENTS PTE LTD**

(formerly known as OSK International  
Investments Pte Ltd)

**Eliza Ong Yin Suen**

Managing Director

**DMG & PARTNERS SECURITIES PTE LTD****Robert Angelo Hendro Santoso Huray**

Chief Executive Officer

**RHB HOLDINGS HONG KONG LIMITED**

(formerly known as OSK Holdings Hong  
Kong Limited)

**Wu Wai Leung, William**

Chief Executive Officer

**PT RHB OSK SECURITIES INDONESIA**

(formerly known as PT OSK Nusadana  
Securities Indonesia)

**Chan Kong Ming**

President Director

**RHB OSK SECURITIES (THAILAND)  
PUBLIC COMPANY LIMITED**

(formerly known as OSK Securities  
(Thailand) Public Company Limited)

**Victor Yuen Tuck Choy**

Chief Executive Officer

**REGISTERED OFFICE**

Level 10, Tower One  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : 603 - 9287 3888  
Fax : 603 - 9281 9314

**COMPANY NO.**

19663-P

**BUSINESS ADDRESS****PRINCIPAL OFFICE**

Level 3A, Tower One  
RHB Centre  
Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : 603 - 9280 2374  
Fax : 603 - 2141 6575

**AUDITORS**

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

# RHB Capital Berhad Group Structure

As at 3 March 2014



## COMMERCIAL BANKING GROUP

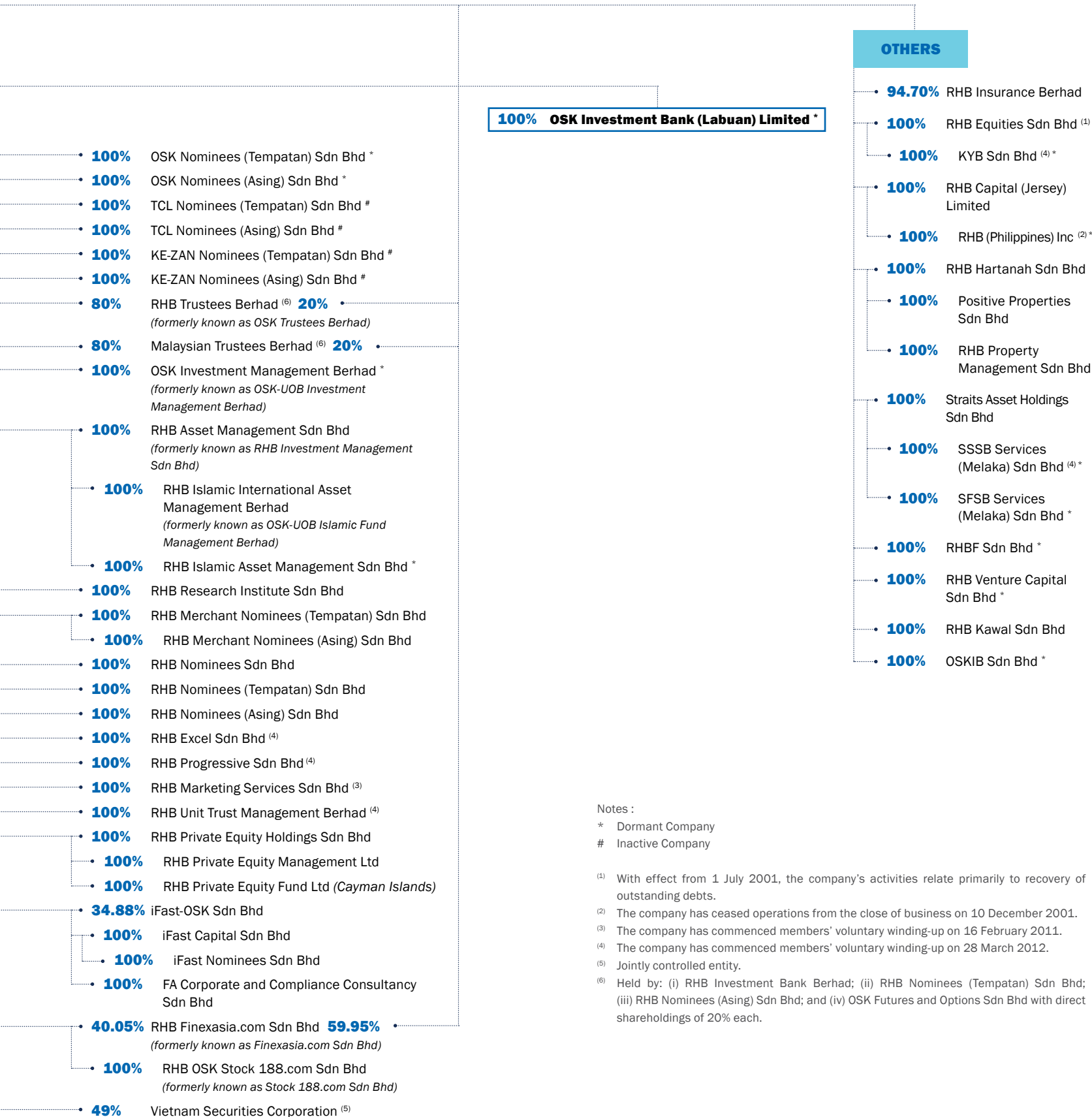
## INVESTMENT BANKING GROUP

### 100% RHB Bank Berhad

- 100% RHB Islamic Bank Berhad
- 100% RHB Bank (L) Ltd
- 100% RHB International Trust (L) Ltd
- 100% RHB Corporate Services Sdn Bhd
- 100% RHB Leasing Sdn Bhd
- 100% RHB Capital Nominees (Tempatan) Sdn Bhd
- 100% RHB Capital Nominees (Asing) Sdn Bhd
- 100% RHB Capital Properties Sdn Bhd
- 100% Utama Assets Sdn Bhd
- 100% RHB Bank Nominees Pte Ltd (Singapore)
- 100% Banfora Pte Ltd (Singapore)
- 100% RHB Investment Ltd (Singapore)
- 100% RHB Trade Services Limited (Hong Kong)
- 100% Utama Gilang Sdn Bhd <sup>(3)</sup> \*
- 100% UMBC Sdn Bhd \*
- 100% RHB Delta Sdn Bhd <sup>(3)</sup> \*
- 100% RHB Indochina Bank Limited  
*(formerly known as OSK Indochina Bank Limited)*
- 100% RHB OSK Indochina Securities Limited  
*(formerly known as OSK Indochina Securities Limited)*

### 100% RHB Investment Bank Berhad

- 100% RHB OSK International Investments Pte Ltd  
*(formerly known as OSK International Investments Pte Ltd)*
- 100% RHB OSK Asset Management Pte Ltd  
*(formerly known as RHB OSK International Asset Management Pte Ltd)*
- 40% RHB OSK GC-Millennium Capital Pte Ltd <sup>(5)</sup>  
*(formerly known as OSK GC-Millennium Capital Pte Ltd)*
- 100% RHB Holdings Hong Kong Limited  
*(formerly known as OSK Holdings Hong Kong Limited)*
- 100% RHB OSK Securities Hong Kong Limited  
*(formerly known as OSK Securities Hong Kong Limited)*
- 100% RHB OSK Nominees Hong Kong Limited \*  
*(formerly known as OSK Nominees Hong Kong Limited)*
- 100% RHB OSK Futures Hong Kong Limited  
*(formerly known as OSK Futures Hong Kong Limited)*
- 100% RHB OSK Finance Hong Kong Limited  
*(formerly known as OSK Finance Hong Kong Limited)*
- 100% RHB OSK Capital Hong Kong Limited  
*(formerly known as OSK Capital Hong Kong Limited)*
- 100% RHB OSK Precious Metals Hong Kong Limited  
*(formerly known as OSK Precious Metals Hong Kong Limited)*
- 100% RHB OSK Asset Management Limited  
*(formerly known as OSK International Investments Hong Kong Limited)*
- 100% RHB OSK Wealth Management Hong Kong Limited  
*(formerly known as OSK Wealth Management Hong Kong Limited)*
- 100% RHB OSK (China) Investment Advisory Co Ltd  
*(formerly known as OSK (China) Investment Advisory Co Ltd)*
- 99% PT RHB OSK Securities Indonesia  
*(formerly known as PT OSK Nusadana Securities Indonesia)*
- 99.62% PT RHB OSK Asset Management  
*(formerly known as PT OSK Nusadana Asset Management)*
- 51% DMG & Partners Securities Pte Ltd
- 100% DMG & Partners Nominees Pte Ltd #
- 100% Summit Nominees Pte Ltd #
- 100% DMG & Partners Research Pte Ltd
- 99.95% RHB OSK Securities (Thailand) Public Company Limited  
*(formerly known as OSK Securities (Thailand) Public Company Limited)*
- 100% OSK Futures and Options Sdn Bhd \*
- 100% OSK Research Sdn Bhd \*
- 100% RHB OSK International Asset Management Sdn Bhd \*  
*(formerly known as OSK International Asset Management Sdn Bhd)*



Notes :

- \* Dormant Company
- # Inactive Company

- <sup>(1)</sup> With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.
- <sup>(2)</sup> The company has ceased operations from the close of business on 10 December 2001.
- <sup>(3)</sup> The company has commenced members' voluntary winding-up on 16 February 2011.
- <sup>(4)</sup> The company has commenced members' voluntary winding-up on 28 March 2012.
- <sup>(5)</sup> Jointly controlled entity.
- <sup>(6)</sup> Held by: (i) RHB Investment Bank Berhad; (ii) RHB Nominees (Tempatan) Sdn Bhd; (iii) RHB Nominees (Asing) Sdn Bhd; and (iv) OSK Futures and Options Sdn Bhd with direct shareholdings of 20% each.

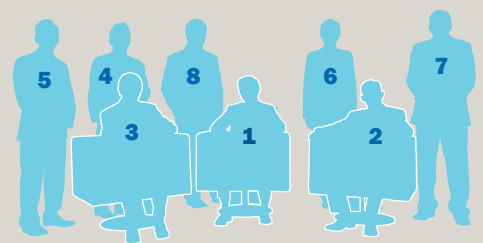


# Board of Directors





- 1 TAN SRI ONG LEONG HUAT @ WONG JOO HWA**  
 Non-Independent  
 Non-Executive Chairman
- 2 DATO' MOHAMED KHADAR MERICAN**  
 Independent Non-Executive Director
- 3 TAN SRI AZLAN ZAINOL**  
 Non-Independent  
 Non-Executive Director
- 4 CHARLES LEW FOON KEONG**  
 Senior Independent  
 Non-Executive Director
- 5 PATRICK CHIN YOKE CHUNG**  
 Independent Non-Executive Director
- 6 DATO' SAW CHOO BOON**  
 Independent Non-Executive Director
- 7 ABDUL AZIZ PERU MOHAMED**  
 Independent Non-Executive Director
- 8 MIKE CHAN CHEONG YUEN**  
 Managing Director/  
 Chief Executive Officer



# Profiles of the Board of Directors

## **Tan Sri Ong Leong Huat @ Wong Joo Hwa**

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

Tan Sri Ong Leong Huat @ Wong Joo Hwa (“Tan Sri Ong”) was appointed as a Non-Independent Non-Executive Director of RHB Investment Bank on 20 November 2012 and was subsequently appointed as the Chairman of RHB Investment Bank on 23 January 2013.



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

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

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

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



## **Dato' Mohamed Khadar Merican**

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

Dato' Mohamed Khadar Merican (“Dato' Mohamed Khadar”) was appointed as an Independent Non-Executive Director of RHB Investment Bank on 4 December 2003 and was subsequently appointed as the Chairman of RHB Investment Bank on 30 March 2011. On 23 January 2013, Dato' Mohamed Khadar was re-designated as Independent Non-Executive Director of RHB Investment Bank. Dato' Mohamed Khadar serves as Chairman of the Board Credit Committee and as a member of the Board Nominating & Remuneration Committee.



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

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

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

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

## Tan Sri Azlan Zainol

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

Tan Sri Azlan Zainol (“Tan Sri Azlan”) was appointed as a Non-Independent Non-Executive Director of RHB Investment Bank on 27 July 2005.



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

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

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

**Charles Lew Foon Keong**

(56 years of age – Malaysian)

Senior Independent Non-Executive Director

Charles Lew Foon Keong (“Mr Charles Lew”) was appointed as an Independent Non-Executive Director of RHB Investment Bank on 15 March 2004. Mr Charles Lew also serves as a member of the Board Technology Committee.



Mr Charles Lew holds a BA (Hons) in Finance and Accounting from the University of East London and a MSC (MBA) in Management Science from Imperial College, University of London.

Mr Charles Lew has more than 26 years of investment banking experience. He started his career in 1983 in London with Wardley James Capel (the then merchant banking and stockbroking operations of the HongKong Bank Group) and subsequently worked for a British merchant bank, Robert Fleming prior to joining Credit Commercial de France in 1989. In 1990, he returned to Asia to join Hoare Govett Asia in Singapore, where he was responsible for the regional corporate finance business. In 1997, following the sale of Hoare Govett Asia to ABN AMRO Bank, Mr Charles Lew was

appointed as the Managing Director of ABN AMRO’s investment banking operations in Singapore. In late 1999, Mr Charles Lew founded Equator Capital, an investment management and advisory company primarily active in the trading of US equities options and managed futures. He has also participated in a number of private equity and pre-Initial Public Offerings (“IPOs”) investments in the region. Over the years, he has been involved in a wide range of investment banking work, including global IPOs, equity placements, corporate takeovers and mergers, debt/equity restructuring and venture capital financing.

Mr Charles Lew’s other directorships in public companies include RHB Islamic Bank Berhad and Hastings Rare Metals Ltd.



## Patrick Chin Yoke Chung

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

Patrick Chin Yoke Chung (“Mr Patrick Chin”) was appointed as an Independent Non-Executive Director of RHB Investment Bank on 2 August 2007. He also serves as a member of the Board Credit Committee and Board Risk Committee.



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

Mr Patrick Chin is a Fellow of The Institute of Chartered Accountants in England and Wales. He also attended the Management Development Programme at Harvard Business School.

Mr Patrick Chin's other directorships include RHB Asset Management Sdn Bhd (formerly known as RHB Investment Management Sdn Bhd) (Chairman), RHB Bank (L) Ltd (Chairman), RHB OSK Asset Management Pte Ltd (formerly known as RHB OSK International Asset Management Pte Ltd), RHB OSK International Asset Management Pte Ltd, RHB OSK International Investments Pte Ltd (formerly known as OSK International Investments Pte Ltd) and Muda Holdings Berhad.

## Dato' Saw Choo Boon

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

Dato' Saw Choo Boon (“Dato' Saw”) was appointed as an Independent Non-Executive Director of RHB Investment Bank on 1 April 2010. He serves as Chairman of the Group Board Audit Committee and member of the Board Nominating & Remuneration Committee, Board Risk Committee and Board Audit Committee.



Dato' Saw holds a Bachelor of Science (Chemistry) from the University of Malaya. He joined Shell in 1970 as a Refinery Technologist in Shell Refining Company (Federation of Malaya) Berhad. He then served in various capacities in manufacturing, supply, trading and planning in Malaysia, Singapore and the Netherlands. In 1996, Dato' Saw was appointed as Managing Director of Shell MDS (Malaysia) Sdn Bhd. From 1998 to 1999, he assumed the positions of Managing Director for Oil Products (Downstream) Shell Malaysia Ltd and Managing Director of Shell Refining Company (Federation of Malaya) Berhad. In 1999, with the globalisation of the Shell Oil Products business, he was appointed the Vice-President of the commercial business in the Asia-Pacific region and in 2004 he became the President of Shell Oil Product East. Since 2005, he assumed the role of Vice-President Global Marine Products.

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

Currently, Dato' Saw's other directorships in public companies are RHB Capital Berhad, Shell Refining Company (Federation of Malaya) Berhad, Digi.Com Berhad and Guinness Anchor Berhad (Chairman), Phoenix Petroleum (M) Berhad and Ranhill Energy and Resources Berhad.

In addition, he serves on the Government's Public-Private Sector Special Task Force on Facilitating Business (PEMUDAH), Federation of Malaysian Manufacturers (FMM) Council and the Socio-Economic Research Centre (SERC) Board of the Associated Chinese Chambers of Commerce and Industry Malaysia.

## Abdul Aziz Peru Mohamed

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

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



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

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

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

Encik Aziz Peru's other directorships include RHB Bank Berhad, RHB Insurance Berhad, RHB Asset Management Sdn Bhd (formerly known as RHB Investment Management Sdn Bhd) and As-Salihin Trustee Berhad.



**Mike Chan Cheong Yuen**

(47 years of age – Malaysian)

Managing Director/Chief Executive Officer

Mike Chan Cheong Yuen (“Mr Mike Chan”) was appointed as the Managing Director/Chief Executive Officer of RHB Investment Bank on 15 August 2013.



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

Mr Mike Chan brings with him more than 22 years of experience in the financial services industry, where he has held positions in well-established local and foreign financial institutions.

Mr Mike Chan holds a Master of Science in Finance from Boston College, USA and a Bachelor of Science in Accounting and Finance from California State University, USA.

# Investment Banking Services

**Corporate & Investment Banking Services (“CIBS”)** has coverage teams that provide the full spectrum of products and services offered by RHB Investment Bank (“RHBIB”) to corporate clients. Dedicated relationship managers liaise with RHBIB’s product specialist teams to develop integrated solutions to meet all of our clients’ requirements. Our relationship managers, with expertise across all industries, deliver advice on corporate restructuring, mergers and acquisitions (“M&A”), lending and fundraising via both equity and debt instruments, from structuring of the schemes to distribution of the securities. CIBS’ capability in the origination of deals has positioned RHBIB as a leading market player in both the large-caps and mid-caps segments in Malaysia.

CIBS’ coverage teams leverage on RHBIB’s regional platform to provide cross-border transactional services to clients across the ASEAN and Greater China regions.

**Government-linked Companies & Public Sector (“GLCs”)**, having the same function as CIBS, has relationship managers who provide RHBIB’s suite of services to a focused group of core clients in the Federal Government, State Governments, Government-linked Companies, Government-linked Investment Companies and emerging Bumiputra corporations. The relationship managers are a one-stop contact point for our clients and they are equipped with the capability to advise them on their specific investment banking needs.

**Corporate Finance (“CF”)** delivers advisory services and transactional execution expertise to its client base across a range of products. These include corporate and debt restructurings, M&A, takeovers, stock exchange listings and public offerings of equity related instruments.

**Financial Advisory (“FA”)** focuses on the origination and advisory of M&A transactions. The origination work encompasses helping clients with acquiring and disposing businesses / assets and sourcing new investors including the valuation of securities, managing the due diligence process and negotiation tactics in both domestic and cross-border transactions. Advisory work involves providing tailored financial solutions to clients, such as financial restructuring, project finance and balance sheet management type of assignments.

**Equity Capital Markets (“ECM”)** provides advice and support in the origination, structuring, and pricing and underwriting of equity fund raising transactions such as initial public offerings, private placements and rights issues. ECM manages syndication, marketing and distribution of equity offerings through a quality network of institutional, corporate and private clients. ECM also manages investor relations, both prior to and after an equity fundraising transaction. Today, ECM is a leading participant in the primary and secondary markets for equity and equity-linked products.

**Debt Capital Markets (“DCM”)** offers both advisory and fundraising services in the structuring and issuances of various forms of debt securities and capital market instruments, both conventional and Islamic, for Malaysian and International issuers. To date, DCM has undertaken many landmark transactions that are noted by the market for innovation and creativity.

**Structured Lending (“SL”)** delivers customised financing solutions which are uniquely designed to meet the client’s funding requirements. SL offers bridging term loans, structured project financing and arrangement of loan syndication.

**Retail Securities (“RS”)** offers access for trading in shares as well as futures and commodities through RHBIB’s regional offices in Singapore, Thailand, Indonesia, Hong Kong, Cambodia and a 58 branch network nationwide, serviced by professional Dealer’s Representatives and Futures Broker Representatives. Clients can trade in shares listed on Bursa Malaysia Securities and in 19 international markets such as Singapore, UK, the US and Hong Kong. In addition, its Futures & Commodities business provides a one-stop access to the Bursa Malaysia Derivatives and Global Futures Exchanges such as HKEX, CME, SGX, LIFFE, ICE and TOCOM. With its online trading portal, clients are able to trade conveniently, anytime and from anywhere with real-time market access. To complement these activities, RS also provides share margin financing as well as custodian and nominees services.

**Institutional Equities (“IE”)** provides high-quality equities investment advice and execution services to fund managers locally and abroad. IE has highly qualified institutional sales teams that complement its strong Research franchise to provide sound investment advice to its institutional clients. In addition, IE has dedicated operations staff providing efficient support services for this select group of clients. Today, RHBIB’s IE regional network has expanded into most major ASEAN markets and Hong Kong. Its institutional sales teams can now provide and further facilitate cross border trading services among these countries.

**Derivatives & Structured Products Department (“DSP”)**

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

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

**Financial Markets (“FM”)** offers a diverse suite of Treasury and Capital Market products that include money market instruments, fixed income securities, repurchase agreements, foreign exchange and derivative structured products. FM is supported by a well-established sales and distribution network.

FM fosters primary and secondary financial and capital market activity through information dissemination and offering value added treasury, investment and hedging options to a wide array of clients with diverse needs, comprising government agencies, pension funds, mutual funds, insurance companies, corporation and inter-bank parties.

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

**Private Equity (“PE”)** has funds that invest in growth companies in a wide range of industries and sectors in the Asian region. PE aims to create shareholders value in its portfolio companies by identifying and pursuing growth drivers to achieve higher financial performance. Its investment horizon is typically up to five years and exits are through initial public offerings and/or trade sales.

**Research** helps investors to make informed investment decisions by providing comprehensive economic, equity and debt market research. Our award winning team of economists and research analysts offers regional coverage of G3, ASEAN and Greater China economies, a broad range of companies listed in Hong Kong and on most ASEAN markets in addition to credit opinions on debt market instruments, sovereign bonds and currency markets.

# Corporate Governance Statement

**“Good corporate governance plays a vital role in underpinning the integrity and efficiency of the capital market. It is a testament of a company’s commitment to values and ethical business conduct. Effective corporate governance structures encourage companies to create value (through entrepreneurialism, innovation and development) and provide accountability and control systems which commensurate with the risks involved. When companies are well governed, they are better able to attract capital investment and raise the standing of the capital market as a whole.”**

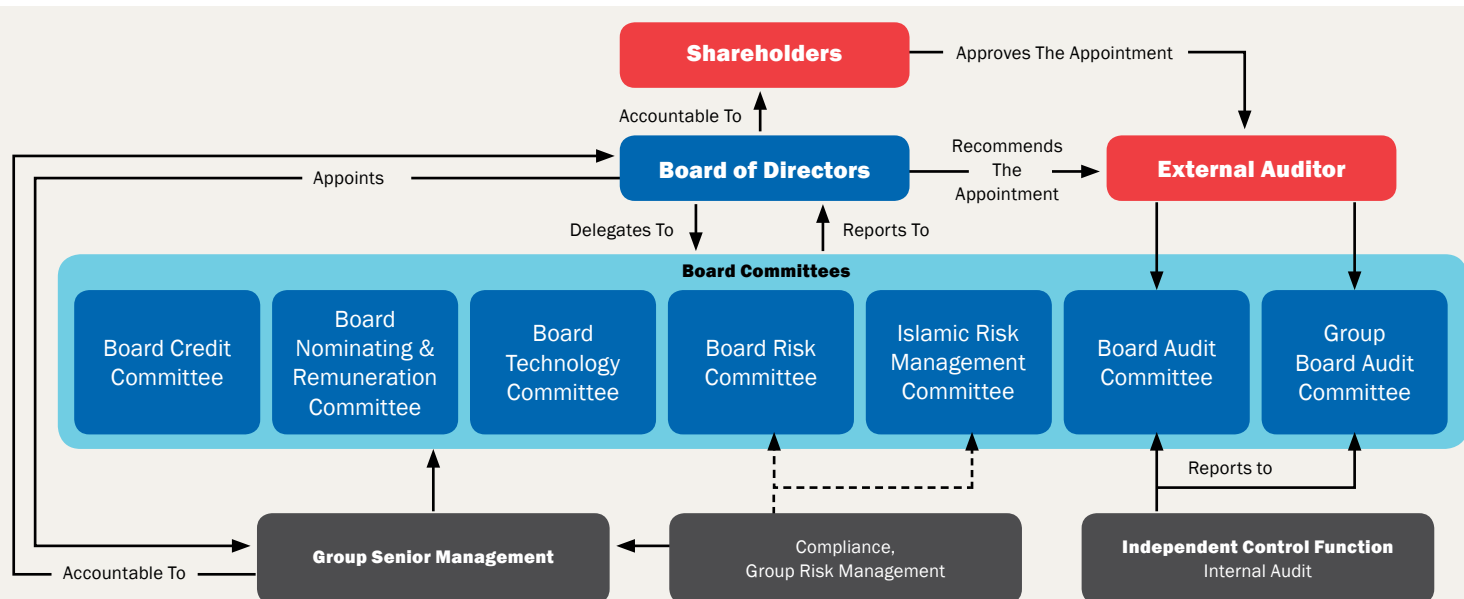
**Foreword, Chairman, Bursa Malaysia Berhad**  
Corporate Governance Guide (2nd Edition)

The Board of Directors (“Board”) of RHB Investment Bank Berhad (“RHB Investment Bank” or “Company”) recognises the importance of good corporate governance in pursuing quantifiable and long term success for the RHB Banking Group (“Group”), and value creation for shareholder and all other stakeholders. The Board is fully committed to high standards of governance designed to protect the interests of the shareholder and all other stakeholders while promoting the highest standards of integrity, transparency and accountability. The Board strives to ensure that the Company’s and the Group’s integrity and professional conduct are beyond reproach.

An effective corporate governance structure lies at the core of the Group’s pursuit to realise its vision to be a Leading Multinational Financial

Services Group. This structure is based on stringent corporate governance practices and regulations, a clear organisational structure with well-defined accountabilities and responsibilities, and robust internal control and risk management mechanisms. Throughout the years, the Board has made concerted efforts to ensure strict compliance to regulatory requirements and that its corporate governance framework, internal processes, guidelines and systems remain robust and relevant. The Board believes there is always room for improvement and continuously explores improvement to the governance processes. The Board exercises a significant effort to understand and manage stakeholders’ expectations to fulfil their evolving needs and ensure that the Group’s position as a whole and reputation as a leading financial holding company are held in good stead.

## Group’s Governance Model





## ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

### Board and Management

The Board governs the business and affairs of the Company and exercises all such powers pursuant to the Articles of Association of the Company. To ensure effectiveness in discharging its roles and responsibilities, the Board delegates specific authorities to the relevant Board Committees. Such delegation of authority is expressly stipulated in the Terms of References (“TOR”) of the respective Board Committees. The TORs are reviewed periodically to ensure effective and efficient decision making in the Group. The Board Committees also act as oversight committees where they evaluate and recommend matters under their purview for the Board to consider and approve. To ensure the efficient running of the businesses and operations, the Board also delegates certain decision making powers to the Managing Director (“MD”) of the Company.

The MD exercises his delegated authority with the support of the Senior Management of the Company. The MD also develops effective collaboration with other entities in the Group to help achieve the Group’s aspiration of becoming a Leading Multinational Financial Services Group by 2020. It is the Group’s vision to achieve market leadership, expand its regional footprint, focus on customer centricity, enhance service delivery and be an employer of choice. In meeting these objectives, the Company with the leadership of the MD, will contribute towards the execution and successful achievement thereof.

At each Board meeting, the Board is among others, informed of the decisions and salient issues deliberated by the Board Committees and the Management through minutes of meetings which are tabled thereat. The Board also receives updates from the respective Chairmen/representatives of the Board Audit Committee, Board Risk Committee and Board Nominating & Remuneration Committee on matters that have been deliberated and considered at these Committees’ meetings that require specific attention. This practice also applies for other operating entities within the Group.

Matters such as the annual business plan and budget, dividend distribution, business restructuring, reorganisation plan, strategic proposals, risk appetite, human capital management policies, appointment of the Company’s Senior Management, talent and succession planning, brand positioning, direction on investor and stakeholder relations as well as capital and operating expenditures above the Group Manual of Authority (“GMOA”) limits are reserved for the Board.

### The role of the Board

The Board is charged with leading and governing the Company in an effective, efficient and responsible manner. The Directors, collectively and individually, are aware of their responsibilities to shareholder/stakeholders and for the manner in which the affairs of the Company are managed. They discharge their roles and duties with integrity, honesty and

professionalism within the ambit of the law to serve the interests of the Company’s shareholder and stakeholders, and are committed to ensuring that the highest corporate governance standards are adhered to.

Among the Board’s key roles and responsibilities are:

#### (a) Strategy setting

The Board plays an active role in reviewing the Company’s strategies, business plans, financial objectives, major capital and operating budgets and policies proposed by the Management. The Board monitors the Management’s performance in implementing the adopted strategies and plans and provides relevant direction and advice where necessary so as to ensure the achievement of the objectives.

For 2013, the Group’s strategic planning process began with an offsite Strategic Development & Brainstorming Session held in October 2012, where the Management presented its proposed Company strategy, business plan and annual budget for financial year 2013. During this session, the Board discussed both the Management’s and its own strategic perspectives, and challenged the Management’s views and assumptions. The Board subsequently approved the proposed strategy, business plan and annual budget at its meeting held in December 2012. The Board also reviewed and approved the proposed 2013 performance scorecard for the Company, ensuring that the proposed targets correspond to the Group’s strategy and business plan, reflect competitive industry trends and internal capabilities, and provide sufficient stretch for the Management.

In 2013, the Board actively engaged with the Management in monitoring the progress of the business merger of the Group’s investment banking and asset management businesses with OSK Investment Bank Berhad (now known as OSKIB Sdn Bhd) Group (“OSK”). RHB Investment Bank Berhad, a wholly-owned subsidiary of RHB Capital, is now the largest investment bank by asset size in Malaysia and RHB Asset Management Sdn Bhd (formerly known as RHB Investment Management Sdn Bhd), a wholly-owned subsidiary of RHB Investment Bank Berhad, is one of the largest asset management outfit in Malaysia with assets under management of over RM39.3 billion. With the completion of the merger, the RHB Banking Group is now present in almost all of the ASEAN countries and Hong Kong.

In this respect, the MD with the guidance of the Board successfully steered the merger and integration efforts; hence enhancing the positive growth of the merged entity.

In November 2013, the Group Senior Management initiated a 3-year transformation journey to achieve the Group’s vision of becoming a Leading Multinational Financial Services Group by 2020. The roadmap and strategic levers for the transformation dubbed IGNITE 2017, and the Group business plan and budget for 2014 were discussed and evaluated by the Board and Management at an

offsite meeting and subsequently approved at the Board meeting held in January 2014.

RHB Investment Bank Group aims to be the “Leading mid-market specialist in the region and a recognised large capital champion in areas of strength”. The Company’s transformation journey will involve expanding its regional presence by establishing regional hubs for its operations and ultimately increasing its market share in the investment banking business. In the asset management business, focused and differentiated wealth management/premier banking products and services are in the pipeline, and with the execution thereof, the market leader status would be preserved.

#### **(b) The Company’s operations and conduct**

The Board governs the business conduct, performance and operations of the Company with close collaboration with the Management. To ensure high performance, the Board reviews and approves performance objectives for the Senior Management team and monitors their performance on a regular basis. Interventions and reviews may be made to ensure that the execution of the plans is aligned with the set objectives and goals. The Board also governs the Company’s risk management, controls and human resource (“HR”) management through delegation of certain decision making and/or oversight responsibilities to various Board Committees namely the Board Audit Committee (“BAC”), Board Risk Committee (“BRC”) and Board Nominating & Remuneration Committee (“BNRC”). The Board is updated on the Company’s performance through a status report presented by the MD which includes a comprehensive summary of the Company’s business drivers and financial performance of each reporting period vis a vis the approved balanced scorecard of the Company and the industry benchmark. The Board also keeps abreast of the key strategic initiatives, significant operational issues and the latest developments of the financial services industry.

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

#### **(c) Risk management**

The Board has the responsibility to identify the principal risks and implementation of appropriate systems to manage and control these risks. In ensuring effective risk assessment and control, the Board entrusted the BRC, which comprises four Independent Non-Executive Directors (“INEDs”) and one Non-Independent Non-Executive Director (“NINED”) representing the respective entities within the Group, with the responsibility to provide oversight and governance of risks for

the Group. The composition of the BRC and the attendance of the members at meetings held in 2013 were as follows:

<b>Name of Directors</b>	<b>Attendance at Meetings</b>
Tuan Haji Khairuddin Ahmad (INED/ Chairman)	22/25 (88%)
Mr Patrick Chin Yoke Chung (INED)	24/25 (96%)
Tuan Haji Md Ja’far Abdul Carrim (NINED)	25/25 (100%)
Mr Choong Tuck Oon (INED)	19/25 (76%)
Dato’ Saw Choo Boon (INED)	24/25 (96%)

The salient TOR of the BRC are as follows:

- to provide oversight and governance of risks in the Group;
- to oversee Senior Management’s activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that the risk management processes of each entity in the Group are in place and functioning;
- to promote the management of the Group’s risks in accordance with a risk-return performance management framework; and
- to provide guidance and make recommendations to the Board of each relevant entity within the Group in respect of risk management matters of the respective entities.

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

#### **(d) Talent Development and Succession Planning**

Talent development and succession planning are key priorities of the Board in ensuring a high performing workforce to maintain the Company’s sustainability and competitiveness. The Board entrusted the BNRC with the responsibility to deliberate on HR strategies, policies, systems and development of the Company. The BNRC is also given the responsibility to select, assess and recommend to the Board the appointment and remuneration matters of Directors, Board Committee members, Group Shariah Committee and key Senior Management officers.

During the year, the Company put in place programmes for the identification, competency assessment and development of talent to fill senior positions, to continuously strengthen the Company’s succession plan. These programmes are monitored regularly by the BNRC. Other major issues deliberated by the BNRC were pay structures and policies, review and harmonisation of benefits and retention plans for Senior Management.

**(e) Internal control system**

The Board governs the adequacy and integrity of the Company's internal control system. With the support of the BAC and Group Internal Audit, the Board ensures that there is an effective and efficient framework for reporting internal controls and regulatory compliance. Details pertaining to the Company's internal control system and review of its effectiveness are set out in the Statement on Risk Management & Internal Control in this Annual Report.

**Code of Ethics**

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

For all its employees, the Group has in place a Group Code of Ethics and Conduct to ensure a high standard of ethical and professional conduct is upheld in the performance of their duties and responsibilities. The said Code establishes the standards that govern the way employees deal with each other, the shareholders, customers, suppliers, competitors and communities. Within this framework, employees are expected to exercise good judgement and be accountable for their actions. Compliance with the Code is part of the terms and conditions of employment of every employee of the Group.

The Group has also established a Group Whistle Blower Policy in strengthening its governance practice and the policy was also adopted by the Company. The policy provides employees with an avenue to report on suspected fraud, corruption, dishonest practices or other similar circumstances. This policy is to encourage the reporting of such matters in good faith, with the confidentiality of the person making such reports being protected from reprisal, in the best possible manner. For the current year under review, three complaints pursuant to the Group Whistle Blower Policy were received, investigated and pursued based on the requirement of the said policy. All reports or complaints are filed with the Designated Recipient as specified in the Group Whistle Blower Policy. The Group Whistle Blower Policy is available on the Group's internal portal for reference by the staff across the Group.

**Promotion of sustainability**

The Board acknowledges that a sustainable approach to investing has a positive impact on the value of investments and is vital for the interests of long term investors. The Board further recognises that the Company and the Group's ability to prosper hinges substantially upon the ability to make business decisions that give credibility to their sense of economic, social and environmental responsibilities, and by which the stakeholders and society can hold them accountable. Therefore, environment, social and governance ("ESG") issues are of the utmost importance in the Board's decision making in order to maintain the standard of being a responsible corporate citizen.

The Group established a Corporate Responsibility ("CR") strategic framework that supports and creates value for the Group's businesses, operations and brand, and ensures positive contribution to the shareholders, customers, employees and society at large. The Group's CR Report for 2013 is uploaded on RHB Capital's website prior to the forthcoming Annual General Meeting ("AGM") of RHB Capital. The Group's CR Report addresses among others the CR and ESG elements of the Group. The framework will be eventually translated into a governing policy.

The foundation of CR initiatives is premised on four quadrants which include Community, Environment, Workplace and Marketplace. The issue of sustainability is defined as conducting business responsibly and ethically by factoring in social, economic and environmental considerations in the decision making process for long term business success that in turn will contribute to the socioeconomic development of the communities in which it operates. As such, the Group will embark on activities that conserve the environment, enrich the lives of communities, promote a culture of respect and care for its workforce and the public, all of which, appropriately implements good governance.

**Information and advice**

The Board whether as a group or individually, regularly obtains the advice and dedicated support services of the Company Secretary in ensuring the effective functioning of the Board. The Board members may interact directly with the Management, seek their clarification and advice as well as request for information on matters pertaining to the Company's operations or business concerns from them. Should the need arise, the Directors may also seek independent professional advice, at the Company's expense, pursuant to the Group's "Standard Procedures for Directors to Have Access to Independent Advice" when deemed necessary for the proper discharge of their duties.

### Dedicated Company Secretary

The Board is supported by the dedicated Company Secretary in the discharge of their roles and responsibilities. In addition to acting as a custodian of the Company's statutory records, the Company Secretary serves and advises the Board on matters relating to the affairs of the Board and ensures that Board meetings are properly convened and an accurate and proper record of the proceedings and minutes of the meetings are kept. The Company Secretary assists the Chairman and Directors in the conduct of meetings and in the discharge of their governance obligations and responsibilities as Directors of the Company. The Company Secretary also facilitates the communication of key decisions and policies between the Board, Board Committees and the Senior Management. The Board is updated by the Company Secretary on the follow-up or implementation of its decisions/recommendations by the Management until their closure.

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

### Board Charter

The Group has developed Board Charters for major entities, which sets out the key corporate governance principles adopted by the Boards of the Group. The responsibilities of Boards, Chairperson, Senior Independent Director and the Group MD/Managing Director/Chief Executive Officer are clearly defined therein. The Board Charters clearly stipulate the role that each party undertakes in ensuring checks and balances in the day to day management of the Group's business and operations.

Within these broad boundaries, each Board also discussed, set and agreed with Management the annual balanced scorecard and key performance indicators that need to be executed and achieved by Management. The performance and progress thereof will then be reviewed by the Boards at intervals.

The Boards review the Board Charters from time to time to keep them up to date with changes in regulations and best practices as well as ensure its effectiveness and relevance to the Boards' objectives.

## STRENGTHEN COMPOSITION

### Board Nominating & Remuneration Committee

The BNRC comprises six Non-Executive Directors of whom five are INEDs and one is a NINED representing the respective entities within the Group. The BNRC is chaired by Datuk Haji Faisal Siraj, the Senior INED of RHB Capital. The BNRC met 15 times during financial year 2013.

The composition of the BNRC and the attendance of the members at meetings held in 2013 were as follows:

Name of Directors	Attendance at Meetings
Datuk Haji Faisal Siraj (INED/Chairman)	14/15 (93%)
Dato' Mohamed Khadar Merican (INED)	13/15 (87%)
Dato' Saw Choo Boon (INED)	15/15 (100%)
Dato' Teo Chiang Liang (INED)	12/15 (80%)
Mr Choong Tuck Oon (INED)	12/15 (80%)
Tuan Haji Md Ja'far Abdul Carrim (NINED)	15/15 (100%)

The salient TOR of the BNRC with regard to its nomination roles are as follows:

- Establish a documented procedure for the appointment of Directors, Board Committee members, Group Shariah Committee ("GSC") and key Senior Management officers.
- Establish and recommend for Board approval, minimum requirements for Directors, GSC and key Senior Management officers.
- Establish and recommend for Board approval, the optimal size and mix of skills to ensure efficient operation of the Boards/Board Committees/GSC.
- Assess and recommend for Board approval, new and reappointed nominees for directorship, Board Committee members, GSC and key Senior Management officers.
- Establish and recommend for Board approval, a mechanism for the formal assessment of the performance of Boards as a whole, Board Committees, GSC, each Director and key Senior Management officers.
- Review performance assessment results and recommend to the Board, the removal of any Director, GSC or key Senior Management officer found to be ineffective, errant and negligent in the discharge of responsibilities.
- Ensure Directors, Board Committee members and GSC receive appropriate induction and continuous training programmes for closure of skill gaps and keeping abreast with latest developments.

### Directors' appointment and assessment

#### (a) Appointment of Directors

The BNRC is guided by a nomination framework approved by the Group's Boards, to ensure that individuals appointed to relevant senior positions and the Boards within the Group have the appropriate fitness and propriety to properly discharge their prudential responsibilities on appointment and during the course of their appointment. A fit and proper assessment is carried out for each Director and relevant key Management.



### Nomination Framework



For the appointment of new Directors, a thorough and comprehensive fit and proper assessment (including background, skills, knowledge and experience) of the nominee is undertaken by the BNRC in accordance with the Policy and Guidelines on Fit and Proper for Key Responsible Persons of RHB Banking Group (“Fit and Proper Policy”), through a transparent nomination process before a recommendation is made to the Board for approval. These assessments are carried out against a benchmark of documented competencies which have been prepared for each role, declaration being completed by each individual, the obtaining of evidence of material qualification and the carrying out of checks on matters such as criminal record, bankruptcy and regulatory disqualification. These assessments are reviewed thereafter on an annual basis. The Fit and Proper Policy outlines the following criteria for assessment of the suitability of the candidate for appointment:

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

During its review of the suitability of the candidates and criteria for the appointment process, the BNRC is continuously mindful to have a balanced diversity in age, gender, race, culture and nationality, to facilitate optimal decision making by harnessing different insights and perspectives.

As for the re-appointment of existing Directors, the BNRC refers to the results of the individual assessments conducted via the Board Effectiveness Evaluation besides their ongoing experience during their formal/informal interactions with the Directors. The application for the appointment/re-appointment of Directors will be submitted to Bank Negara Malaysia for consideration once the same is approved by the Board.

In 2013, the BNRC undertook a holistic review on the compositions of the Boards and Board Committees within the Group in order to ensure effective functioning of the Boards and Board Committees and decision making process, particularly the regional governance aspects post the RHB-OSK merger. The Board is intensifying its effort to secure new Board members with the right skill-sets and experience to close identified gaps. In addition, the BNRC also provided support to the Management in recruiting quality candidates to fill vacant key Senior Management positions.

#### b) Board Effectiveness Evaluation

The Group has, since 2006, undertaken the Board Effectiveness Evaluation (“BEE”) exercise annually on the Boards and Board Committees with the objective of assessing their effectiveness and that of the individual Directors. The BEE is designed to detect strengths and weaknesses so that actions can be taken to improve overall effectiveness. The results of the Directors’ self and peer evaluations form part of the basis for evaluation by the BNRC for the re-appointment of the respective Directors.

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

##### Part A: Board evaluation

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

##### Part B: Board committees evaluation

1. Structure and processes
2. Accountability and responsibilities

**Part C: Directors' self and peer evaluation**

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

**Part D: Committee members' self and peer evaluation**

1. Participation levels and contribution
2. Technical competencies

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

In November 2013, each Director and Board Committee member were provided with individual results together with a peer average rating on each area of assessment for personal information and further improvement. A summarised report has been presented to the BNRC and the Board of the Company in December 2013 to enable the Board to identify and put in place actions to address areas for improvement.

**Remuneration strategies**

The Board is mindful that fair remuneration is critical to attract, retain and motivate the Directors with the relevant experience and expertise required for the stewardship of the Company and the Group. The BNRC has been entrusted to discharge its remuneration role (as outlined in its TOR), as follows:

- Ensure the establishment of formal and transparent procedures for developing remuneration and HR policies, strategies and framework for Directors, GSC and key Senior Management officers.
- Recommend remuneration strategies, policies and framework and specific remuneration packages for Directors, Board Committee members, GSC and key Senior Management officers, which should be (where relevant):
  - Market competitive and in support of the Group's culture, vision, objectives and strategy;
  - Reflective of the responsibilities and commitment required;
  - Sufficient to attract and retain quality people but yet not excessive;

- Performance driven with sufficient emphasis on long term development of the Group to avoid excessive short term risk-taking; and
  - The framework should cover all aspects of remuneration including Directors' fees, salaries, allowances, bonuses, option and benefit-in-kind.
- Ensure HR strategies, policies and frameworks are in place for all the building blocks of a quality HR Management System (e.g. succession planning, talent and leadership development training.) to support the Group in achieving its objectives.

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

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

**(a) Directors' fees**

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

In 2014, the Board has approved the BNRC's recommendation to revise the NEDs' remuneration based on a new tiering system. From a peer group benchmarking perspective, the Board believes that a more equitable and competitive remuneration should be offered to the NEDs in line with the complexity of the duties, responsibilities, expectations and commitment of the NEDs relative to the expanding scope of the Group's initiatives, particularly on regional business expansion. The proposed revised NEDs' fees have been aligned to the accepted industry range and will be presented to the shareholder at the forthcoming 39th AGM, for approval.

**(b) Board Committee's allowances**

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

In 2013, the RHB Capital Board revised the Group's existing Board Committee allowances structure to be in line with the increase in complexity of roles and responsibilities and heavier commitment of the Board Committees.

**(c) Meeting attendance allowance**

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

**(d) Benefits-in-kind**

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

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

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

**REINFORCE INDEPENDENCE****Assessment of independence**

The independence of the Directors is reviewed on an annual assessment and benchmarked against best practices and regulatory provisions. The BNRC assesses the independence of NEDs, via the BEE exercise, which takes into account the individual Director's ability to exercise independent judgement at all times and to contribute to the effective functioning of the Board. Based on the BEE 2012 results, the Board is generally satisfied with the level of independence demonstrated by all the NEDs, and their ability to act in the best interest of the Company.

In addition, the independent directors are required to provide their confirmations on their compliance with the criteria and definition of "Independent Director", as stipulated under Clause 2.26 of Bank Negara Malaysia's ("BNM") Guidelines on Corporate Governance for Licensed Institutions ("BNM's CG Guidelines"). All the Independent Directors are independent from the shareholder of the Company, not being substantial shareholders themselves nor directly associated with the shareholder.

**Role of the Chairman and Managing Director**

The Non-Independent Non-Executive Chairman, Tan Sri Ong Leong Huat @ Wong Joo Hwa ("Tan Sri Ong"), manages the affairs of the Board, with a view

of ensuring that the Board functions effectively and meets its obligations and responsibilities, and leads the Board in the execution of its responsibilities to the shareholder. He ensures that Board members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper decision making of the Board. Additionally, the Chairman has to ensure that general meetings are conducted efficiently and in accordance with the requirements of the Companies Act 1965, and that the shareholder has adequate opportunity to air its views and obtain answers to its queries.

The MD, Mr Mike Chan Cheong Yuen ("Mr Mike Chan"), who has more than 22 years of experience in the financial services industry assumes the overall responsibilities for the execution of the Company's strategies in line with the Board's direction, oversees the Company's operations and drives the Investment Bank Group's businesses and performance towards achieving the Group's vision and goals. He has successfully steered the merger and integration efforts between RHB Investment Bank and OSK Investment Bank. He maintained commendable business performance especially in the investment banking, treasury and stockbroking business which were impacted by the volatile and slower market. In line with the Group's aspiration to be among the top-quartile employer of talent, employee engagement has also improved under his stewardship notwithstanding the integration pursuant to the merger.

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

**The Board of Directors**

Currently, the Board of the Company comprises eight members, with a Non-Independent Non-Executive Chairman, five INEDs, one NINED and the MD. The structure and composition of the Board comply with the BNM's CG Guidelines. The Independent Directors account for more than 50% of the Board, exceeding the requirement that one third of Board Members shall be independent, as set out in BNM's CG Guidelines. The presence of the five INEDs ensures there is an effective check and balance in the functioning of the Board. These INEDs fulfil the criteria of independence as defined in the BNM's CG Guidelines. They are not involved in the day-to-day management of the Company, nor do they participate in any business dealings of the Company. This ascertains that they remain free of any conflict of interest and can undertake their roles and responsibilities as INEDs in an effective manner.

**FOSTER COMMITMENT****Time commitment**

For the financial year ended 31 December 2013, the Board is satisfied with the level of time commitment given by the Directors towards fulfilling their roles and responsibilities as Directors of the Company. All Directors have complied with the required minimum Board Meetings attendance of 75% under the BNM's revised guidelines.

The Board convened 14 meetings for the financial year ended 31 December 2013. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings is set out below:

Name of Director	No. of Meetings Attended	Total Percentage of Attendance (%)
Tan Sri Ong Leong Huat @ Wong Joo Hwa	13/14	93
Dato' Mohamed Khadar Merican	13/14	93
Tan Sri Azlan Zainol	13/14	93
Mr Charles Lew Foon Keong	13/14	93
Mr Patrick Chin Yoke Chung	12/14	86
Dato' Saw Choo Boon	13/14	93
Encik Abdul Aziz Peru Mohamed	14/14	100
Mr Mike Chan Cheong Yuen	5/6	83

In ensuring that Directors' commitment, resources and time are more focused to enable them to discharge their duties effectively, each Member of the Board is to hold a maximum of five directorships in public listed issuers. The Directors are required to notify the Board on changes of their other directorships and shareholdings in RHB Capital as and when such changes arise. Such information is used to monitor the number of directorships held by the Directors of the Company, including those on public listed companies, and to notify the Companies Commission of Malaysia accordingly.

An annual meeting schedule is prepared and circulated to the Directors before the beginning of every year to ease the Directors' time planning. It provides the scheduled dates for meetings of the Boards and Board Committees as well as the AGM. The Group has, since 2011, embarked on the use of iPads and eBooks at Board/Board Committee Meetings, whereby encrypted Board and Board Committee papers will be circulated electronically for Directors/Board Committee members to download the same via iPads. This initiative has significantly enhanced mobility, movements of the documents, cost and time savings, greater convenience, better security and a positive impact on the environment. Directors who are unable to attend the Board/Board Committee Meetings physically are encouraged to participate in the deliberations and discussions via telephone or video-conferencing.

### Training

The Board emphasises the importance of continuing education and training for its Directors to ensure that they are kept abreast of the latest development in business, corporate strategy, financial overview, risk management strategy, legal requirements, duties, responsibilities and rights from the legal viewpoint, moral and ethical obligations as well as good corporate governance in the ever-changing economic climate to meet the challenges of the Board. A budget for Directors' training is provided each year by RHB Capital. The Board, as part of the BEE exercise, assesses the training needs of each Director annually. The training and development of Directors are spelled out in the Group's Standard Procedures on Directors' In-house Orientation and Continuing Education Programme for the RHB Banking Group.

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

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

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

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

#### (a) Corporate Governance

- Governance in Groups Programme
- Malaysian Code on Corporate Governance 2012 and Statement on Risk Management
- Board Chairman Series: The Role of the Chairman



- Advocacy sessions on corporate disclosure for directors of listed issuers
- 5th Annual Corporate Governance Summit - "Embedding the culture of voluntary governance in organisations"
- FIDE Elective Programme: Board IT Governance & Risk Management Programme

#### (b) Banking and Finance

- Training session No. 4 of Internal Capital Adequacy Assessment Process
- Financial Services Act 2013 and Islamic Financial Services Act 2013 and Directors and Officers Liability Insurance Policy
- FIDE Elective Programme: Banking fundamental programmes
- FIDE Elective Programme: Corporate finance for directors programme
- FIDE Elective Programme: Mergers & Acquisitions for Financial Institutions

#### (c) Legal, Business and Human Resource

- Training on OSK Products
- Personal Data Protection Act 2010 and Foreign Account Tax Compliance Act presentation
- Shariah Awareness Programme

### UPHOLD INTEGRITY IN FINANCIAL REPORTING

#### Compliance with financial reporting standards

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

The BAC, with the assistance of both external and internal auditors, reviews the integrity and reliability of the Company's financial statements on a quarterly basis, prior to recommending the same for the Board's approval and submission to BNM. During the reviews, the Group Chief Financial Officer provides assurance to the BAC that adequate processes and controls are in place for an effective and efficient financial statement close process, that appropriate accounting policies have been adopted and applied consistently and that the relevant financial statements give a true and fair view of the state of affairs of the Company in compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and Companies Act, 1965. The BAC also meets twice a year with the external auditors, without the presence of the Management and the executive Board member, for discussion on any key issues/areas that require attention of the BAC and the Board.

Group Internal Audit ("GIA") also undertakes an independent assessment of the internal control systems throughout the Company and the Group, based on the annual audit plan approved by the BAC, to ensure that deficiencies or issues will be promptly resolved by the Management. An overview of the Company's internal control are contained in the Statement on Risk Management & Internal Control set out on pages 33 to 36 of this Annual Report.

#### Assessment of external auditors

The BAC undertakes an assessment of the suitability and independence of the external auditors based on qualifying criteria for the appointment of auditors and terms of audit engagements in accordance with BNM's Guidelines - "External Auditor" dated 28 June 2013. In addition, the work performance of the external auditors is assessed through a survey sent out to management personnel requesting feedback and comments on their dealings with Messrs PricewaterhouseCoopers throughout the reporting financial year. The survey covers areas such as quality of audit work, coordination during planning and execution of audit work, technical accounting and business knowledge, timeliness, relationship management and staff continuity. Having satisfied itself with their performance and fulfilment of criteria as set out in the relevant BNM's Guidelines, the BAC will recommend the re-appointment of the external auditors to the Board, upon which the shareholder's approval will be sought at the AGM.

RHB Banking Group has established the Group Policy on Non-Audit Fees Paid/Payable to External Auditors ("Policy"). The BAC and the Group Board Audit Committee ("GBAC") review the non-audit services rendered by the External Auditors and the related fees prior to approval of non-audit service by the External Auditors. A report on non-audit fees is also presented to the BAC and the GBAC quarterly. This is to ensure that the independence of the External Auditors is not compromised and its compliance with the Policy and the terms of all relevant professional and regulatory requirements when rendering the audit and non-audit services to the Group. The External Auditors are also required to declare/confirm their independence for all non-audit engagements undertaken.

### RECOGNISE AND MANAGE RISKS

#### Risk management framework

The Board recognises the importance of a sound system of risk management and internal control to ensure good corporate governance and safeguard shareholder's investments as well as the Company's and the Group's assets. The BRC oversees the risk framework of the Group, reviews the Management's risk management activities and policies formulated by the Management for recommendation to the Boards for approval. In addition to the monthly updates on matters that have been deliberated at BRC meeting, a Risk Management Report (including the risk reports from the Company's local and foreign subsidiaries) is also presented to the Board on a monthly basis.

The Company and the Group continue to maintain and review its internal control procedures to ensure, as far as possible, the protection of its assets and liabilities and its shareholder's investments. The Board considers that the Group's risk management framework and system of internal control maintained by the Management, and which was in place throughout the financial year and up to and as of the date of this report, are operating adequately and effectively to safeguard the shareholder's investment and the Company's and the Group's assets.

#### **Internal audit**

The GIA, led by the Group Chief Internal Auditor, reports directly to the GBAC and BAC. Being guided by the Group Internal Audit Charter, the GIA performs regular reviews and reports on the adequacy and effectiveness of the Group's risk management, internal control and governance processes. The results of the audits conducted by GIA are reported to the BAC/GBAC. The follow-up actions and the review of the status of actions taken as per the auditors' recommendations are carried out by the Management via the various Management Audit Committees ("MACs") (chaired by their respective Managing Directors) established at the key operating subsidiaries within the Group. These MACs have been consolidated into one committee and renamed as Group Audit Committee effective March 2014. The Group internal auditors also work closely with the external auditors to resolve any control issues as raised by them to ensure that all issues are duly acted upon by the Management. Further details of the activities of the GIA function are set out in the Statement on Risk Management & Internal Control of this Annual Report.

### **ENSURE TIMELY AND HIGH QUALITY DISCLOSURE**

#### **Corporate disclosure**

The Group places strong emphasis on clear, comprehensive, timely and equitable dissemination of information on the business activities, the milestones achieved, the developments that have taken place and financial performance. The Group, guided by the Bursa Securities' Corporate Disclosure Guide, MMLR, Financial Services Act 2013, amongst others, ensures that complete and accurate financial information, updates on major corporate exercises and business events, are released to the public on a timely manner. In 2013, the Group adopted a media communication plan whereby clear roles and responsibilities of Chairman and Senior Management are defined together with levels of authority in handling disclosure of material corporate, business and financial information to the public via media channels.

In addition, the Directors and employees are required to execute confidentiality undertakings in compliance to the secrecy requirement of the Financial Services Act 2013 or other regulatory requirements in respect of information which they may acquire through the business of RHB Capital and subsidiaries.

#### **Information technology and efficient dissemination of information**

The "Business" section on the RHB Capital's website which provides all relevant information on the Company is publicly accessible.

The announcement of the Group's quarterly financial results is made via Bursa LINK on the scheduled date, following which a press release is issued. It is also the Group's practice to organise live analyst briefings for the half year and full year results, whilst conference calls are organised for the first and third quarter. These analyst briefings and conference calls are led by the Group MD, together with the Group Chief Financial Officer. Members of the Senior Management team are also in attendance, reflecting the commitment to providing a high degree of clarity to the investment community.

The presentation materials for the briefings and conference calls are simultaneously made available publicly on RHB Capital's website upon the uploading of results to Bursa Securities.

The briefings and conference calls serve as an avenue to provide dialogue between research analysts and fund managers with the Group's Senior Management as well as to provide a platform for them to receive a balanced and complete view of the Group's performance and updates of the Group's business initiatives and strategies.

### **COMPLIANCE WITH THE MALAYSIAN CODE ON CORPORATE GOVERNANCE 2012 ("CODE")**

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

### **ADDITIONAL COMPLIANCE INFORMATION**

#### **Related party transactions**

The Group has put in place a Policy on Related Party Transaction Review Process which serves as a guide for reviewing and reporting of all related party transactions. All related party transactions are reviewed by Group Legal before any submission is made to the GBAC for deliberation.

# Statement on Risk Management & Internal Control

## INTRODUCTION

The Board of Directors (“Board”) recognises the importance of maintaining a sound risk management framework and internal control system to safeguard shareholders’ investments and the assets of the RHB Investment Bank Berhad (the “Investment Bank”) group of companies (collectively, the “Group”). The risk management and internal control system that we have in place facilitates our business operations and enables us to manage our Group in an effective and efficient manner with sound financial reporting as well as compliance with the relevant laws, regulations and internal procedures.

Set out below is the Board’s Statement on Risk Management & Internal Control, which has been prepared in accordance with the “Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers”.

## RESPONSIBILITY

The Board is responsible for the adequacy and effectiveness of the Investment Bank’s risk management and internal control system. The responsibilities of the Board for the governance of risk and controls include reviewing the risk management framework and processes, and assessing whether the framework and processes provide reasonable assurance that risks are managed within the Investment Bank’s defined risk appetite and tolerance level.

The risk management and control framework established by the Board to manage risks includes an ongoing process for identifying, evaluating, managing and reporting significant risks that may affect the achievement of the Investment Bank’s business objectives and strategies.

Whilst total elimination of risks is not possible, the risk management and internal control system that is in place is designed to manage risks in meeting the Investment Bank’s business objectives. The system can only provide reasonable and not absolute assurance against material misstatement, loss or fraud.

Management assists the Board in implementing Board policies and procedures on risk and control by identifying and assessing the risks faced, and in the design, operations and monitoring of appropriate internal controls to mitigate these risks. In this regard, the Board acknowledges that it has received assurances from the Managing Director (“MD”) and Group Chief Financial Officer as well as the Group Chief Risk Officer that the Investment Bank’s risk management and internal control system is operating adequately and effectively.

Reviewing the effectiveness of the risk management and internal control system is an essential part of the Board’s responsibility. The Board has, through its Board Risk Committee (“BRC”) and Board Audit Committee (“BAC”), assessed the adequacy and effectiveness of the Investment Bank’s risk management and internal control system. Based on these reviews as well as the assurance it has received from Management, the Board is of the view that the Investment Bank’s risk management and internal control system is operating adequately and effectively for the financial year under review and up to the date of approval of this report.

## KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

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

### Risk Management Framework

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

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

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

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

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

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

#### **Internal Audit Function**

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

The results of the audits conducted by GIA are reported to the BAC. Follow-up action and the review of the status of action taken as per the auditors’ recommendations are carried out by Management via the Management Audit Committee (chaired by the MD of the Investment Bank) whose members comprise Senior Management. The minutes of meetings of the Management Audit Committees are tabled to the BAC for notation. The various Management Audit Committees established at the key operating subsidiaries in the Group have been consolidated into one committee and renamed as Group Audit Committee (“Group AC”) effective March 2014.

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

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

#### **Group Compliance Framework**

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

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

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

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

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

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



### Board Committees

Specific responsibilities have been delegated to the relevant Board committees, all of which have written terms of references. These committees have oversight authority to examine and/or consider all matters within their scope of responsibility and make recommendations to the Board for approval, if such is required.

The following are the Group Board Committees that reside at RHB Bank Berhad:

- Board Credit Committee;
- Board Audit Committee; and
- Board Technology Committee.

The Group Board Committees currently residing at RHB Capital Berhad are as follows:

- Board Nominating and Remuneration Committee;
- Board Risk Committee; and
- Group Board Audit Committee.

### Management Committee

The Management Committee (“MC”) comprises key management personnel of the Investment Bank and is chaired by the MD. The MC provides a forum for the Investment Bank’s Senior Management to discuss and deliberate on strategic matters that impact the Investment Bank’s vision, direction, business synergies and brand value as well as to chart its strategic roadmap. The MC meets regularly and special meetings are convened to discuss urgent issues. The last MC meeting was held on 22 January 2014, and a new Corporate and Investment Banking Business Council is being established to replace the MC.

### Authority Limits

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

### Internal Policies and Procedures

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

### Budgeting Process

A detailed budgeting process is established requiring all key operating companies in the Group to prepare budgets and business plans annually for approval by the respective Boards. The Group’s budget and business plans as well as strategic initiatives, taking into account of risk appetite, are discussed by the Group’s Senior Management and the Board at an annual business planning and budgetary session.

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

### Performance Review

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

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

**Human Capital Management**

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

Hence, the Group has in place policies and procedures that govern recruitment, appointment, performance management, talent management, succession planning, compensation and reward, learning and human capital development, as well as policies and procedures that govern discipline, termination and dismissal.

The Group places emphasis on human capital development and talent management with the objective of ensuring that staff at every level are adequately trained from a technical perspective as well as equipped with management and leadership capabilities.

**Group Code of Ethics and Conduct**

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

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

**Group Whistle Blower Policy**

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

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

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

**Incident Management Framework**

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

# Board Audit Committee Report

## ACTIVITIES OF THE BOARD AUDIT COMMITTEE AND THE INTERNAL AUDIT FUNCTION DURING THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

### Activities of the Board Audit Committee

During the financial year ended 31 December 2013 ("year"), a total of twenty (20) Board Audit Committee ("BAC") meetings were held. The BAC comprises the following members and the details of attendance of each member at the BAC meetings held during the year are as follows:

Composition of the BAC	Attendance at Meetings
1. Mr Ong Seng Pheow (Chairman/Independent Non-Executive Director)	20/20 (100%)
2. Dato' Othman Jusoh (Member/Independent Non-Executive Director)	19/20 (95%)
3. Dato' Saw Choo Boon (Member/Independent Non-Executive Director)	20/20 (100%)
4. Dato' Mohd Ali Mohd Tahir (Member/Independent Non-Executive Director) - Resigned as a member on 28 January 2014	16/20 (80%)
5. Tuan Haji Md Ja'far Abdul Carrim (Member/Non-Independent Non-Executive Director) - Resigned as a member on 23 May 2013	9/9 (100%)
6. Datuk Haji Faisal Siraj (Member/Independent Non-Executive Director) - Appointed as a member on 28 January 2014	Not Applicable

Tuan Haji Md Ja'far Abdul Carrim, a Non-Independent Non-Executive Director, resigned as a member of the BAC on 23 May 2013.

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

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

- Reviewed the quarterly unaudited financial results and the annual audited financial statements of RHB Investment Bank Berhad and the Group before recommending them for approval by the Board;
- Reviewed the audit plan of the external auditors, the audit strategy, risk assessment and areas of audit emphasis for the year;

- Reviewed with the external auditors, the results of their annual audit and audit committee report together with the Management's response to their findings and recommendations;
- Met twice with the external auditors without the presence of the Management;
- Reviewed the non-audit services rendered by the external auditors and the related fees taking into consideration the fees threshold established under the Group policy;
- Evaluated the performance of the external auditors and made the necessary recommendations to the Board for consideration in relation to their appointment and audit fees;
- Reviewed and approved the annual internal audit plan to ensure adequacy of scope and coverage of the identified auditable areas including staffing requirements;
- Reviewed the internal audit reports, audit recommendations and Management's responses to these recommendations as well as actions taken to improve the system of internal controls and procedures, and completion of the internal audit plan;
- Reviewed the related party transactions entered into by RHB Investment Bank Berhad and its subsidiaries;
- Reviewed the inspection and examination reports issued by the regulatory authorities and the appropriate remedial actions taken in respect of any findings to satisfy itself that all matters highlighted in these reports have been adequately and promptly addressed by management; and
- Tabled the minutes of each BAC meeting to the Board for notation, and for further direction by the Board, where necessary.

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

#### (a) Banking and Finance

- Training on OSK Products
- Financial Services Act 2013 and Islamic Financial Services Act 2013 and Directors and Officers Liability Insurance Policy Presentation
- Personal Data Protection Act 2010 and Foreign Account Tax Compliance Act Presentation
- FIDE (Financial Institution Directors Education) Elective Programmes: Banking Fundamentals Programme
- FIDE Elective Programmes: Corporate Finance for Directors Programme
- FIDE Elective Programmes: Merger & Acquisitions for Financial Institutions
- Training Session No. 4 of Internal Capital Adequacy Assessment Process

**(b) Board and Corporate Governance**

- Shariah Awareness Programme
- Directors' Remuneration Seminar 2013 "The Best Practice"
- Governance in Groups Programme
- FIDE Elective Programmes: Advanced Risk Governance and Risk Management
- FIDE Elective Programmes: Risk Management Committees - Insurance Programme
- Advocacy Sessions on Corporate Disclosure for Directors of Listed Issuers

**Internal Audit Function**

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

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

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

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

**TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE****Objectives**

1. To provide independent oversight over the management of the financial reporting and internal control system and ensuring checks and balances for entities within RHB Banking Group ("the Group"), namely RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad.
2. To review the financial condition and performance of the Group.
3. To assist the Boards ("the Boards") of the respective entities in the discharge of their responsibilities by reviewing the effectiveness, adequacy and integrity of the Group's internal control systems and management information systems, including systems for risk management, governance processes and compliance with applicable laws, regulations, rules, directives and guidelines.
4. To reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit activities.
5. To provide, by way of regular meetings, a line of communication between the respective Boards and the external auditors.
6. To provide emphasis on the internal audit function by ensuring the objectivity and independence of the internal auditors and provide a forum for discussion that is among others independent of the Management.
7. To review the quality of the audits conducted by the internal and external auditors.
8. To enhance the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.

**Duties and Responsibilities**

1. The BAC is directly accountable to the Boards of the respective entities and the Boards will continue to be accountable for all matters relating to their respective entities.
2. To ensure that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives.
3. To ensure independent review of risk management and capital management process relating to the Internal Capital Adequacy Assessment Process ("ICAAP") for their integrity, objectivity and consistent application, is conducted.
4. To review the effectiveness of internal controls and risk management processes, including the scope of the internal audit programme and the appropriateness of the risk assessment methodology employed to determine the frequency and scope of audits.
5. To ensure that the reporting relationships of the internal audit staff do not impede the exercise of independent judgement by the internal auditors. In particular, the reports of internal auditors should not be subject to the clearance of the Managing Director/Chief Executive Officer or any Executive Directors.
6. To ensure that all findings and recommendations are resolved effectively and in a timely manner.
7. To make appropriate public disclosure of the terms of reference and the activities of the BAC in the respective licensed entities' financial statements.
8. To review the respective entities' quarterly results and year-end financial statements and to recommend the same to the respective Boards for approval whilst ensuring that they are prepared in a timely and accurate manner complying with all applicable accounting and regulatory requirements and are promptly published.
9. To review regularly the adequacy of provisions made and to recommend the same to the respective Boards for approval.



10. To review any related party transaction and conflict of interest situation that may arise within the Group, including any transaction, procedure or course of conduct that raises questions of management integrity.
11. To review with the external and internal auditors whether the employees of the Group have given them appropriate assistance in discharging their duties.
12. To review the adequacy of the scope, functions and resources of the internal audit function and that it has the necessary authority to carry out its work.
13. To review and approve the internal audit plan, audit charter and the budget for the audit plan.
14. To ensure that internal audit staff receives necessary training to perform audit work. There shall be a programme of continuing education and training to enable the internal auditors to keep abreast of business trends and latest developments at both the institution and industry levels, as well as to enhance technical skills required to effectively support the audit function.
15. To appraise the performance of the Group Chief Internal Auditor and to review the appraisals of senior staff members of the internal audit function.
16. To approve any appointment or termination of the Group Chief Internal Auditor and senior staff members of the internal audit function and to review any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning, where necessary.
17. To review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their management letter and discuss any matter that the external auditors may wish to raise in the absence of management, where necessary.
18. To recommend to the respective Boards on the appointment and the annual reappointment of the external auditors and assessing their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit.
19. To discuss and review with the external auditors any proposal from them to resign as auditors.
20. To investigate reasons for any request made by management to dismiss the external auditors, or any resignation by the external auditors. The results of the investigation shall be disclosed to the respective full Board together with the recommendations on proposed actions to be taken.
21. To review the non-audit services rendered by the external auditors together with the related fees and thereafter approving or recommending the same to the respective Boards for approval (whichever relevant), in accordance with the Group Policy on Non-Audit Fees payable to the external auditors.
22. To review the coordination of audit activities between the external and internal auditors.
23. To review the effectiveness of the infrastructure for ensuring Shariah compliance.
24. To review inspection and examination reports issued by any regulatory authority and to ensure prompt and appropriate actions are taken in respect of any findings.
25. To review the following pertaining to RHB Insurance Berhad:
  - (i) The Chairman's statement, interim financial reports and preliminary announcements;
  - (ii) Corporate governance disclosures made in the Directors' Report pursuant to the requirement in BNM/RH/GL/003-2 Prudential Framework of Corporate Governance for Insurers; and
  - (iii) All representation letters signed by management, and be satisfied that the information provided is complete and appropriate.
26. To ensure that RHB Insurance Berhad complies with Section 95 of the Insurance Act which requires the Company to publish its accounts within fourteen (14) days of the laying of its accounts at its annual general meeting.
27. To review the minutes of meetings of other audit committees within the Group to the extent permitted by the relevant regulatory authorities and be satisfied that all matters arising therefrom are being appropriately addressed by these other audit committees.
28. To perform any other functions as authorised by the respective Boards.

#### Authority

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

**Meetings**

1. Meetings shall be held at least four (4) times a year and the frequency of meetings shall reflect the wider and increased responsibilities assumed. Meetings shall convene with a minimum quorum of two thirds of the members and the majority of members present shall be Independent Non-Executive Directors.
2. The BAC should not convene any meeting to discuss specific issues of a particular entity without the presence of the representative of the said entity.
3. The Group Chief Internal Auditor shall be in attendance at meetings of the BAC. The BAC may invite the external auditors, the Managing Director/Chief Executive Officer, the Group Chief Operations Officer, the Group Chief Financial Officer, any other directors or members of the Management and employees of the Group to be in attendance during meetings to assist in its deliberations.
4. At least twice a year, the BAC shall meet with the external auditors without the presence of the Management or any executive Board members and upon the request of the external auditors, the Chairman of the BAC shall convene a meeting to consider any matter which the external auditors believe should be brought to the attention of the respective Boards or shareholders.
5. The Company Secretary shall act as Secretary of the BAC and shall be responsible for drawing up the agenda with the concurrence of the Chairman and circulating it, supported by explanatory documentation, to BAC members within a reasonable timeframe prior to each meeting.
6. The Company Secretary shall also be responsible for keeping the minutes of meetings of the BAC, their timely circulation to BAC members and other members of the Boards, and following up on outstanding matters in relation to the meetings.
7. The Chairman of the BAC shall provide reports to the respective Boards on the deliberations of the BAC on a regular basis. In addition, the Chairman shall also present summary of all significant matters (highlighting the risks and implications) and resolutions made by the BAC at the Board meetings.
8. The minutes of each BAC meeting shall be tabled to the respective Boards. Thereafter, a copy of the minutes of the BAC meeting pertaining to RHB Investment Bank Berhad shall be submitted to Bursa Malaysia Securities Berhad within thirty (30) days from the date of the minutes having been adopted by the Board.

**Membership**

1. The membership of the BAC, including the position of Chairman shall be approved by the respective Boards based on the recommendation made by the Board Nominating and Remuneration Committee.
2. The BAC shall comprise at least three (3) members and there should be a fair representative on the BAC, from each entity within the Group. All members of the BAC should be Non-Executive Directors with majority of whom are independent.
3. The Chairman of the BAC shall be an Independent Non-Executive Director.
4. No BAC member shall be employed in an executive position in the Group, or otherwise have a relationship which in the opinion of the respective Boards will interfere with the exercise of independent judgement in carrying out the functions of the BAC. In addition, members of the BAC shall not be directly responsible for, or part of any committee involved in, the management functions within the Group.
5. No alternate director shall be appointed as a member of the BAC.
6. Disclosure of customers' information to the members of the BAC to be strictly on need to know basis and the members are to provide undertaking to preserve the confidentiality of the customers' information.
7. Collectively, the BAC shall have a wide range of necessary skills to undertake its duties and responsibilities and are expected to be familiar with the areas included in the scope of internal audit, including the area of risk management.
8. All members of the BAC shall be financially literate and at least one member shall be a member of an accounting association or body.
9. Details of the activities of BAC, the number of audit meetings held in a year, details of attendance of each member in respect of meetings, and the details of relevant training attended by each member should be documented in an informative way.
10. The term of office and performance of the BAC and each of its members must be reviewed by the respective Boards at least once every two (2) years.
11. If a member of the BAC resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the respective Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

# Awards & Recognition

## RHB INVESTMENT BANK BERHAD

### 1. Islamic Finance News Awards – Deals of the Year 2013

- ♦ **Malaysia Deal of the Year**  
Danalnfra Nasional RM300 million Exchange Traded Sukuk (first tranche)  
  
Joint Lead Manager
- ♦ **Musharakah Deal of the Year**  
SP Setia RM700 million Sukuk Musharakah Programme  
  
Joint Principal Adviser, Joint Lead Arranger & Joint Lead Manager
- ♦ **Perpetual Deal of the Year**  
SP Setia RM609 million Sukuk Musharakah (first issuance)  
  
Joint Lead Manager
- ♦ **Structured Finance Deal of the Year**  
Malaysia Building Society Berhad RM495 million Structured Covered Sukuk (first issuance)  
  
Sole Lead Manager
- ♦ **Indonesia Deal of the Year**  
Golden Agri-Resources RM5 billion Islamic MTN Programme  
  
Sole Principal Adviser, Sole Lead Arranger, Sole Lead Manager & Sole Bookrunner

### 2. Alpha Southeast Asia - 7th Annual Deal & Solution Awards - 2013

- ♦ **Best Mid-Cap Equity Deal of the Year in Southeast Asia**  
Sona Petroleum RM550 million IPO  
  
Joint Principal Adviser, Joint Placement Agent, Joint Managing Underwriter & Joint Underwriter

- ♦ **Best Islamic Finance Deal of the Year in Southeast Asia &**
- ♦ **Best Bond Deal of the Year for Retail Investors in Southeast Asia**  
Danalnfra Nasional RM300 million Exchange Traded Sukuk (first tranche)  
  
Joint Lead Manager

- ♦ **Best IPO Deal of the Year in Southeast Asia &**
- ♦ **Best IPO Deal of the Year for Retail Investors in Southeast Asia**  
UMW Oil & Gas USD820 million IPO  
  
Joint Underwriter

### 3. Alpha Southeast Asia - 7th Annual Best Financial Institution Awards - 2013

- ♦ **Malaysia Awards**
  - **Best Mid-Cap Corporate Finance House** – *second consecutive year*
  - **Best Retail Broker**
- ♦ **Singapore Awards**
  - **Best Mid-Cap Corporate Finance House**  
(DMG & Partners Securities, Singapore) - *second consecutive year*

### 4. The Asset Triple A Islamic Finance Awards - 2013

- ♦ **Best Highly Commended Corporate Sukuk**  
Golden-Agri Resources RM1.5 billion Sukuk (first issuance)  
  
Sole Lead Manager & Sole Bookrunner
- ♦ **Best Islamic Project Finance**  
Tanjung Bin Energy Issuer RM6.5 billion Loan and Sukuk Murabahah  
  
Joint Lead Manager (Sukuk), Joint Lead Arranger (junior equity bridge loan) & Joint Lead Arranger (senior loan)
- ♦ **Highly Commended/Most Innovative Deal**  
Cagamas RM500 million Multi-tenor Sukuk Wakala Bil Istithmar  
  
Joint Lead Manager

- ♦ **Best Local Currency Sukuk**  
Danalnfra Nasional RM2.4 billion Sukuk (third issuance)  
  
Joint Lead Manager

### 5. 10th Annual RAM League Awards

- ♦ **RAM Award of Distinction Blueprint Award – Most Innovative Deal of the Year**  
Tanjung Bin Energy Issuer RM3.29 billion Senior Sukuk Murabahah Under Tawarrug  
  
Joint Lead Manager
  - ♦ **RAM Lead Manager Award**
    - **Conventional Bonds by Number of Issues** – Joint 3rd
    - **Islamic Bonds by Number of Issues** – Joint 3rd
  - ♦ **First RAM-rated Foreign Entity from Republic of Indonesia**  
First Resources Ltd RM2.0 billion Sukuk Musharakah Programme  
  
Sole Principal Adviser, Sole Lead Arranger, Sole Lead Manager & Sole Bookrunner
  - ♦ **First RAM-rated Foreign Entity from United Arab Emirates**  
Abu Dhabi Commercial Bank PJSC RM3.5 billion MTN Programme  
  
Joint Lead Arranger & Joint Lead Manager
  - ♦ **First RAM-rated Foreign Entity from State of Kuwait**  
Gulf Investment Corporation GSC RM1.0 billion Dual Tranche Fixed Rate Bonds  
  
Joint Lead Manager & Joint Bookrunner
- ### 6. The Edge Malaysia Best Deals of the Year 2013
- ♦ **Best Fundraising for Non-IPOs**  
Sunway Berhad RM732 million Rights Issue  
  
Sole Adviser

**RHB INVESTMENT BANK BERHAD (CONTINUED)****6. The Edge Malaysia Best Deals of the Year 2013 (Continued)**♦ **Best M&A Deal (Notable Mention)**

USD200 million Investment by KKR & Co. LP, in Weststar Aviation Services Sdn Bhd

Sole Financial Adviser

♦ **Best IPO (Notable Mention)**

Tune Ins Holdings Berhad RM283.8 million IPO

Sole Principal Adviser, Managing Underwriter & Joint Bookrunner

**7. BrandLaureate-SMEs Best Brand Awards 2012**♦ **Most Preferred Brand in the Financial-Investment Bank Category (OSK Investment Bank)****8. Advertising + Marketing's Inaugural Marketing Excellence Awards 2013**♦ **Gold in the Excellence in Digital Marketing category**

for OSK Investment Challenge (OSKIC) Campus Edition 2012

**RHB RESEARCH INSTITUTE SDN BHD****1. Wall Street Journal Asia's Best Analysts**♦ **Best Analyst in Singapore:**

Mr Tan Han Meng,  
Head of Regional Consumer,  
DMG & Partners

**2. Asiamoney Brokers Poll 2013**♦ **Malaysia**

- **Best Research Coverage for Small Caps** (ranked 1st)

- **Most Improved Brokerage over the last 12 months** (ranked 1st)

- **Best Local Brokerage** (ranked 3rd)

- **Best for Overall Country Research** (ranked 3rd)

- **Best Overall Sales Services** (ranked 3rd)

♦ **Singapore**

- **Best Research Coverage for Small Caps** (ranked 1st)

- **Best Analyst:**  
**Mr Terence Wong** (ranked 1st) &  
**Mr Jason Saw** (ranked 3rd)

- **Most Improved Brokerage over the last 12 months** (ranked 2nd)

- **Best Local Brokerage** (ranked 2nd)

♦ **Indonesia**

- **Best Research Coverage for Small Caps** (ranked 1st)

**3. StarMine Analysts Awards 2013**♦ **Singapore**

- **Best Earnings Estimator Stock Picker for Singapore & Top in the Asia Awards Machinery & Materials Category:**  
**Mr Jason Saw** – (OSK/DMG Singapore)

- **4th Best Real Estate Stock Picker in Singapore:**  
**Mr Pang Ti Wee** – (OSK/DMG Singapore)

- **Top Brokerage Firm in Singapore:**  
**OSK/DMG**

**4. Bloomberg Ranking of Top U.S. Economic Forecasters**♦ **5th Best Forecaster in the World for U.S.:**

Mr Thomas Lam,  
Chief G3 Economist,  
(OSK/DMG Singapore)

**RHB ASSET MANAGEMENT SDN BHD****1. Morningstar Malaysia Fund Awards 2013**♦ **RHB-OSK KidSave Trust (MYR Allocation)****2. Fundsupermart – The Recommended Unit Trust Awards 2013/14**♦ **Category - Balanced**

- **RHB-OSK Global Multi Manager Fund**

- **RHB-OSK Smart Balanced Fund**

- **RHB-OSK KidSave Trust**

♦ **Category - Equity**

- **RHB-OSK-GS BRIC Equity Fund**

- **RHB-OSK Emerging Opportunity Fund**

**3. The Asset – Asian Bond Most Astute Investors 2013**♦ **Mr Hoe Cheah How, Malaysia - 4 Consecutive Years Ranked No. 2 in 2013****4. The Edge-Lipper Malaysia Fund Awards 2014**♦ **Best Performing Funds for the year ended 31 December 2013**

- **RHB-OSK Emerging Opportunity Fund: Equity Malaysia Diversified, 3 years**

- **RHB-OSK Smart Balanced Fund: Mixed Asset MYR Balanced – Malaysia, 3 years**

- **RHB-OSK Smart Income Fund: Mixed Asset MYR Conservative, 3 years**

- **RHB-OSK Islamic Bond Fund: Bond Malaysia Ringgit (Islamic), 3 years**



# Financial Statements

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# Responsibility Statement by the Board of Directors

## **REPORT ON THE FINANCIAL STATEMENTS**

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 192 of the financial statements.

# Directors' Report

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

## PRINCIPAL ACTIVITIES

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

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

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

## FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Net profit for the financial year attributable to:		
- Equity holder of the Bank	131,363	116,527
- Non-controlling interests	9,704	-
Net profit for the financial year	141,067	116,527

## DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2012:	
Final dividend of 8.60 sen less 25% tax paid on 12 June 2013	17,005

The Board of Directors do not propose any dividend for the financial year ended 31 December 2013.

## 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

On 13 April 2013, the Bank has increased its issued and paid-up share capital by issuance of 555,000,000 new ordinary shares of RM1.00 each at a subscription price of RM3.73 each.

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

**BAD AND DOUBTFUL DEBTS**

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

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

**CURRENT ASSETS**

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

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

**VALUATION METHOD**

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

**CONTINGENT AND OTHER LIABILITIES**

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

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

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

**CHANGE OF CIRCUMSTANCES**

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

**ITEMS OF AN UNUSUAL NATURE**

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

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

**SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR**

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



**SUBSEQUENT EVENTS AFTER THE FINANCIAL YEAR**

There was no subsequent events after the financial year.

**DIRECTORS OF THE BANK**

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

Tan Sri Ong Leong Huat @ Wong Joo Hwa (Chairman)  
 Dato' Mohamed Khadar Merican  
 Tan Sri Azlan Zainol  
 Mr Charles Lew Foon Keong  
 Mr Patrick Chin Yoke Chung  
 Dato' Saw Choo Boon  
 Encik Abdul Aziz Peru Mohamed  
 Mr Mike Chan Cheong Yuen \*

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

Pursuant to Article 93 of the Bank's Articles of Association, Dato' Mohamed Khadar Merican and Mr Charles Lew Foon Keong retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

Pursuant to Article 97 of the Bank's Articles of Association, Mr Mike Chan Cheong Yuen retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Tan Sri Ong Leong Huat @ Wong Joo Hwa will retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-appointment.

**DIRECTORS' INTERESTS IN SECURITIES**

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

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2013	Bought	Sold	As at 31.12.2013
<b>Holding Company RHB Capital Berhad</b>				
Dato' Mohamed Khadar Merican				
- Direct	62,760	1,726	-	<b>64,486</b>
Tan Sri Ong Leong Huat @ Wong Joo Hwa				
- Indirect	1,100 <sup>^</sup>			
	245,000,000 <sup>*</sup>	7,304,688	-	<b>252,305,788</b>

Note:

<sup>^</sup> The interest is held through family member.

<sup>\*</sup> Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholdings in OSK Holdings Berhad.

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

**DIRECTORS' BENEFITS**

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

**DIRECTORS' BENEFITS (CONTINUED)**

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

**IMMEDIATE AND ULTIMATE HOLDING COMPANY**

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

**AUDITORS**

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

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

**TAN SRI ONG LEONG HUAT @ WONG JOO HWA**

CHAIRMAN

Kuala Lumpur  
6 March 2014

**DATO' SAW CHOO BOON**

DIRECTOR

# Statements of Financial Position

As at 31 December 2013

	Note	Group		Bank	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>ASSETS</b>					
Cash and short term funds	2	<b>1,065,190</b>	1,911,815	<b>793,935</b>	1,509,772
Deposits and placements with banks and other financial institutions	3	<b>100,715</b>	705,698	<b>100,715</b>	705,698
Financial assets held-for-trading ("HFT")	4	<b>1,226,494</b>	1,136,224	<b>1,061,869</b>	1,044,686
Financial investments available-for-sale ("AFS")	5	<b>3,668,358</b>	4,931,686	<b>3,574,627</b>	4,896,754
Financial investments held-to-maturity ("HTM")	6	<b>954,587</b>	1,142,505	<b>954,587</b>	1,142,505
Loans and advances	7	<b>2,393,747</b>	1,727,602	<b>1,848,325</b>	1,417,414
Clients' and brokers' balances	8	<b>2,573,583</b>	2,500,765	<b>543,766</b>	674,541
Other assets	9	<b>223,446</b>	283,941	<b>119,229</b>	207,411
Derivative assets	10	<b>48,760</b>	15,093	<b>48,760</b>	15,093
Statutory deposits	11	<b>216,643</b>	246,240	<b>216,643</b>	246,240
Tax recoverable		<b>32,701</b>	36,576	<b>28,881</b>	33,358
Deferred tax assets	12	<b>17,345</b>	5,064	<b>11,121</b>	-
Investment in subsidiaries	13	-	-	<b>1,077,291</b>	910,773
Investment in associates and joint ventures	14	<b>29,044</b>	44,742	<b>29,464</b>	37,241
Property, plant and equipment	15	<b>56,075</b>	64,613	<b>29,213</b>	35,267
Goodwill and other intangible assets	16	<b>1,338,695</b>	1,353,594	<b>1,161,646</b>	1,175,412
<b>TOTAL ASSETS</b>		<b>13,945,383</b>	16,106,158	<b>11,600,072</b>	14,052,165

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

	Note	Group		Bank	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	17	<b>2,484,429</b>	3,749,449	<b>2,559,248</b>	3,835,953
Deposits and placements of banks and other financial institutions	18	<b>4,620,678</b>	5,883,851	<b>4,620,678</b>	5,883,851
Obligation on securities sold under repurchase agreements	19	<b>401,522</b>	240,010	<b>401,522</b>	240,010
Obligation on securities borrowed		<b>31,734</b>	119,905	<b>31,734</b>	119,905
Clients' and brokers' balances	20	<b>2,314,971</b>	2,240,993	<b>419,269</b>	620,615
Other liabilities	21	<b>315,172</b>	289,841	<b>170,093</b>	157,795
Derivative liabilities	10	<b>82,463</b>	37,692	<b>82,284</b>	37,692
Taxation		<b>10,384</b>	15,018	-	-
Deferred tax liabilities	12	<b>11,028</b>	13,571	-	3,972
Borrowings	22	<b>152,192</b>	112,385	-	-
Subordinated obligations	23	<b>559,099</b>	719,584	<b>559,099</b>	719,584
<b>TOTAL LIABILITIES</b>		<b>10,983,672</b>	13,422,299	<b>8,843,927</b>	11,619,377
Share capital	24	<b>818,646</b>	263,646	<b>818,646</b>	263,646
Reserves	25	<b>1,951,717</b>	2,203,637	<b>1,937,499</b>	2,169,142
		<b>2,770,363</b>	2,467,283	<b>2,756,145</b>	2,432,788
Non-controlling interests	26	<b>191,348</b>	216,576	-	-
<b>TOTAL EQUITY</b>		<b>2,961,711</b>	2,683,859	<b>2,756,145</b>	2,432,788
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>13,945,383</b>	16,106,158	<b>11,600,072</b>	14,052,165
<b>COMMITMENTS AND CONTINGENCIES</b>	39	<b>7,907,009</b>	6,023,509	<b>6,961,691</b>	5,247,108



# Income Statements

For the Financial Year Ended 31 December 2013

	Note	Group		Bank	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Interest income	27	<b>448,164</b>	184,105	<b>386,558</b>	175,705
Interest expense	28	<b>(284,935)</b>	(147,348)	<b>(278,305)</b>	(147,347)
Net interest income		<b>163,229</b>	36,757	<b>108,253</b>	28,358
Other operating income	29	<b>901,036</b>	351,912	<b>475,115</b>	267,073
Other operating expenses	30	<b>1,064,265</b> <b>(850,102)</b>	388,669 (268,592)	<b>583,368</b> <b>(422,768)</b>	295,431 (184,305)
Operating profit before allowances		<b>214,163</b>	120,077	<b>160,600</b>	111,126
Change in allowance for impairment on loans, advances and other losses	32	<b>(38,155)</b>	(1,846)	<b>(7,199)</b>	(347)
Impairment losses written back/(made) on other assets	33	<b>7,633</b>	(4,798)	<b>1,090</b>	(10,898)
Share of results of associates		<b>183,641</b>	113,433	<b>154,491</b>	99,881
Share of results of joint ventures		<b>1,517</b>	738	-	-
Profit before taxation		<b>427</b>	826	-	-
Taxation	34	<b>185,585</b> <b>(44,518)</b>	114,997 (28,503)	<b>154,491</b> <b>(37,964)</b>	99,881 (26,499)
Net profit for the financial year		<b>141,067</b>	86,494	<b>116,527</b>	73,382
Attributable to:					
- Equity holder of the Bank		<b>131,363</b>	84,549	<b>116,527</b>	73,382
- Non-controlling interests		<b>9,704</b>	1,945	-	-
		<b>141,067</b>	86,494	<b>116,527</b>	73,382
Earnings per share (sen)					
- Basic/diluted	35	<b>19.80</b>	32.07	<b>17.56</b>	27.83

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

	Note	Group		Bank	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Net profit for the financial year		<b>141,067</b>	86,494	<b>116,527</b>	73,382
Other comprehensive income/(loss):					
Items that will be reclassified subsequently to profit or loss					
- Currency translation differences		<b>(10,367)</b>	(688)	-	-
- Unrealised net (loss)/gain on revaluation of financial investments available-for-sale ("AFS")		<b>(32,013)</b>	16,810	<b>(43,900)</b>	14,807
- Net transfer to income statements on disposal or impairment of financial investments AFS		<b>(14,107)</b>	(22,911)	<b>(14,108)</b>	(22,792)
- Actuarial losses on defined benefit plan in subsidiary companies		-	384	-	-
Income tax relating to components of other comprehensive loss	36	<b>12,657</b>	1,974	<b>14,501</b>	1,996
Other comprehensive loss, net of tax		<b>(43,830)</b>	(4,431)	<b>(43,507)</b>	(5,989)
Total comprehensive income for the financial year		<b>97,237</b>	82,063	<b>73,020</b>	67,393
Total comprehensive income attributable to:					
- Equity holder of the Bank		<b>75,725</b>	79,432	<b>73,020</b>	67,393
- Non-controlling interests		<b>21,512</b>	2,631	-	-
		<b>97,237</b>	82,063	<b>73,020</b>	67,393

# Statements of Changes in Equity

For the Financial Year Ended 31 December 2013

Group	Note	Attributable to equity holder of the Bank							Total RM'000	Non-controlling interests RM'000	Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Capital contribution by holding company RM'000	Retained profits RM'000			
<b>Balance as at 1 January 2013</b>		263,646	-	278,549	14,720	(6,515)	-	101,299	651,699	-	651,699
- As previously reported											
Acquisition of subsidiaries											
- Effect of predecessor accounting	48				(1,794)	511	1,802,808	14,059	1,815,584	216,576	2,032,160
As restated		263,646	-	278,549	12,926	(6,004)	1,802,808	115,358	2,467,283	216,576	2,683,859
Net profit for the financial year					-			131,363	131,363	9,704	141,067
Currency translation differences					234	(16,764)			(16,530)	6,163	(10,367)
Financial investments AFS:											
- Unrealised net (loss)/gain on revaluation					(38,759)				(38,759)	6,746	(32,013)
- Net transfer to income statements on disposal or impairment					(14,107)				(14,107)	-	(14,107)
Income tax relating to components of other comprehensive loss/(income)	36				13,758				13,758	(1,101)	12,657
Other comprehensive income/(loss), net of tax, for the financial year					(38,874)	(16,764)			(55,638)	11,808	(43,830)
Total comprehensive income/(loss) for the financial year					(38,874)	(16,764)		131,363	75,725	21,512	97,237
Issuance of shares for the acquisition of OSKIB		555,000	1,515,150				(1,802,808)		267,342		267,342
Dividend paid	37							(17,005)	(17,005)		(17,005)
Dividend paid to non-controlling interest										(9,448)	(9,448)
Accretion on deemed disposals of interest in associates								(748)	(748)		(748)
Acquisition of shares by non-controlling interest										431	431
Acquisition of shares from non-controlling interests	47							(22,234)	(22,234)	(37,723)	(59,957)
Total transactions with owner		555,000	1,515,150				(1,802,808)	(39,987)	227,355	(46,740)	180,615
<b>Balance as at 31 December 2013</b>		818,646	1,515,150	278,549	(25,948)	(22,768)		206,734	2,770,363	191,348	2,961,711

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

Group Restated	Note	Attributable to equity holder of the Bank						Total RM'000	Non-controlling interests RM'000	Total RM'000
		Share capital RM'000	Statutory reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Capital contribution by holding company RM'000	Retained profits RM'000			
<b>Balance as at 1 January 2012</b>		263,646	278,549	17,813	(5,394)	-	59,694	-	614,308	
Net profit for the financial year		-	-	-	-	-	84,549	1,945	86,494	
Currency translation differences		-	-	(4)	(610)	-	-	(74)	(688)	
Financial investments AFS:		-	-	-	-	-	-	-	-	
- Unrealised net gain on revaluation		-	-	15,902	-	-	-	908	16,810	
- Net transfer to income statements on disposal or impairment		-	-	(22,911)	-	-	-	-	(22,911)	
Share of actuarial loss of subsidiary companies		-	-	-	-	-	380	4	384	
Income tax relating to components of other comprehensive loss/ (income)	36	-	-	2,126	-	-	-	(152)	1,974	
Other comprehensive income/(loss), net of tax, for the financial year		-	-	(4,887)	(610)	-	380	686	(4,431)	
Total comprehensive income/(loss) for the financial year		-	-	(4,887)	(610)	-	84,929	2,631	82,063	
Acquisition of subsidiaries		-	-	-	-	-	-	-	-	
- Effect of predecessor accounting		-	-	-	-	1,802,808	-	214,432	2,017,240	
Dividend paid	37	-	-	-	-	-	(29,265)	-	(29,265)	
Dividend paid to non-controlling interest		-	-	-	-	-	-	(487)	(487)	
Total transactions with owner		-	-	-	-	1,802,808	(29,265)	213,945	1,987,488	
<b>Balance as at 31 December 2012</b>		263,646	278,549	12,926	(6,004)	1,802,808	115,358	216,576	2,683,859	

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

Bank	Note	Share capital RM'000	Non-distributable				Distributable		Total RM'000
			Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Capital contribution by holding company RM'000	Retained profits RM'000		
<b>Balance as at 1 January 2013</b>		<b>263,646</b>	-	<b>278,549</b>	<b>14,720</b>	-	<b>85,112</b>	<b>642,027</b>	
- As previously reported									
Acquisition of assets and liabilities	48	-	-	-	<b>(3,723)</b>	<b>1,802,808</b>	<b>14,312</b>	<b>1,813,397</b>	
- Effect of predecessor accounting									
- Merger deficit adjusted against retained profits							<b>(22,636)</b>	<b>(22,636)</b>	
As restated		<b>263,646</b>	-	<b>278,549</b>	<b>10,997</b>	<b>1,802,808</b>	<b>76,788</b>	<b>2,432,788</b>	
Net profit for the financial year							<b>116,527</b>	<b>116,527</b>	
Financial investments AFS:									
- Unrealised net loss on revaluation					<b>(43,900)</b>			<b>(43,900)</b>	
- Net transfer to income statements on disposal or impairment					<b>(14,108)</b>			<b>(14,108)</b>	
Income tax relating to components of other comprehensive loss	36				<b>14,501</b>			<b>14,501</b>	
Other comprehensive loss, net of tax, for the financial year					<b>(43,507)</b>			<b>(43,507)</b>	
Total comprehensive income/(loss) for the financial year					<b>(43,507)</b>		<b>116,527</b>	<b>73,020</b>	
Issuance of shares for the acquisition of OSKIB		<b>555,000</b>	<b>1,515,150</b>			<b>(1,802,808)</b>		<b>267,342</b>	
Dividend paid	37						<b>(17,005)</b>	<b>(17,005)</b>	
Total transactions with owner		<b>555,000</b>	<b>1,515,150</b>			<b>(1,802,808)</b>	<b>(17,005)</b>	<b>250,337</b>	
<b>Balance as at 31 December 2013</b>		<b>818,646</b>	<b>1,515,150</b>	<b>278,549</b>	<b>(32,510)</b>	-	<b>176,310</b>	<b>2,756,145</b>	

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



Bank Restated	Note	Share capital RM'000	Non-distributable				Distributable		Total RM'000
			Statutory reserves RM'000	AFS reserves RM'000	Capital contribution by holding company RM'000	Retained profits RM'000			
<b>Balance as at 1 January 2012</b>		263,646	278,549	16,986	-	-	55,307	614,488	
Net profit for the financial year		-	-	-	-	-	73,382	73,382	
Financial investments AFS:		-	-	14,807	-	-	-	14,807	
- Unrealised net gain on revaluation		-	-	-	-	-	-	-	
- Net transfer to income statements on disposal or impairment		-	-	(22,792)	-	-	-	(22,792)	
Income tax relating to components of other comprehensive loss	36	-	-	1,996	-	-	-	1,996	
Other comprehensive loss, net of tax, for the financial year		-	-	(5,989)	-	-	-	(5,989)	
Total comprehensive income/(loss) for the financial year		-	-	(5,989)	-	-	73,382	67,393	
Acquisition of assets and liabilities		-	-	-	-	1,802,808	-	1,802,808	
- Effect of predecessor accounting		-	-	-	-	-	(22,636)	(22,636)	
- Merger deficit adjusted against retained profits		-	-	-	-	-	(29,265)	(29,265)	
Dividend paid	37	-	-	-	-	-	(51,901)	1,750,907	
Total transactions with owner		-	-	-	-	1,802,808	(51,901)	1,750,907	
<b>Balance as at 31 December 2012</b>		<b>263,646</b>	<b>278,549</b>	<b>10,997</b>	<b>1,802,808</b>	<b>76,788</b>	<b>2,432,788</b>		

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	Restated 2012 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>			
Profit before taxation		<b>185,585</b>	114,997
Adjustments for:			
Change in allowance for impairment on loans, advances and other losses		<b>38,164</b>	1,877
Property, plant and equipment:			
- depreciation		<b>22,680</b>	7,907
- gain on disposal		<b>(205)</b>	(135)
- written off		<b>418</b>	5
Intangible assets			
- amortisation		<b>20,134</b>	4,502
- written off		<b>219</b>	-
Accretion of discount less amortisation of premium - net		<b>(10,230)</b>	3,153
(Write back)/impairment losses on financial investments AFS and HTM		<b>(7,633)</b>	4,839
Interest income from financial assets HFT, AFS and HTM		<b>(199,936)</b>	(117,916)
Net gain from sale/redemption of financial assets HFT, AFS and HTM		<b>(17,395)</b>	(25,189)
Net unrealised gain on revaluation of financial assets HFT and derivatives		<b>(43,898)</b>	(4,616)
Net loss/(gain) from sale of derivatives		<b>17,736</b>	(11,300)
Gross dividend income from HFT, AFS and HTM		<b>(3,103)</b>	(843)
Share of results of associates		<b>(1,517)</b>	(738)
Share of results of jointly controlled entities		<b>(427)</b>	(826)
Unrealised foreign exchange loss/(gain) - net		<b>(11,191)</b>	135
Gain arising from disposal of an associate		<b>(8,737)</b>	-
Operating loss before working capital changes		<b>(19,336)</b>	(24,148)
(Increase)/decrease in operating assets:			
Deposits and placements with banks and other financial institutions		<b>604,983</b>	(346,247)
Financial assets HFT		<b>(55,012)</b>	(558,943)
Loans and advances		<b>(674,620)</b>	(47,172)
Clients' and brokers' balances		<b>(99,313)</b>	(348,731)
Derivative assets		<b>(33,667)</b>	11,491
Other assets		<b>56,644</b>	(73,693)
Statutory deposits		<b>29,597</b>	55,914
		<b>(171,388)</b>	(1,307,381)

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

	Note	Group	
		2013 RM'000	Restated 2012 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)</b>			
Increase/(decrease) in operating liabilities:			
Deposits from customers		<b>(1,265,021)</b>	(440,880)
Deposits and placements of banks and other financial institutions		<b>(1,263,172)</b>	(1,117,156)
Obligation on securities sold under repurchase agreements		<b>161,513</b>	4,062
Obligation on securities borrowed		<b>(88,171)</b>	20,227
Clients' and brokers' balances		<b>73,978</b>	425,273
Derivative liabilities		<b>65,288</b>	(8,115)
Other liabilities		<b>25,333</b>	35,617
		<b>(2,290,252)</b>	(1,080,972)
Cash used in operations		<b>(2,480,976)</b>	(2,412,501)
Net tax paid		<b>(47,991)</b>	(17,086)
Net cash used in operating activities		<b>(2,528,967)</b>	(2,429,587)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net proceeds from sale of investments AFS and HTM		<b>1,465,421</b>	1,307,388
Financial investments AFS and HTM:			
- interest received		<b>183,693</b>	110,244
- dividend income received		<b>1,436</b>	452
Property, plant and equipment:			
- purchase		<b>(14,997)</b>	(7,244)
- proceeds from disposal		<b>630</b>	758
Purchase of software license		<b>(5,451)</b>	(3,361)
Net assets inflow from acquisition from OSKIB		-	1,209,284
Net cash generated from investing activities		<b>1,630,732</b>	2,617,521

	Note	Group	
		2013 RM'000	Restated 2012 RM'000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net (redemption)/proceed of subordinated obligations		<b>(160,485)</b>	46,880
Net drawdown/(repayment) of borrowings		<b>39,807</b>	(48,389)
Net proceeds from issuance of shares		<b>267,342</b>	-
Dividends paid to equity holder of the Bank		<b>(17,005)</b>	(29,265)
Dividends paid to non-controlling interests		<b>(9,448)</b>	(487)
Acquisition of additional shares in subsidiaries		<b>(59,956)</b>	-
Acquisition of shares by non-controlling interest		<b>431</b>	-
Net cash generated from/(used in) financing activities		<b>60,686</b>	(31,261)
Net (decrease)/increase in cash and cash equivalents		<b>(837,549)</b>	156,673
Effects of exchange rate differences		<b>(9,076)</b>	371
Cash and cash equivalents:			
- at the beginning of the financial year		<b>1,911,815</b>	1,754,771
- at the end of the financial year		<b>1,065,190</b>	1,911,815
Cash and cash equivalents comprise the following:			
Cash and short term funds	2	<b>1,065,190</b>	1,911,815

	Bank	
	2013 RM'000	Restated 2012 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	<b>154,491</b>	99,881
Adjustments for:		
Change in allowance for impairment on loans, advances and other losses	<b>7,208</b>	378
Property, plant and equipment:		
- depreciation	<b>12,484</b>	5,987
- loss/(gain) on disposal	<b>1</b>	(135)
- written off	<b>167</b>	-
Intangible assets		
- amortisation	<b>16,823</b>	3,831
Accretion of discount less amortisation of premium - net	<b>(10,230)</b>	3,153
Impairment losses (write back)/made on financial investments AFS and HTM	<b>(7,633)</b>	4,839
Impairment loss on investment in subsidiaries	<b>6,543</b>	-
Impairment loss on a joint venture	-	6,100
Interest income from financial assets HFT, AFS and HTM	<b>(193,976)</b>	(117,492)
Net gain from sale/redemption of financial assets HFT, AFS and HTM	<b>(15,277)</b>	(21,843)
Net unrealised gain on revaluation of financial assets HFT and derivatives	<b>(43,871)</b>	(3,866)
Net loss/(gain) from sale of derivatives	<b>20,765</b>	(11,300)
Gross dividend income from HFT, AFS and HTM	<b>(1,415)</b>	(841)
Gross dividend income from subsidiaries	<b>(15,870)</b>	(471)
Gross dividend income from associate	-	(1,057)
Unrealised foreign exchange (gain)/loss-net	<b>(12,134)</b>	445
Gain arising from disposal of an associate	<b>(18,424)</b>	-
Operating loss before working capital changes	<b>(100,348)</b>	(32,391)
(Increase)/decrease in operating assets:		
Deposits and placements with banks and other financial institutions	<b>604,983</b>	(346,247)
Financial assets HFT	<b>11,167</b>	(547,693)
Loans and advances	<b>(439,424)</b>	(106,145)
Clients' and brokers' balances	<b>133,528</b>	(216,684)
Derivative assets	<b>(33,667)</b>	11,491
Other assets	<b>91,308</b>	(43,211)
Statutory deposits	<b>29,597</b>	55,914
	<b>397,492</b>	(1,192,575)



	Note	Bank	
		2013 RM'000	Restated 2012 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)</b>			
Increase/(decrease) in operating liabilities:			
Deposits from customers		<b>(1,276,706)</b>	(435,588)
Deposits and placements of banks and other financial institutions		<b>(1,263,172)</b>	(1,117,156)
Obligation on securities sold under repurchase agreements		<b>161,512</b>	4,062
Obligation on securities borrowed		<b>(88,171)</b>	20,227
Clients' and brokers' balances		<b>(201,346)</b>	229,025
Derivative liabilities		<b>59,264</b>	(8,115)
Other liabilities		<b>12,299</b>	(14,787)
		<b>(2,596,320)</b>	(1,322,332)
Cash used in operations		<b>(2,299,176)</b>	(2,547,298)
Taxation paid		<b>(34,079)</b>	(19,685)
Net cash used in operating activities		<b>(2,333,255)</b>	(2,566,983)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>			
Net proceeds from sale of investments AFS and HTM		<b>1,487,726</b>	1,288,111
Financial investments AFS and HTM:			
- interest received		<b>183,693</b>	110,244
- dividend income received		<b>1,368</b>	465
Property, plant and equipment:			
- purchase		<b>(6,605)</b>	(5,875)
- proceeds from disposal		<b>7</b>	735
Purchase of software license		<b>(3,057)</b>	(626)
Dividend income received from subsidiaries		<b>11,295</b>	471
Dividend income received from associate		-	1,057
Additional investment in subsidiaries		<b>(173,062)</b>	-
Proceeds from disposal of an associate		<b>26,201</b>	-
Net cash inflow from acquisition of OSKIB		-	976,742
Net cash generated from investing activities		<b>1,527,566</b>	2,371,324
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>			
Net (redemption)/proceed of subordinated obligations		<b>(160,485)</b>	46,880
Net proceeds from issuance of shares		<b>267,342</b>	-
Dividends paid to equity holder of the Bank		<b>(17,005)</b>	(29,265)
Net cash generated from financing activities		<b>89,852</b>	17,615
Net decrease in cash and cash equivalents		<b>(715,837)</b>	(178,044)
Cash and cash equivalents:			
- at the beginning of the financial year		<b>1,509,772</b>	1,687,816
- at the end of the financial year		<b>793,935</b>	1,509,772
Cash and cash equivalents comprise the following:			
Cash and short term funds	2	<b>793,935</b>	1,509,772

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 financial years presented, unless otherwise stated.

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

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

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

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

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

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

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

- (b) Standards early adopted by the Group

The amendments to MFRS 136 "Impairment of assets" removed certain disclosures of the recoverable amount of CGUs 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 has 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 Bank but not yet effective.

The Group and the Bank 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.

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.

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.

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 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, amendments to published standards are not expected to have a material impact on the financial results of the Group and the Bank except that the Group and the Bank are in the process of reviewing the requirements of MFRS 9 and expects this process to be completed prior to the effective date.

**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(2) Basis of Consolidation**

## (a) Subsidiaries

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

Acquisition accounting

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

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

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 profit or loss or as a change to other comprehensive income. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

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

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attribution to non-controlling interests 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 years results. The corresponding amounts for the previous year reflect the combine results of both entities.

**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(2) Basis of Consolidation (Continued)**

(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.

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

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

Investment in jointly controlled entities 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 the post-acquisition results of jointly controlled entities in profit or loss, and its share of post-acquisition changes 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.

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

(e) Associates

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

Investment 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.



**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(2) Basis of Consolidation (Continued)****(e) Associates (Continued)**

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.

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.

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

**(3) Investment in Subsidiaries, Associates and Joint Ventures**

In the Bank's separate financial statements, investment in subsidiaries, associates and joint ventures are stated at cost less accumulated impairment losses. At the end of each reporting period, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note 19 on impairment of non-financial assets.

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

**(4) Financial Assets****(a) Classification**

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

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

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

**(ii) Loan 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 held-to-maturity**

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

**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(4) Financial Assets (Continued)**

(a) Classification (Continued)

(iv) Financial investments available-for-sale

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

(b) Recognition and initial measurement

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

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

(c) Subsequent measurement – gains and losses

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

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

Changes in the fair value of financial investments available-for-sale are recognised in other comprehensive income, except for impairment losses (refer to accounting policy Note 17) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

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

(d) De-recognition

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

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

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

(e) Offsetting financial instruments

Financial assets and liabilities are offset and the net amount presented in the 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.

**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(5) Derivative Financial Instruments and Hedge Accounting**

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

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

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

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

**(a) Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, 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 profit or loss 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 in which the hedged item will affect profit or loss (for example, when the forecast sale that is hedged takes place).

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

**(c) Derivatives that do not qualify for hedge accounting**

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

**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(6) Goodwill and Other Intangible Assets**

Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licences and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group 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 exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired. Refer to accounting policy Note 19 on impairment of non-financial assets.

(a) Goodwill

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

Goodwill is stated at cost less accumulated impairment loss and is tested at least annually for impairment. Impairment loss on goodwill (inclusive of impairment losses recognised in a previous interim period) is not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold. Refer to accounting policy Note 19 on impairment of non-financial assets.

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

(b) Computer software licences

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

(c) Other intangible assets

Other intangible assets consist of customer relationship, brands, trading rights and membership. Other intangible assets are initially recognised when they are separable or arise from contractual or other legal rights, the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, 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 licences, are tested at least annually for impairment. At the end of the reporting period, the Group and Bank assess 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 19 on impairment of non-financial assets. Gain 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.

**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(7) Property, Plant and Equipment and Depreciation**

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

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

Renovations	7.5% to 10%
Office equipment and furniture	7.5% to 20%
Computer equipment	14% to 33 $\frac{1}{3}$ %
Motor vehicles	20% to 25%

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

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

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

**(8) Financial Liabilities**

Financial liabilities are measured at amortised cost, except for trading liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit of 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 held for trading, and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note 5.

**(b) Other liabilities measured at amortised cost**

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

Other financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, clients' and brokers' balances, subordinated obligations and other financial liabilities.

**(c) Borrowings measured at amortised cost**

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



**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(8) Financial Liabilities (Continued)**

- (c) Borrowings measured at amortised cost (Continued)

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowings measured at amortised cost are long term and short term borrowings from financial institutions and subordinated obligations.

**(9) 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 the profit or loss on a straight-line basis over the period of the lease.

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

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

- (b) Finance lease

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

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

**(10) Leases – Where the Group is Lessor**

- (a) Operating lease

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

- (b) Finance lease

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

**(11) Provisions**

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

**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(11) Provisions (Continued)**

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

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

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

**(12) Financial Guarantee Contracts**

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

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

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

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

**(13) Contingent Liabilities and Contingent Assets**

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

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

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

**(14) Share Capital****(a) Classification**

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

**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(14) Share Capital (Continued)**

(b) Share issue cost

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

(c) Dividend distribution

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

**(15) Cash and Cash Equivalents**

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

**(16) Revenue Recognition**

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

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

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

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

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

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

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

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

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

**(17) Impairment of Financial Assets**

(a) Assets carried at amortised cost

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

**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(17) Impairment of Financial Assets (Continued)**

## (a) Assets carried at amortised cost (Continued)

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

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

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

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

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

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

(i) Individual impairment allowance

The Group and the Bank determines the allowance appropriate for each individually 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.

**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(17) Impairment of Financial Assets (Continued)**

(a) Assets carried at amortised cost (Continued)

(ii) Collective impairment allowance (Continued)

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

(b) Assets classified as available-for-sale

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

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

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

**(18) Employee Benefits**

(a) Short term employee benefits

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

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

(b) Defined contribution plans

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

(c) Termination benefits

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

**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(19) Impairment of Non-Financial Assets**

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

The recoverable amount is the higher of a non-financial assets' fair value less costs to sell and value in use. For the purpose of assessing impairment, non-financial assets are grouped at the lowest levels for which there is separately identifiable cash flow/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 profit or loss. Impairment losses on goodwill are not reversed. In respect of other non-financial assets, any subsequent increase in recoverable amount is recognised in income statements.

**(20) Current and Deferred Income Taxes**

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

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group and the Bank operate and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries and arising from distributions of retained 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 except where the timing of the reversal of the temporary difference can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

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

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

**(21) Currency Conversion and Translation****(a) Functional and presentation currency**

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



**(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(21) Currency Conversion and Translation (Continued)**

(b) Transactions and balances

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

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

(c) Group companies

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

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

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

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

**(22) SEGMENT REPORTING**

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

**(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS**

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

(a) Allowance for impairment of financial assets

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

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

(b) Goodwill impairment

Goodwill is tested at least annually for impairment. Testing of goodwill for impairment involves a significant amount of estimation. This includes the identification of independent cash-generating units and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Estimating the value in use required the Group to make an estimate of the expected future cash flow from the cash-generating unit. Determining both the expected pre-tax cash flows rates used to discount future expected cash flows appropriate to the cash-generating unit also require the exercise of judgement. The variables are subject to fluctuations in external market rates and economic conditions beyond management control and are subject to uncertainty and require the exercise of significant judgement. The detailed disclosures on the assessment of impairment of goodwill are disclosed in Note 16.

# Notes to the Financial Statements

For the Financial Year Ended 31 December 2013

## 1 GENERAL INFORMATION

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

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

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

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

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

## 2 CASH AND SHORT TERM FUNDS

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Cash and balances with banks and other financial institutions	<b>509,865</b>	518,478	<b>273,414</b>	149,605
Money at call and deposit placements maturing within one month	<b>555,325</b>	1,393,337	<b>520,521</b>	1,360,167
	<b>1,065,190</b>	1,911,815	<b>793,935</b>	1,509,772

## 3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Licensed banks	<b>100,715</b>	705,698	<b>100,715</b>	705,698

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

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>At fair value</b>				
<u>Money Market Instruments:</u>				
Malaysian Government Securities	<b>128,150</b>	101,576	<b>128,150</b>	101,576
Malaysian Government Investment Issues	<b>121,510</b>	30,498	<b>121,510</b>	30,498
Cagamas bonds	-	5,567	-	5,567
Sukuk Perumahan Kerajaan (“SPK”)	-	20,100	-	20,100
<u>Quoted Securities:</u>				
<b>In Malaysia</b>				
Shares, exchange traded funds and warrants	<b>59,044</b>	58,319	<b>59,044</b>	58,319
Unit trusts	<b>1,486</b>	2,027	-	-
<b>Outside Malaysia</b>				
Shares, exchange traded funds and warrants	<b>52,962</b>	52,698	<b>4,879</b>	20,855
Unit trusts	<b>34,008</b>	25,033	<b>14,207</b>	-
<u>Unquoted Securities:</u>				
<b>In Malaysia</b>				
Prasarana Bonds	-	5,558	-	5,558
Private debt securities	<b>475,529</b>	368,154	<b>475,529</b>	368,154
<b>Outside Malaysia</b>				
Private debt securities	<b>353,805</b>	466,694	<b>258,550</b>	434,059
	<b>1,226,494</b>	1,136,224	<b>1,061,869</b>	1,044,686

Included in financial assets held-for-trading (“HFT”) at the Group and the Bank level are private debts securities outside Malaysia, which are pledged as collateral for obligations on securities sold under repurchase agreements amounted to RM200,295,800 (31.12.2012: Nil).

In 2008, the Bank reclassified a portion of their financial assets HFT into financial investments available-for-sale (“AFS”). The reclassification have been accounted for in accordance with BNM’s circular on “Reclassification of securities under specific circumstances” dated 17 October 2008, which is effective from 1 July 2008 until 31 December 2009.

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

	Carrying amount		Fair value	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
<b>Group and Bank</b>				
Reclassified from financial assets HFT to financial investments AFS				
- Debt securities	<b>31,214</b>	111,191	<b>30,798</b>	110,549

	Group and Bank	
	2013 RM'000	2012 RM'000
Fair value loss that would have been recognised if the financial assets HFT had not been reclassified	<b>(416)</b>	(642)

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

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>At fair value</b>				
<u>Money Market Instruments:</u>				
Malaysian Government Securities	<b>407,032</b>	347,385	<b>407,032</b>	347,385
Malaysian Government Investment Issues	<b>520,724</b>	850,048	<b>520,724</b>	850,048
Bank Negara Malaysia Monetary Notes	-	205,859	-	205,859
Cagamas bonds	<b>45,119</b>	25,356	<b>45,119</b>	25,356
Khazanah bonds	<b>47,725</b>	13,100	<b>47,725</b>	13,100
Negotiable instruments of deposits	<b>403,558</b>	459,878	<b>403,558</b>	459,878
Wakala Global Sukuk	-	59,252	-	59,252
Bankers' acceptance and Islamic accepted bills	<b>378,121</b>	507,382	<b>378,121</b>	507,382
Sukuk Perumahan Kerajaan (“SPK”)	<b>66,613</b>	30,150	<b>66,613</b>	30,150
<u>Quoted Securities:</u>				
<b>In Malaysia</b>				
Shares and warrants	<b>828</b>	362	<b>789</b>	323
Loan stocks	<b>1,495</b>	2,271	<b>1,495</b>	2,271
Unit trusts	<b>5,571</b>	5,247	-	-
<b>Outside Malaysia</b>				
Shares and warrants	<b>1,300</b>	1,197	-	-
Unit trusts	<b>4,081</b>	20,197	-	15,295
<u>Unquoted Securities:</u>				
<b>In Malaysia</b>				
Private and Islamic debt securities	<b>1,443,564</b>	1,465,471	<b>1,443,564</b>	1,465,471
Shares	<b>72,237</b>	25,531	<b>24,369</b>	22,906
Loan stocks	<b>39,543</b>	47,248	<b>39,543</b>	47,248
Prasarana bonds	<b>19,816</b>	10,232	<b>19,816</b>	10,232
<b>Outside Malaysia</b>				
Private and Islamic debt securities	<b>356,111</b>	1,029,089	<b>355,970</b>	1,028,923
Shares	<b>34,237</b>	20,295	-	-
Loan stocks	<b>2,093</b>	1,949	-	-
	<b>3,849,768</b>	5,127,499	<b>3,754,438</b>	5,091,079
Accumulated impairment losses	<b>(181,410)</b>	(195,813)	<b>(179,811)</b>	(194,325)
	<b>3,668,358</b>	4,931,686	<b>3,574,627</b>	4,896,754

Included in financial investments AFS at the Group and the Bank level are private debts securities outside Malaysia, which are pledged as collateral for obligations on securities sold under repurchase agreements amounted to RM260,231,000 (31.12.2012: RM267,385,000).

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

Movement in allowance for impairment losses:

	Note	Group		Bank	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Balance as at the beginning of the financial year		<b>112,424</b>	111,048	<b>110,936</b>	109,503
Acquisition of subsidiaries/assets and liabilities					
- Effect of predecessor accounting	48	<b>83,389</b>	-	<b>83,389</b>	-
		<b>195,813</b>	111,048	<b>194,325</b>	109,503
Acquisition of subsidiaries/assets and liabilities					
- Effect of predecessor accounting	48	-	83,389	-	83,389
Allowance made		<b>13,161</b>	1,570	<b>13,161</b>	1,570
Amount written back		<b>(628)</b>	(36)	<b>(628)</b>	(36)
Amount written off		<b>(27,047)</b>	(101)	<b>(27,047)</b>	(101)
Exchange difference		<b>111</b>	(57)	-	-
Balance as at the end of the financial year		<b>181,410</b>	195,813	<b>179,811</b>	194,325

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

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>At amortised cost</b>				
<u>Money Market Instruments:</u>				
Malaysian Government Securities	<b>20,516</b>	45,892	<b>20,516</b>	45,892
Malaysian Government Investment Issue	<b>508,053</b>	540,139	<b>508,053</b>	540,139
Cagamas bonds	<b>50,426</b>	50,802	<b>50,426</b>	50,802
Khazanah bonds	<b>9,887</b>	-	<b>9,887</b>	-
Bankers' acceptances	-	49,961	-	49,961
Wakala Global Sukuk	<b>7,078</b>	6,538	<b>7,078</b>	6,538
<u>Unquoted Securities:</u>				
<b>In Malaysia</b>				
Private and Islamic debt securities	<b>424,070</b>	561,381	<b>424,070</b>	561,381
Bonds	<b>23</b>	23	<b>23</b>	23
Prasarana bonds	<b>50,551</b>	40,621	<b>50,551</b>	40,621
<b>Outside Malaysia</b>				
Private and Islamic debt securities	<b>50,276</b>	33,557	<b>50,276</b>	33,557
	<b>1,120,880</b>	1,328,914	<b>1,120,880</b>	1,328,914
Accumulated impairment losses	<b>(166,293)</b>	(186,409)	<b>(166,293)</b>	(186,409)
	<b>954,587</b>	1,142,505	<b>954,587</b>	1,142,505



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

Movement in allowance for impairment losses:

	Note	Group and Bank	
		2013 RM'000	Restated 2012 RM'000
Balance as at the beginning of the financial year			
Acquisition of subsidiaries/assets and liabilities		<b>102,846</b>	100,541
- Effect of predecessor accounting	48	<b>83,563</b>	-
		<b>186,409</b>	100,541
Acquisition of subsidiaries/assets and liabilities			
- Effect of predecessor accounting	48	-	83,563
Allowance made		-	3,305
Amount written back		<b>(20,116)</b>	-
Amount written off		-	(1,000)
Balance as at the end of the financial year		<b>166,293</b>	186,409

## 7 LOANS AND ADVANCES

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>(i) By type</b>				
<b>At amortised cost</b>				
Term loans:				
- syndicated term loans	<b>26,388</b>	138,124	<b>26,388</b>	138,124
- other term loans	<b>1,314,912</b>	930,358	<b>1,302,200</b>	909,431
Share margin financing	<b>1,087,387</b>	685,501	<b>512,846</b>	346,514
Staff loans	<b>2,281</b>	2,327	<b>2,281</b>	2,327
Revolving credit	-	-	<b>41,831</b>	49,726
Gross loans and advances	<b>2,430,968</b>	1,756,310	<b>1,885,546</b>	1,446,122
Allowance for impaired loans and advances:				
- individual impairment allowance	<b>(29,592)</b>	(23,737)	<b>(29,592)</b>	(23,737)
- collective impairment allowance	<b>(7,629)</b>	(4,971)	<b>(7,629)</b>	(4,971)
Net loans and advances	<b>2,393,747</b>	1,727,602	<b>1,848,325</b>	1,417,414
<b>(ii) By type of customer</b>				
Domestic business enterprises:				
- Small medium enterprises	<b>35,702</b>	1,885	<b>35,702</b>	1,885
- Others	<b>1,268,327</b>	1,131,450	<b>1,268,327</b>	1,131,450
Individuals	<b>273,049</b>	262,932	<b>273,049</b>	262,932
Other domestic entities	<b>4,014</b>	-	<b>4,014</b>	-
Foreign entities:				
- Malaysian operations	<b>262,622</b>	129	<b>304,454</b>	49,855
- Singapore operations	<b>275,148</b>	200,348	-	-
- Hong Kong operations	<b>148,102</b>	100,444	-	-
- Indonesia operations	<b>20,639</b>	18,274	-	-
- Thailand operations	<b>143,365</b>	40,848	-	-
	<b>2,430,968</b>	1,756,310	<b>1,885,546</b>	1,446,122

**7 LOANS AND ADVANCES (CONTINUED)**

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>(iii) By geographical distribution</b>				
In Malaysia	<b>1,843,714</b>	1,396,396	<b>1,885,546</b>	1,446,122
Outside Malaysia:				
- Singapore operations	<b>275,148</b>	200,348	-	-
- Hong Kong operations	<b>148,102</b>	100,444	-	-
- Indonesia operations	<b>20,639</b>	18,274	-	-
- Thailand operations	<b>143,365</b>	40,848	-	-
	<b>2,430,968</b>	1,756,310	<b>1,885,546</b>	1,446,122
<b>(iv) By interest rate sensitivity</b>				
Fixed rate:				
- Other fixed rate loans	<b>1,567,122</b>	1,421,724	<b>1,313,166</b>	1,231,905
Variable rate:				
- Cost plus	<b>720,479</b>	161,208	<b>572,377</b>	81,688
- BLR/BFR plus	<b>143,367</b>	173,378	<b>3</b>	132,529
	<b>2,430,968</b>	1,756,310	<b>1,885,546</b>	1,446,122
<b>(v) By purpose</b>				
Purchase of securities	<b>2,013,238</b>	1,493,894	<b>1,425,985</b>	1,133,979
Purchase of transport vehicles	<b>242</b>	486	<b>242</b>	486
Purchase of landed property:				
- Residential	<b>2,042</b>	1,841	<b>2,042</b>	1,841
- Non-Residential	<b>81,324</b>	56,000	<b>81,324</b>	56,000
Construction	<b>6,878</b>	104,203	<b>6,878</b>	104,203
Working capital	<b>245,000</b>	59,615	<b>286,831</b>	109,342
Other purposes	<b>82,244</b>	40,271	<b>82,244</b>	40,271
	<b>2,430,968</b>	1,756,310	<b>1,885,546</b>	1,446,122
<b>(vi) By remaining contractual maturities</b>				
Maturity within one year	<b>1,557,308</b>	1,247,905	<b>1,011,913</b>	937,715
One year to three years	<b>845,260</b>	500,891	<b>845,233</b>	500,891
Three years to five years	<b>20</b>	169	<b>20</b>	169
Over five years	<b>28,380</b>	7,345	<b>28,380</b>	7,347
	<b>2,430,968</b>	1,756,310	<b>1,885,546</b>	1,446,122

**7 LOANS AND ADVANCES (CONTINUED)**

	Note	Group		Bank	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>(vii) Impaired loans and advances</b>					
<b>(a) Movement in impaired loans and advances</b>					
Balance as at the beginning of the financial year		350	619	350	619
Acquisition of subsidiaries/assets and liabilities					
- Effect of predecessor accounting	48	247,189	-	247,189	-
		<b>247,539</b>	619	<b>247,539</b>	619
Acquisition of subsidiaries/assets and liabilities					
- Effect of predecessor accounting	48	-	247,189	-	247,189
Classified as impaired during the financial year		69,227	-	69,227	-
Reclassified as non-impaired during the financial year		(186,062)	(25)	(186,062)	(25)
Amount recovered		(51,789)	(72)	(51,789)	(72)
Amount written off		-	(172)	-	(172)
Balance as at the end of the financial year		<b>78,915</b>	247,539	<b>78,915</b>	247,539
<b>(b) By purpose</b>					
Purchase of securities		48,666	247,539	48,666	247,539
Construction		6,878	-	6,878	-
Other purposes		23,371	-	23,371	-
		<b>78,915</b>	247,539	<b>78,915</b>	247,539
<b>(c) By geographical distribution</b>					
In Malaysia		<b>78,915</b>	247,539	<b>78,915</b>	247,539

**7 LOANS AND ADVANCES (CONTINUED)**

	Note	Group		Bank	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>(vii) Impaired loans and advances (Continued)</b>					
<b>(d) Movement in allowance for impaired loans and advances</b>					
<u>Individual impairment allowance</u>					
Balance as at the beginning of the financial year		340	584	340	584
Acquisition of subsidiaries/assets and liabilities					
- Effect of predecessor accounting	48	23,397	-	23,397	-
		23,737	584	23,737	584
Acquisition of subsidiaries/assets and liabilities					
- Effect of predecessor accounting	48	-	23,346	-	23,346
Net allowance made during the financial year		5,855	51	5,855	51
Amount recovered		-	(72)	-	(72)
Amount written off		-	(172)	-	(172)
Balance as at the end of the financial year		29,592	23,737	29,592	23,737
<u>Collective impairment allowance</u>					
Balance as at the beginning of the financial year		-	-	-	-
Acquisition of subsidiaries/assets and liabilities					
- Effect of predecessor accounting	48	4,971	-	4,971	-
		4,971	-	4,971	-
Acquisition of subsidiaries/assets and liabilities					
- Effect of predecessor accounting	48	-	4,961	-	4,961
Net allowance made during the financial year		2,658	10	2,658	10
Balance as at the end of the financial year		7,629	4,971	7,629	4,971

**8 CLIENTS' AND BROKERS' BALANCES**

	Note	Group		Bank	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Amounts owing by clients		732,340	938,781	376,004	491,731
Allowance for impaired balances:					
- individual impairment allowance		(37,301)	(9,652)	(1,547)	(3,230)
- collective impairment allowance		(4,175)	(6,088)	(4,175)	(6,088)
		690,864	923,041	370,282	482,413
Amounts owing by brokers		202,262	945,618	87,270	42,485
Allowance for impaired balances:					
- individual impairment allowance		(1,014)	(717)	(1,014)	(717)
		892,112	1,867,942	456,538	524,181
Amounts owing by clearing houses and stock exchanges		1,681,471	632,823	87,228	150,360
		2,573,583	2,500,765	543,766	674,541

**8 CLIENTS' AND BROKERS' BALANCES (CONTINUED)**

	Note	Group		Bank	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>Individual impairment allowance</b>					
Balance as at the beginning of the financial year		<b>1,376</b>	1,532	<b>1,376</b>	1,532
Acquisition of subsidiaries/assets and liabilities					
- Effect of predecessor accounting	48	<b>8,993</b>	-	<b>2,571</b>	-
		<b>10,369</b>	1,532	<b>3,947</b>	1,532
Acquisition of subsidiaries/assets and liabilities					
- Effect of predecessor accounting	48	-	7,369	-	2,435
Allowance made		<b>30,157</b>	1,692	<b>1,155</b>	188
Amount written back		<b>(1,995)</b>	(209)	<b>(1,995)</b>	(208)
Amount written off		<b>(660)</b>	(22)	<b>(546)</b>	-
Exchange difference		<b>444</b>	7	-	-
Balance as at the end of the financial year		<b>38,315</b>	10,369	<b>2,561</b>	3,947
<b>Collective impairment allowance</b>					
Balance as at the beginning of the financial year		<b>5,906</b>	5,859	<b>5,906</b>	5,859
Acquisition of subsidiaries/assets and liabilities					
- Effect of predecessor accounting	48	<b>182</b>	-	<b>182</b>	-
		<b>6,088</b>	5,859	<b>6,088</b>	5,859
Acquisition of subsidiaries/assets and liabilities					
- Effect of predecessor accounting	48	-	134	-	134
Net allowance made		-	101	-	101
Amount written back		<b>(1,913)</b>	(6)	<b>(1,913)</b>	(6)
Balance as at the end of the financial year		<b>4,175</b>	6,088	<b>4,175</b>	6,088

**9 OTHER ASSETS**

	Note	Group		Bank	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Other receivables	(i)	<b>101,829</b>	92,021	<b>59,922</b>	62,460
Deposits		<b>44,086</b>	30,260	<b>8,840</b>	7,809
Prepayments		<b>18,404</b>	12,852	<b>10,375</b>	7,309
Amount receivable for release of units from funds		<b>22,287</b>	22,292	-	-
Amount due from reverse repo transactions		<b>32,915</b>	121,309	<b>32,915</b>	121,309
Transferable memberships		<b>334</b>	330	<b>271</b>	271
Amount due from holding company	(ii)	<b>7</b>	987	-	987
Amounts due from subsidiaries	(ii)	-	-	<b>6,800</b>	6,101
Amounts due from related companies	(ii)	<b>3,584</b>	3,890	<b>106</b>	1,165
		<b>223,446</b>	283,941	<b>119,229</b>	207,411

(i) Other receivables of the Group and the Bank are stated net of allowance for impairment losses of RM5,470,000 and RM3,230,000 respectively (2012: Group: RM2,309,000 and Bank: RM1,913,000).

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

**10 DERIVATIVE ASSETS/(LIABILITIES)**

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

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

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Derivative assets				
- trading derivatives	<b>48,760</b>	15,093	<b>48,760</b>	15,093
Derivative liabilities				
- trading derivatives	<b>(82,463)</b>	(37,692)	<b>(82,284)</b>	(37,692)
	<b>(33,703)</b>	(22,599)	<b>(33,524)</b>	(22,599)

	Group		
	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
<b>2013</b>			
<b>Trading derivatives:</b>			
Foreign exchange related contracts:			
- forwards/swaps	<b>1,065,319</b>	<b>5,257</b>	<b>8,400</b>
- cross currency interest rate swaps	<b>1,243,835</b>	<b>36,756</b>	<b>50,820</b>
Interest rate related contracts:			
- swaps	<b>3,543,680</b>	<b>6,747</b>	<b>6,602</b>
Structured warrants	<b>13,099</b>	-	<b>16,641</b>
		<b>48,760</b>	<b>82,463</b>

	Bank		
	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
<b>2013</b>			
<b>Trading derivatives:</b>			
Foreign exchange related contracts:			
- forwards/swaps	<b>1,065,319</b>	<b>5,257</b>	<b>8,400</b>
- cross currency interest rate swaps	<b>1,243,835</b>	<b>36,756</b>	<b>50,820</b>
Interest rate related contracts:			
- swaps	<b>3,543,680</b>	<b>6,747</b>	<b>6,602</b>
Structured warrants	<b>12,831</b>	-	<b>16,462</b>
		<b>48,760</b>	<b>82,284</b>



**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
<b>Restated 2012</b>			
<b>Trading derivatives:</b>			
Foreign exchange related contracts:			
- forwards/swaps	1,190,247	3,065	9,448
OTC derivatives - options and structured products	38,719	56	-
Interest rate related contracts:			
- swaps	3,215,000	11,972	13,892
Structured warrants	60,464	-	14,352
		15,093	37,692

	Bank		
	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
<b>Restated 2012</b>			
<b>Trading derivatives:</b>			
Foreign exchange related contracts:			
- forwards/swaps	1,190,247	3,065	9,448
OTC derivatives - options and structured products	38,719	56	-
Interest rate related contracts:			
- swaps	3,215,000	11,972	13,892
Structured warrants	60,464	-	14,352
		15,093	37,692

**11 STATUTORY DEPOSITS**

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Statutory deposits with BNM	<b>216,643</b>	246,240	<b>216,643</b>	246,240

The non-interest bearing statutory deposits are maintained with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2011, the amount of which is determined as a set percentage of total eligible liabilities.

**12 DEFERRED TAX ASSETS/(LIABILITIES)**

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

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Deferred tax assets	<b>17,345</b>	5,064	<b>11,121</b>	-
Deferred tax liabilities	<b>(11,028)</b>	(13,571)	-	(3,972)
	<b>6,317</b>	(8,507)	<b>11,121</b>	(3,972)
Deferred tax assets				
- settled more than 12 months	-	-	-	-
- settled within 12 months	<b>21,500</b>	21,455	<b>20,830</b>	16,116
Deferred tax liabilities				
- settled more than 12 months	<b>(12,146)</b>	(14,803)	<b>(7,767)</b>	(9,846)
- settled within 12 months	<b>(3,037)</b>	(15,159)	<b>(1,942)</b>	(10,242)
	<b>6,317</b>	(8,507)	<b>11,121</b>	(3,972)

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 and advances RM'000	Other liabilities RM'000	Other temporary differences RM'000	Total RM'000
<b>2013</b>							
Balance as at the beginning of the financial year		<b>(1,488)</b>	<b>(4,906)</b>	-	<b>7,476</b>	-	<b>1,082</b>
Acquisition of subsidiaries							
- Effect of predecessor accounting	48	<b>(17,016)</b>	<b>(6,552)</b>	-	<b>11,334</b>	<b>2,645</b>	<b>(9,589)</b>
		<b>(18,504)</b>	<b>(11,458)</b>	-	<b>18,810</b>	<b>2,645</b>	<b>(8,507)</b>
Transfer from/(to) income statements	34	<b>3,370</b>	<b>591</b>	-	<b>1,005</b>	<b>(2,254)</b>	<b>2,712</b>
Transfer to equity	36	-	<b>12,657</b>	-	-	-	<b>12,657</b>
Exchange difference		<b>(49)</b>	<b>(103)</b>	-	<b>(354)</b>	<b>(39)</b>	<b>(545)</b>
Balance as at the end of the financial year		<b>(15,183)</b>	<b>1,687</b>	-	<b>19,461</b>	<b>352</b>	<b>6,317</b>
<b>Restated 2012</b>							
Balance as at the beginning of the financial year		(1,691)	(5,949)	(703)	6,975	-	(1,368)
Acquisition of subsidiaries							
- Effect of predecessor accounting	48	(16,708)	(7,082)	(89)	10,633	2,334	(10,911)
Transfer (to)/from income statements	34	(102)	(205)	792	1,202	202	1,888
Transfer to equity	36	-	1,776	-	-	198	1,974
Exchange difference		(3)	2	-	-	(89)	(90)
Balance as at the end of the financial year		(18,504)	(11,458)	-	18,810	2,645	(8,507)

## 12 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Bank	Note	Property, plant and equipment RM'000	Financial investments AFS RM'000	Loans and advances RM'000	Other liabilities RM'000	Total RM'000
<b>2013</b>						
Balance as at the beginning of the financial year		(1,273)	(4,907)	-	5,599	(581)
Acquisition of assets and liabilities						
- Effect of predecessor accounting	48	(11,035)	(2,872)	-	10,517	(3,390)
		(12,308)	(7,779)	-	16,116	(3,971)
Transfer from/(to) income statements	34	2,599	-	-	(2,008)	591
Transfer to equity	36	-	14,501	-	-	14,501
Balance as at the end of the financial year		(9,709)	6,722	-	14,108	11,121
<b>Restated 2012</b>						
Balance as at the beginning of the financial year		(1,652)	(5,662)	(703)	5,017	(3,000)
Acquisition of assets and liabilities						
- Effect of predecessor accounting	48	(10,991)	(4,114)	(89)	10,440	(4,753)
Transfer from income statements	34	335	-	792	659	1,785
Transfer to equity	36	-	1,996	-	-	1,996
Balance as at the end of the financial year		(12,308)	(7,780)	-	16,116	(3,972)

## 13 INVESTMENT IN SUBSIDIARIES

	Bank	
	2013 RM'000	Restated 2012 RM'000
Unquoted shares, at cost		
- in Malaysia	307,202	204,079
- outside Malaysia	904,919	834,980
	1,212,121	1,039,059
Accumulated impairment losses	(134,830)	(128,286)
	1,077,291	910,773

**13 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by Non-controlling interests		Principal activities
			2013 %	2012 %	2013 %	2012 %	
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	100	100	-	-	Nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	100	100	-	-	Nominee services for foreign beneficial shareholders
RHB Nominees Sdn Bhd	Malaysia	25,000	100	100	-	-	Nominee and custodian services
RHB Nominees (Asing) Sdn Bhd	Malaysia	25,000	100	100	-	-	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	25,000	100	100	-	-	Nominee and custodian services for Malaysian beneficial shareholders
RHB Asset Management Sdn Bhd (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 <sup>3</sup> (formerly known as OSK-UOB Islamic Fund Management Berhad) ("RHBIIAM")	Malaysia	13,000,000	100	70	-	30	Management of Islamic Fund
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	USD 10,001	100	100	-	-	Investment company
RHB OSK International Investments Pte Ltd <sup>1</sup> (formerly known as OSK International Investments Pte Ltd)	Singapore	SGD5,000,000	100	100	-	-	Investment holding
RHB OSK Asset Management Pte Ltd <sup>1</sup> (formerly known as RHB OSK International Asset Management Pte Ltd)	Singapore	SGD5,100,000	100	100	-	-	Fund management

### 13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by Non-controlling interests		Principal activities
			2013 %	2013 %	2013 %	2013 %	
RHB Holdings Hong Kong Limited <sup>2</sup> (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 <sup>2</sup> (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
RHB OSK Nominees Hong Kong Limited <sup>2</sup> (formerly known as OSK Nominees Hong Kong Limited)	Hong Kong	HKD1	100	93.5	-	6.5	Dormant
RHB OSK Futures Hong Kong Limited <sup>2</sup> (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 <sup>2</sup> (formerly known as OSK Finance Hong Kong Limited)	Hong Kong	HKD1	100	93.5	-	6.5	Money lending
RHB OSK Capital Hong Kong Limited <sup>2</sup> (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 <sup>2</sup> (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 <sup>2</sup> (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 <sup>2</sup> (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 <sup>2</sup> (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

**13 INVESTMENT IN SUBSIDIARIES (CONTINUED)**

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by Non-controlling interests		Principal activities
			2013 %	2012 %	2013 %	2012 %	
PT RHB OSK Securities Indonesia <sup>1</sup> (formerly known as PT OSK Nusadana Securities Indonesia)	Indonesia	IDR204,082 million	<b>99.00</b>	99.00	<b>1.00</b>	1.00	Securities brokerage and underwriting
PT RHB OSK Asset Management <sup>1</sup> (formerly known as PT OSK Nusadana Asset Management)	Indonesia	IDR50,000 million	<b>98.62</b>	98.62	<b>1.38</b>	1.38	Investment manager
DMG & Partners Securities Pte Ltd <sup>1</sup> ("DMG & Partners")	Singapore	SGD75,000,000	<b>51</b>	51	<b>49</b>	49	Provision of stock and share broking services and corporate finance advisory services
DMG & Partners Nominees Pte Ltd <sup>1</sup>	Singapore	SGD2	<b>51</b>	51	<b>49</b>	49	Inactive
Summit Nominees Pte Ltd <sup>1</sup>	Singapore	SGD2,000	<b>51</b>	51	<b>49</b>	49	Inactive
DMG & Partners Research Pte Ltd <sup>1</sup>	Singapore	SGD175,000	<b>51</b>	51	<b>49</b>	49	Financial advisory services
RHB OSK Securities (Thailand) Public Company Limited <sup>1</sup> (formerly known as OSK Securities (Thailand) Public Company Limited) ("RHB OSK Securities (Thailand)")	Thailand	THB819,171,600	<b>99.95</b>	97.41	<b>0.05</b>	2.59	Provision of stock and share broking services
RD RHB OSK Indonesia Dynamic Resources Plus Fund <sup>2,^</sup> (formerly known as OSK Nusadana Indonesia Dynamic Resources Plus Fund)	Indonesia	-	<b>100</b>	98	-	2	Invest in equity securities of entities operating in diversified industries
RHB OSK Resources Fund <sup>2,^</sup> (formerly known as OSK Resources Fund)	Hong Kong	-	<b>93.7</b>	97	<b>6.3</b>	3	Invest in equity and equity related securities of entities operating in substantially related to natural resources industries
TCL Nominees (Tempatan) Sdn Bhd	Malaysia	644,000	<b>100</b>	100	-	-	Inactive
TCL Nominees (Asing) Sdn Bhd	Malaysia	4,000	<b>100</b>	100	-	-	Inactive
KE-ZAN Nominees (Tempatan) Sdn Bhd	Malaysia	650,000	<b>100</b>	100	-	-	Inactive
KE-ZAN Nominees (Asing) Sdn Bhd	Malaysia	10,000	<b>100</b>	100	-	-	Inactive



### 13 INVESTMENT IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by Non-controlling interests		Principal activities
			2013 %	2012 %	2013 %	2012 %	
RHB Trustees Berhad (formerly known as OSK Trustees Berhad) ("RHBT")	Malaysia	6,000,000	80	80	20	20	Professional retail trustee services (will-writing, estate planning and private trust) and corporate trustee services (collective investment schemes)
Malaysian Trustees Berhad ("MTB")	Malaysia	550,000	80	80	20	20	Engage in the business of trustee agents, executors and administrators pursuant to the Trust Companies Act, 1949
<b>Dormant subsidiaries</b>							
RHB Excel Sdn Bhd <sup>5</sup>	Malaysia	200,000,000	100	100	-	-	Dormant
RHB Progressive Sdn Bhd <sup>5</sup>	Malaysia	13,500,000	100	100	-	-	Dormant
RHB Marketing Services Sdn Bhd <sup>4</sup>	Malaysia	100,000	100	100	-	-	Dormant
RHB Unit Trust Management Berhad <sup>5</sup>	Malaysia	5,000,000	100	100	-	-	Dormant
OSK Futures and Options Sdn Bhd	Malaysia	10,000,000	100	100	-	-	Dormant
OSK Research Sdn Bhd <sup>6</sup>	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 Berhad <sup>6</sup>	Malaysia	3,670,000	100	100	-	-	Dormant
OSK Nominees (Asing) Sdn Berhad <sup>6</sup>	Malaysia	2,670,000	100	100	-	-	Dormant
RHB Islamic Asset Management Sdn Bhd <sup>6</sup>	Malaysia	4,000,000	100	100	-	-	Dormant
OSK Investment Management Berhad ("OUIM") <sup>3,6</sup> (formerly known as OSK-UOB Investment Management Berhad)	Malaysia	10,000,000	100	70	-	30	Dormant

#### Notes:

- 1 Subsidiaries audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia.
- 2 Subsidiaries audited by a firm other than member firms of PricewaterhouseCoopers International Limited.
- 3 As set out in Note 47(b)(i) to the financial statements, the Bank acquired the remaining 30% equity interest in OUIM from non-controlling interest on 22 October 2013. Subsequently, on 1 December 2013, OUIM had transferred its entire business, assets and liabilities to RHBAM, which resulted in RHBIIAM becoming a wholly-owned subsidiary of RHBAM. Thereafter, OUIM has become a dormant subsidiary of the Bank.
- 4 The companies have commenced member's voluntary winding up on 16 February 2011.
- 5 The companies have commenced member's voluntary winding up on 28 March 2012.
- 6 As set out in Note 47(a) to the financial statement, the company has ceased operations subsequent to the vesting order exercise.
- ^ The funds are subsidiaries consolidated in the Group as the Bank controls the funds in accordance with MFRS 10 "Consolidated financial statements".

**14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES**

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Share of net assets of associates	<b>11,719</b>	28,415	<b>14,101</b>	21,878
Less: Allowance for impairment loss	<b>(2,650)</b>	(2,650)	-	-
	<b>9,069</b>	25,765	<b>14,101</b>	21,878
Share of net assets of joint ventures	<b>25,911</b>	24,913	<b>27,399</b>	27,399
Less: Allowance for impairment loss	<b>(5,936)</b>	(5,936)	<b>(12,036)</b>	(12,036)
	<b>19,975</b>	18,977	<b>15,363</b>	15,363
	<b>29,044</b>	44,742	<b>29,464</b>	37,241

## (a) Share of net assets of associates

The details of the associates are as follows:

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2013 %	2012 %	
RHB Finexasia.Com Sdn Bhd (formerly known as Finexasia.Com Sdn Bhd) ("Finexasia")	Malaysia	11,361,111	<b>40.05</b>	40.05	Development and provision of internet financial solutions and related services
iFast-OSK Sdn Bhd ("iFast-OSK")	Malaysia	26,000,000	<b>34.88</b>	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:**

^ The Bank has disposed its entire equity interest in UOAM on 22 October 2013 as disclosed in Note 47 (b)(iii).

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

Summarised financial information of Finexasia and iFast-OSK which are accounted for using the equity method is as follow:

## (i) Summarised statements of financial position

	Finexasia		iFast-OSK		Total	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>Assets</b>						
Cash and cash equivalents	<b>20,045</b>	18,310	<b>534</b>	256	<b>20,579</b>	18,566
Other assets	<b>639</b>	515	<b>3,396</b>	6,028	<b>4,035</b>	6,543
Total assets	<b>20,684</b>	18,825	<b>3,930</b>	6,284	<b>24,614</b>	25,109
<b>Liabilities</b>						
Financial liabilities	<b>(474)</b>	(277)	<b>(1,138)</b>	(2,157)	<b>(1,612)</b>	(2,434)
Other liabilities	-	(140)	-	-	-	(140)
Total liabilities	<b>(474)</b>	(417)	<b>(1,138)</b>	(2,157)	<b>(1,612)</b>	(2,574)
<b>Net asset</b>	<b>20,210</b>	18,408	<b>2,792</b>	4,127	<b>23,002</b>	22,535

#### 14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

Summarised financial information of Finexasia and iFast-OSK which are accounted for using the equity method is as follows: (Continued)

(ii) Summarised statements of comprehensive income

	Finexasia		iFast-OSK		Total	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Interest income	586	96	33	-	619	96
Interest expense	-	-	-	-	-	-
Net interest income	586	96	33	-	619	96
Other operating income	5,346	1,616	5,079	587	10,425	2,203
Net operating income	5,932	1,712	5,112	587	11,044	2,299
Other operating expenses	(3,337)	(555)	(6,447)	(946)	(9,784)	(1,501)
Including: Depreciation and amortisation	(100)	(26)	(116)	(29)	(216)	(55)
Profit/(loss) before taxation	2,595	1,157	(1,335)	(359)	1,260	798
Taxation	(793)	(50)	-	-	(793)	(50)
Net profit/(loss) for the financial year	1,802	1,107	(1,335)	(359)	467	748

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

	Finexasia		iFast-OSK		Total	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Balance as at the beginning of the financial year	18,408	17,301	4,127	4,485	22,535	21,786
Profit/(loss) for the financial year	1,802	1,107	(1,335)	(359)	467	748
ESOS reserve	-	-	-	1	-	1
Balance as at the end of the financial year	20,210	18,408	2,792	4,127	23,002	22,535
Equity interest attributable to net assets	10,745	10,023	974	1,579	11,719	11,602
Accumulated impairment loss	(2,650)	(2,650)	-	-	(2,650)	(2,650)
Carrying value	8,095	7,373	974	1,579	9,069	8,952

**14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)**

- (b) Share of net assets of joint ventures

The details of the joint ventures are as follows:

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest		Principal activities
			2013 %	2012 %	
Vietnam Securities Corporation ("VSEC")	Vietnam	VND135 billion	49	49	Stock-broking and corporate finance advisory
RHB OSK GC-Millennium Capital Pte Ltd (formally 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.

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	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>Assets</b>						
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
<b>Liabilities</b>						
Financial liabilities	(137)	(178)	(27)	(25)	(164)	(203)
Other current liabilities	(6)	(235)	-	-	(6)	(235)
Total liabilities	(143)	(413)	(27)	(25)	(170)	(438)
<b>Net Assets/Liabilities</b>	25,283	23,009	(1)	(1)	25,282	23,008

**14 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)

(ii) Summarised statements of comprehensive income

	VSEC		RHB OSK GC		Total	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 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)
<b>Profit/(loss) before taxation</b>	<b>1,147</b>	2,247	-	(26)	<b>1,147</b>	2,221
Taxation	(275)	(540)	-	-	(275)	(540)
<b>Net profit/(loss) for the financial year</b>	<b>872</b>	1,707	-	(26)	<b>872</b>	1,681

(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	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Balance as at the beginning of the financial year	23,009	21,959	(1)	25	23,008	21,984
Profit/(loss) for 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 loss	(5,936)	(5,936)	-	-	(5,936)	(5,936)
Exchange difference	(682)	(565)	-	-	(682)	(565)
Carrying value	19,975	18,977	-	-	19,975	18,977

**15 PROPERTY, PLANT AND EQUIPMENT**

<b>Group</b>	<b>Note</b>	<b>Renovations RM'000</b>	<b>Office equipment and furniture RM'000</b>	<b>Computer equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>2013</b>						
<b>Cost</b>						
Balance as at the beginning of the financial year		<b>31,227</b>	<b>32,279</b>	<b>23,378</b>	<b>1,939</b>	<b>88,823</b>
Acquisition of subsidiaries						
- Effect of predecessor accounting	48	<b>46,695</b>	<b>89,416</b>	<b>36,368</b>	<b>9,156</b>	<b>181,635</b>
		<b>77,922</b>	<b>121,695</b>	<b>59,746</b>	<b>11,095</b>	<b>270,458</b>
Additions		<b>2,005</b>	<b>3,011</b>	<b>7,516</b>	<b>2,465</b>	<b>14,997</b>
Disposals		-	<b>(531)</b>	<b>(319)</b>	<b>(897)</b>	<b>(1,747)</b>
Written off		<b>(1,400)</b>	<b>(1,306)</b>	<b>(485)</b>	-	<b>(3,191)</b>
Reclassifications		-	<b>1,974</b>	<b>(1,974)</b>	-	-
Exchange difference		<b>(292)</b>	<b>166</b>	<b>(190)</b>	<b>(168)</b>	<b>(484)</b>
Balance as at the end of the financial year		<b>78,235</b>	<b>125,009</b>	<b>64,294</b>	<b>12,495</b>	<b>280,033</b>
<b>Less: Accumulated depreciation</b>						
Balance as at the beginning of the financial year		<b>22,661</b>	<b>31,435</b>	<b>22,145</b>	<b>1,718</b>	<b>77,959</b>
Acquisition of subsidiaries						
- Effect of predecessor accounting	48	<b>26,420</b>	<b>73,928</b>	<b>21,677</b>	<b>5,861</b>	<b>127,886</b>
		<b>49,081</b>	<b>105,363</b>	<b>43,822</b>	<b>7,579</b>	<b>205,845</b>
Charge for the year		<b>4,442</b>	<b>6,822</b>	<b>10,130</b>	<b>1,286</b>	<b>22,680</b>
Disposals		-	<b>(530)</b>	<b>(303)</b>	<b>(489)</b>	<b>(1,322)</b>
Written off		<b>(1,017)</b>	<b>(1,303)</b>	<b>(453)</b>	-	<b>(2,773)</b>
Reclassifications		-	<b>1,191</b>	<b>(1,191)</b>	-	-
Exchange difference		<b>(225)</b>	<b>(8)</b>	<b>(107)</b>	<b>(132)</b>	<b>(472)</b>
Balance as at the end of the financial year		<b>52,281</b>	<b>111,535</b>	<b>51,898</b>	<b>8,244</b>	<b>223,958</b>
<b>Net book value as at the end of the financial year</b>		<b>25,954</b>	<b>13,474</b>	<b>12,396</b>	<b>4,251</b>	<b>56,075</b>

**15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<b>Group</b>	<b>Note</b>	<b>Renovations RM'000</b>	<b>Office equipment and furniture RM'000</b>	<b>Computer equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Restated 2012</b>						
<b>Cost</b>						
Balance as at the beginning of the financial year		27,308	32,011	23,012	2,351	84,682
Acquisition of subsidiaries						
- Effect of predecessor accounting	48	47,945	89,150	36,467	9,918	183,480
Additions		4,235	739	2,135	135	7,244
Disposals		(18)	(60)	(65)	(1,310)	(1,453)
Written off		-	(124)	(1,813)	-	(1,937)
Reclassifications		(1,580)	9	3	-	(1,568)
Exchange difference		32	(30)	7	1	10
Balance as at the end of the financial year		77,922	121,695	59,746	11,095	270,458
<b>Less: Accumulated depreciation</b>						
Balance as at the beginning of the financial year		21,630	31,013	21,544	2,052	76,239
Acquisition of subsidiaries						
- Effect of predecessor accounting	48	25,753	72,061	20,670	5,978	124,462
Charge for the year		1,705	2,407	3,476	319	7,907
Disposals		(4)	(14)	(41)	(771)	(830)
Written off		-	(123)	(1,809)	-	(1,932)
Exchange difference		(3)	19	(18)	1	(1)
Balance as at the end of the financial year		49,081	105,363	43,822	7,579	205,845
<b>Net book value as at the end of the financial year</b>		<b>28,841</b>	<b>16,332</b>	<b>15,924</b>	<b>3,516</b>	<b>64,613</b>



**15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<b>Bank</b>	<b>Note</b>	<b>Renovations RM'000</b>	<b>Office equipment and furniture RM'000</b>	<b>Computer equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>2013</b>						
<b>Cost</b>						
Balance as at the beginning of the financial year		<b>26,459</b>	<b>29,681</b>	<b>20,296</b>	<b>1,805</b>	<b>78,241</b>
Acquisition of assets and liabilities - Effect of predecessor accounting	48	<b>36,467</b>	<b>72,532</b>	<b>8,176</b>	<b>3,547</b>	<b>120,722</b>
		<b>62,926</b>	<b>102,213</b>	<b>28,472</b>	<b>5,352</b>	<b>198,963</b>
Additions		<b>1,008</b>	<b>2,016</b>	<b>2,740</b>	<b>841</b>	<b>6,605</b>
Disposals		-	<b>(484)</b>	<b>(6)</b>	-	<b>(490)</b>
Written off		<b>(905)</b>	<b>(1,257)</b>	<b>(245)</b>	-	<b>(2,407)</b>
Balance as at the end of the financial year		<b>63,029</b>	<b>102,488</b>	<b>30,961</b>	<b>6,193</b>	<b>202,671</b>
<b>Less: Accumulated depreciation</b>						
Balance as at the beginning of the financial year		<b>28,883</b>	<b>18,482</b>	<b>19,459</b>	<b>1,584</b>	<b>68,408</b>
Acquisition of assets and liabilities - Effect of predecessor accounting	48	<b>21,771</b>	<b>67,101</b>	<b>3,334</b>	<b>3,082</b>	<b>95,288</b>
		<b>50,654</b>	<b>85,583</b>	<b>22,793</b>	<b>4,666</b>	<b>163,696</b>
Charge for the year		<b>2,912</b>	<b>4,091</b>	<b>5,178</b>	<b>303</b>	<b>12,484</b>
Disposals		-	<b>(482)</b>	-	-	<b>(482)</b>
Written off		<b>(739)</b>	<b>(1,256)</b>	<b>(245)</b>	-	<b>(2,240)</b>
Balance as at the end of the financial year		<b>52,827</b>	<b>87,936</b>	<b>27,726</b>	<b>4,969</b>	<b>173,458</b>
<b>Net book value as at the end of the financial year</b>		<b>10,202</b>	<b>14,552</b>	<b>3,235</b>	<b>1,224</b>	<b>29,213</b>

**15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<b>Bank</b>	<b>Note</b>	<b>Renovations RM'000</b>	<b>Office equipment and furniture RM'000</b>	<b>Computer equipment RM'000</b>	<b>Motor vehicles RM'000</b>	<b>Total RM'000</b>
<b>Restated 2012</b>						
<b>Cost</b>						
Balance as at the beginning of the financial year		22,561	29,350	20,016	2,217	74,144
Acquisition of assets and liabilities						
- Effect of predecessor accounting	48	36,412	72,592	8,038	4,444	121,486
Additions		3,971	361	1,543	-	5,875
Disposals		(18)	(55)	(11)	(1,309)	(1,393)
Written off		-	(36)	(1,115)	-	(1,151)
Balance as at the end of the financial year		62,926	102,212	28,471	5,352	198,961
<b>Less: Accumulated depreciation</b>						
Balance as at the beginning of the financial year		17,549	28,434	18,877	1,918	66,778
Acquisition of assets and liabilities						
- Effect of predecessor accounting	48	21,368	65,600	2,549	3,355	92,872
Charge for the year		1,340	1,999	2,485	163	5,987
Disposals		(4)	(14)	(3)	(771)	(792)
Written off		-	(36)	(1,115)	-	(1,151)
Balance as at the end of the financial year		40,253	95,983	22,793	4,665	163,694
<b>Net book value as at the end of the financial year</b>		<b>22,673</b>	<b>6,229</b>	<b>5,678</b>	<b>687</b>	<b>35,267</b>

**16 GOODWILL AND OTHER INTANGIBLE ASSETS**

	Note	Group		Bank	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Goodwill on consolidation	(a)	<b>1,269,934</b>	1,269,934	<b>1,118,418</b>	1,118,418
<b>Other intangible assets</b>	(b)				
Customer relationship		<b>19,728</b>	21,961	<b>4,999</b>	5,565
Brand		<b>16,684</b>	23,896	<b>12,315</b>	19,033
Trading rights and memberships		<b>1,123</b>	1,109	-	-
Computer software license		<b>31,226</b>	36,694	<b>25,914</b>	32,396
		<b>1,338,695</b>	1,353,594	<b>1,161,646</b>	1,175,412
(a) Goodwill on consolidation					
Balance as at the beginning of the financial year		<b>172,844</b>	172,844	<b>159,280</b>	159,280
Acquisition of subsidiaries/assets and liabilities					
- Effect of predecessor accounting		<b>1,097,090</b>	-	<b>959,138</b>	-
		<b>1,269,934</b>	172,844	<b>1,118,418</b>	159,280
Acquisition of subsidiaries/assets and liabilities					
- Effect of predecessor accounting		-	1,097,090	-	959,138
Balance as at the end of the financial year		<b>1,269,934</b>	1,269,934	<b>1,118,418</b>	1,118,418

## (a) Goodwill on consolidation

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

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>CGUs</b>				
Investment banking	<b>374,438</b>	374,438	<b>360,875</b>	360,875
Treasury	<b>614,176</b>	614,176	<b>614,176</b>	614,176
Asset Management	<b>143,367</b>	143,367	<b>143,367</b>	143,367
Subsidiaries				
- DMG & Partners	<b>63,948</b>	63,948	-	-
- PT RHB OSK Securities Indonesia	<b>74,005</b>	74,005	-	-
	<b>1,269,934</b>	1,269,934	<b>1,118,418</b>	1,118,418

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets/forecasts approved by Directors covering a three-year (2012: four-year) period. Cash flows beyond the three-year period are extrapolated using the estimated growth rate.

The cash flow projection is derived based on a number of key factors including the past performance and the management's expectations of the market developments. The discount rate used is pre-tax and is computed based on industry information to reflect the risks of the CGUs.

## 16 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill on consolidation (Continued)

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

	Discount rate		Growth rate	
	2013 %	2012 %	2013 %	2012 %
Investment banking	8.7	9.4	3.0	3.0
Treasury	8.7	9.4	3.0	3.0
Asset Management	8.7	-	3.0	-
DMG & Partners	4.7	-	2.0	-
PT RHB OSK Securities Indonesia	11.3	-	5.0	-

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

(b) Other 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
<b>2013</b>						
<b>Cost</b>						
Balance as at the beginning of the financial year		-	-	-	38,287	38,287
Acquisition of subsidiaries						
- Effect of predecessor accounting	48	22,333	25,098	2,141	43,070	92,642
		22,333	25,098	2,141	81,357	130,929
Additions		-	-	-	5,451	5,451
Disposals		-	-	-	(5)	(5)
Written off		-	-	-	(405)	(405)
Exchange difference		-	-	34	(69)	(35)
Balance as at the end of the financial year		22,333	25,098	2,175	86,329	135,935
<b>Less: Accumulated amortisation</b>						
Balance as at the beginning of the financial year		-	-	-	30,247	30,247
Acquisition of subsidiaries						
- Effect of predecessor accounting	48	372	1,202	1,032	11,491	14,097
		372	1,202	1,032	41,738	44,344
Charge for the year		2,233	7,212	-	10,689	20,134
Disposals		-	-	-	(2)	(2)
Written off		-	-	-	(186)	(186)
Exchange difference		-	-	20	(61)	(41)
Balance as at the end of the financial year		2,605	8,414	1,052	52,178	64,249
<b>Less: Accumulated impairment loss</b>						
Balance as at the beginning/end of the financial year		-	-	-	2,925	2,925
<b>Net book value as at the end of the financial year</b>		<b>19,728</b>	<b>16,684</b>	<b>1,123</b>	<b>31,226</b>	<b>68,761</b>

**16 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)**

(b) Other intangible assets (Continued)

<b>Group</b>	<b>Note</b>	<b>Customer relationship RM'000</b>	<b>Brand RM'000</b>	<b>Trading rights and memberships RM'000</b>	<b>Computer software license RM'000</b>	<b>Total RM'000</b>
<b>Restated 2012</b>						
<b>Cost</b>						
Balance as at the beginning of the financial year		-	-	-	38,291	38,291
Acquisition of subsidiaries						
- Effect of predecessor accounting	48	22,333	25,098	2,136	40,866	90,433
Additions		-	-	-	3,361	3,361
Written off		-	-	-	(888)	(888)
Reclassifications		-	-	-	(277)	(277)
Exchange difference		-	-	5	4	9
Balance as at the end of the financial year		22,333	25,098	2,141	81,357	130,929
<b>Less: Accumulated amortisation</b>						
Balance as at the beginning of the financial year		-	-	-	29,756	29,756
Acquisition of subsidiaries						
- Effect of predecessor accounting	48	-	-	1,029	10,214	11,243
Charge for the year		372	1,202	-	2,928	4,502
Written off		-	-	-	(888)	(888)
Reclassifications		-	-	-	(276)	(276)
Exchange difference		-	-	3	4	7
Balance as at the end of the financial year		372	1,202	1,032	41,738	44,344
<b>Less: Accumulated impairment loss</b>						
Balance as at the beginning/end of the financial year		-	-	-	2,925	2,925
<b>Net book value as at the end of the financial year</b>		21,961	23,896	1,109	36,694	83,660

**16 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)**

(b) Other intangible assets (Continued)

<b>Bank</b>	<b>Note</b>	<b>Customer relationship RM'000</b>	<b>Brand RM'000</b>	<b>Computer software license RM'000</b>	<b>Total RM'000</b>
<b>2013</b>					
<b>Cost</b>					
Balance as at the beginning of the financial year					
Acquisition of assets and liabilities		-	-	34,992	34,992
- Effect of predecessor accounting	48	5,659	20,153	37,430	63,242
		5,659	20,153	72,422	98,234
Additions		-	-	3,057	3,057
Written off		-	-	(2)	(2)
Balance as at the end of the financial year		5,659	20,153	75,477	101,289
<b>Less: Accumulated amortisation</b>					
Balance as at the beginning of the financial year					
Acquisition of assets and liabilities		-	-	27,845	27,845
- Effect of predecessor accounting	48	94	1,120	9,256	10,470
		94	1,120	37,101	38,315
Charge for the year		566	6,718	9,539	16,823
Written off		-	-	(2)	(2)
Balance as at the end of the financial year		660	7,838	46,638	55,136
<b>Less: Accumulated impairment loss</b>					
Balance as at the beginning/end of the financial year		-	-	2,925	2,925
<b>Net book value as at the end of the financial year</b>		<b>4,999</b>	<b>12,315</b>	<b>25,914</b>	<b>43,228</b>

**16 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)**

(b) Other intangible assets (Continued)

<b>Bank</b>	<b>Note</b>	<b>Customer relationship RM'000</b>	<b>Brand RM'000</b>	<b>Computer software license RM'000</b>	<b>Total RM'000</b>
<b>Restated 2012</b>					
<b>Cost</b>					
Balance as at the beginning of the financial year		-	-	34,421	34,421
Acquisition of assets and liabilities					
- Effect of predecessor accounting	48	5,659	20,153	37,375	63,187
Additions		-	-	626	626
Balance as at the end of the financial year		5,659	20,153	72,422	98,234
<b>Less: Accumulated amortisation</b>					
Balance as at the beginning of the financial year		-	-	26,695	26,695
Acquisition of assets and liabilities					
- Effect of predecessor accounting	48	-	-	7,789	7,789
Charge for the year		94	1,120	2,617	3,831
Balance as at the end of the financial year		94	1,120	37,101	38,315
<b>Less: Accumulated impairment loss</b>					
Balance as at the beginning/end of the financial year		-	-	2,925	2,925
<b>Net book value as at the end of the financial year</b>		5,565	19,033	32,396	56,994



## 17 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>(i) By type of deposits</b>				
Short term deposits	574,847	716,300	625,652	781,843
Fixed/investment deposits	1,876,315	2,980,801	1,900,329	3,000,862
Negotiable instruments of deposits	33,267	52,348	33,267	53,248
	<b>2,484,429</b>	3,749,449	<b>2,559,248</b>	3,835,953
<b>(ii) By type of customer</b>				
Government and statutory bodies	490,266	1,154,560	490,266	1,154,560
Business enterprises	1,870,841	2,439,136	1,945,660	2,525,640
Individuals	121,428	147,532	121,428	147,532
Foreign customers	1,894	8,221	1,894	8,221
	<b>2,484,429</b>	3,749,449	<b>2,559,248</b>	3,835,953
<b>(iii) By maturity structure of the fixed/investment deposits and negotiable instrument of deposits</b>				
Due within six months	2,430,022	3,431,465	2,504,841	3,517,969
Six months to one year	47,946	300,369	47,946	300,369
One year to three years	6,359	10,603	6,359	10,603
Three years to five years	102	7,012	102	7,012
	<b>2,484,429</b>	3,749,449	<b>2,559,248</b>	3,835,953

## 18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Licensed banks	463,834	444,751	463,834	444,751
Licensed investments banks	210,772	150,064	210,772	150,064
Bank Negara Malaysia	25,425	365,214	25,425	365,214
Other financial institutions	3,920,647	4,923,822	3,920,647	4,923,822
	<b>4,620,678</b>	5,883,851	<b>4,620,678</b>	5,883,851

## 19 OBLIGATION ON SECURITIES SOLD UNDER REPURCHASE AGREEMENT

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

	Group and Bank	
	2013 RM'000	Restated 2012 RM'000
Financial assets held-for-trading	180,003	-
Financial investment available-for-sale	221,519	240,010
	<b>401,522</b>	240,010

**20 CLIENTS' AND BROKERS' BALANCES**

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Amounts due to:				
- Clients	<b>643,402</b>	761,473	<b>413,618</b>	505,552
- Brokers	<b>1,653,584</b>	1,450,392	<b>5,446</b>	115,063
- Clearing houses and stock exchange	<b>17,985</b>	29,128	<b>205</b>	-
	<b>2,314,971</b>	2,240,993	<b>419,269</b>	620,615

**21 OTHER LIABILITIES**

	Note	Group		Bank	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Amount due to holding company	(i)	<b>490</b>	949	<b>488</b>	460
Amounts due to subsidiaries	(i)	-	-	<b>3,978</b>	3,364
Amounts due to related companies	(i)	<b>17,263</b>	9,395	<b>15,763</b>	7,390
Amount due to an associate	(ii)	-	2,928	-	-
Other creditors and accruals		<b>119,320</b>	115,161	<b>45,190</b>	52,239
Remisiers' trust deposits		<b>55,674</b>	51,801	<b>55,674</b>	51,801
Amount payable for creation of units due to funds		<b>25,898</b>	48,054	-	-
Amount payable for redemption units		<b>18,048</b>	244	-	-
Short term employee benefits		<b>78,479</b>	61,309	<b>49,000</b>	42,541
		<b>315,172</b>	289,841	<b>170,093</b>	157,795

- (i) Amounts due to holding company, subsidiaries and related companies are unsecured, interest free and repayable within the normal credit period.
- (ii) Amount due to an associate, UOB-OSK Asset Management Sdn. Bhd. mainly comprises of management fee payable and is unsecured, interest free and at the normal credit term of 90 days (2012: 90 days).

**22 BORROWINGS**

	Note	Group	
		2013 RM'000	Restated 2012 RM'000
Secured:			
Revolving credits:			
- Hong Kong Dollar ("HKD")	(a(i))	<b>66,805</b>	69,834
Unsecured:			
Revolving credits:			
- Thai Baht ("THB")	(a(ii))	<b>14,999</b>	-
Term loans:			
- Singapore Dollar ("SGD")	(b)	<b>25,937</b>	42,551
- Indonesia Rupiah ("IDR")	(c)	<b>44,451</b>	-
		<b>152,192</b>	112,385

## 22 BORROWINGS (CONTINUED)

The borrowings of the Group are as follows:

(a) Revolving credits

(i) HKD revolving credits (secured)

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

(ii) THB revolving credits (unsecured)

The unsecured THB revolving credit facilities of the Group bears interest at rates ranging from 2.85-3.50% (2012: Nil) per annum.

(b) Term loans (unsecured)

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

(c) Term loans (unsecured)

The unsecured IDR term loans of the Group bears interest at rates ranging from 10.6%-11.5% (2012: Nil) per annum.

## 23 SUBORDINATED OBLIGATIONS

	Note	Group and Bank	
		2013 RM'000	Restated 2012 RM'000
5.50% RM45 million Tier II Subordinated Notes 2008/2018	(a)	-	45,482
4.40% RM245 million Tier II Subordinated Notes 2012/2022	(b)	<b>245,659</b>	245,650
7.50% RM100 million Tier II Subordinated Notes 2008/2018	(c)	-	105,608
7.25% RM125 million Tier II Subordinated Notes 2010/2020	(d)	<b>131,536</b>	136,535
7.15% RM75 million Tier II Subordinated Notes 2010/2020	(e)	<b>78,342</b>	81,296
5.20% RM100 million Tier II Subordinated Notes 2011/2021	(f)	<b>103,562</b>	105,013
		<b>559,099</b>	719,584

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

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

The Sub-Notes proceeds raised were utilised for the 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 RM Subordinated Notes of RM45 million has been fully redeemed during the current financial year.

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

On 10 December 2012, the 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 on 2017)	4.40% per annum chargeable to 9 December 2012	Accrued and payable semi- annually in arrears

**23 SUBORDINATED OBLIGATIONS (CONTINUED)**

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

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

The tenure of 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% per annum 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.

The Bank had fully redeemed the RM100 million Tier II Subordinated Notes 2008/2018 during the current financial year.

## (d) 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% per annum to 8.25% per annum on the 5th year from the issuance date until the date of early redemption in full or final maturity, whichever is earlier.

## (e) 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% per annum to 8.15% per annum on the 5th year from the issuance date until the date of early redemption in full or final maturity, whichever is earlier.

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

On 15 April 2011, OSK Investment Bank\* issued RM100 million of Subordinated Notes via private 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% per annum 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.

\* Now undertaken by the Bank pursuant to the transfer of the entire business including all assets and liabilities of OSK Investment Bank to the Bank which took effect from 13 April 2013. Refer to Note 47(a) for details.

**24 SHARE CAPITAL**

	Group and Bank	
	2013 RM'000	Restated 2012 RM'000
Ordinary shares of RM1.00 each		
Authorised:		
Balance as at the beginning/end of the financial year	<b>1,000,000</b>	1,000,000
Issued and fully paid:		
Balance as at the beginning of the financial year	<b>263,646</b>	263,646
Issued of shares:		
- Acquisition of OSK Investment Bank Berhad	<b>555,000</b>	-
Balance as at the end of the financial year	<b>818,646</b>	263,646

During the financial year, the Bank increased its issued and paid up capital from RM263,646,000 to RM818,646,000 via the issuance of 555,000,000 new ordinary shares of RM1.00 each for acquisition of OSK Investment Bank Berhad on 13 April 2013, as disclosed in Note 47(a).

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

## 25 RESERVES

	Note	Group		Bank	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Retained profits	(a)	<b>206,734</b>	115,358	<b>176,310</b>	76,788
Share premium	(b)	<b>1,515,150</b>	-	<b>1,515,150</b>	-
Statutory reserves	(c)	<b>278,549</b>	278,549	<b>278,549</b>	278,549
AFS reserves	(d)	<b>(25,948)</b>	12,926	<b>(32,510)</b>	10,997
Capital contribution by holding company arising from predecessor accounting		-	1,802,808	-	1,802,808
Translation reserves	(e)	<b>(22,768)</b>	(6,004)	-	-
		<b>1,951,717</b>	2,203,637	<b>1,937,499</b>	2,169,142

- (a) Pursuant to the Finance Act, 2007 which was gazetted on 28 November 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Bank, but are exempted from tax to the shareholders ("single tier system"). The Bank's unutilised tax credits as at 31 December 2013, under Section 108 of the Income Tax Act, 1967, will be disregarded with effect from 1 January 2014. As at 31 December 2013, the Bank has tax exempt account balances to pay tax exempt dividends of approximately RM231,090,000.
- (b) Share premium arise from issuance of 555,000,000 new ordinary shares of RM1.00 each at fair value of RM3.73, pursuant to the transfer of the entire business of OSK Investment Bank ("OSKIB") to the Bank, whereby the Bank acquired the entire assets and liabilities of OSKIB at purchase consideration of RM2,070,150,000 on 13 April 2013, as disclosed in Note 47(a).
- (c) The statutory reserve represents non-distributable profits held by the Bank in compliance with Section 47(2)(f) of the Financial Services Act 2013. This fund is not distributable as cash dividends.
- (d) Available-for-sale reserves arise from a change in the fair value of financial investments classified as available-for-sale. The unrealised gains or losses are transferred to the income statement upon disposal, de-recognition or impairment of such securities.
- (e) Translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign subsidiaries and joint ventures.

## 26 NON-CONTROLLING INTERESTS ("NCI")

	Note	Group	
		2013 RM'000	Restated 2012 RM'000
Balance as at the beginning of the financial year		-	-
Acquisition of subsidiaries			
- Effect of predecessor accounting	48	<b>216,576</b>	-
		<b>216,576</b>	-
Acquisition of subsidiaries			
- Effect of predecessor accounting	48	-	214,432
Share of the profit for the financial year		<b>9,704</b>	1,945
Share of other comprehensive income for the financial year		<b>11,808</b>	686
Amount arising from acquisition of additional equity interest in subsidiary		<b>431</b>	-
Acquisition of shares from non-controlling interests		<b>(37,723)</b>	-
Dividends paid		<b>(9,448)</b>	(487)
Balance as at the end of the financial year		<b>191,348</b>	216,576

**26 NON-CONTROLLING INTERESTS (“NCI”) (CONTINUED)**

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group:

## (i) Summarised statement of financial position

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

## (ii) Summarised statement of comprehensive income

	DMG & Partners	
	2013 RM'000	Restated 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)
Allowance for impairment on loans, advances and other losses	(30,452)	(789)
<b>Profit before taxation</b>	<b>9,138</b>	3,051
Taxation	1,409	(163)
<b>Net profit for the financial year</b>	<b>10,547</b>	2,888
Other comprehensive income	10,878	-
<b>Total comprehensive income</b>	<b>21,425</b>	2,888

## 26 NON-CONTROLLING INTERESTS (“NCI”) (CONTINUED)

Set out below are the summarised financial information for each subsidiary that has non-controlling interests that are material to the Group: (Continued)

(iii) Summarised cash flows

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

## 27 INTEREST INCOME

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Loans and advances	<b>137,984</b>	23,678	<b>117,352</b>	19,715
Money at call and deposit placements with banks and other financial institutions	<b>85,447</b>	42,911	<b>59,956</b>	40,665
Financial assets held-for-trading	<b>30,478</b>	17,435	<b>24,518</b>	17,013
Financial investments available-for-sale	<b>142,756</b>	69,756	<b>142,756</b>	69,754
Financial investments held-to-maturity	<b>36,932</b>	24,825	<b>36,932</b>	24,825
Others	<b>14,567</b>	5,500	<b>5,044</b>	3,733
	<b>448,164</b>	184,105	<b>386,558</b>	175,705

## 28 INTEREST EXPENSE

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Deposits and placements of banks and other financial institutions	<b>24,436</b>	52,412	<b>23,838</b>	52,412
Deposits from customers	<b>228,428</b>	78,921	<b>230,910</b>	79,214
Subordinated obligations	<b>23,557</b>	15,720	<b>23,557</b>	15,721
Borrowings	<b>7,135</b>	286	-	-
Others	<b>1,379</b>	9	-	-
	<b>284,935</b>	147,348	<b>278,305</b>	147,347



**29 OTHER OPERATING INCOME**

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Fee Income:				
Arrangement fees and underwriting	<b>83,342</b>	51,611	<b>44,677</b>	45,979
Service charges and fees	<b>3,988</b>	8,298	<b>69</b>	-
Commission	<b>4,578</b>	680	<b>4,211</b>	479
Brokerage income	<b>371,695</b>	111,618	<b>210,205</b>	90,760
Unit trust fee income	<b>80,834</b>	17,175	-	-
Corporate advisory fees	<b>41,221</b>	20,144	<b>35,831</b>	19,437
Fund management fees	<b>98,863</b>	23,937	-	-
Placement fees	<b>47,707</b>	3,317	<b>28,735</b>	2,166
Rollover fees	<b>9,580</b>	494	<b>6,442</b>	494
Other fee income	<b>65,820</b>	61,342	<b>41,259</b>	56,831
	<b>807,628</b>	298,616	<b>371,429</b>	216,146
Net gain/(loss) arising from financial assets HFT:				
- net loss on disposal	<b>(3,513)</b>	(2,300)	<b>(5,631)</b>	(2,680)
- unrealised gain on revaluation	<b>5,645</b>	9,586	<b>8,434</b>	8,836
- gross dividends income	<b>2,648</b>	418	<b>1,029</b>	432
Net gain/(loss) arising from derivatives:				
- net (loss)/gain on disposal	<b>(17,736)</b>	11,300	<b>(20,765)</b>	11,300
- net gain/(loss) on revaluation	<b>38,253</b>	(4,970)	<b>35,437</b>	(4,970)
Net gain arising from financial investments AFS:				
- net gain on disposal	<b>20,816</b>	26,314	<b>20,816</b>	23,348
- gross dividends income	<b>455</b>	425	<b>386</b>	409
	<b>46,568</b>	40,773	<b>39,706</b>	36,675

	Note	Group		Bank	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Net gain arising from financial investments HTM:					
- net gain on redemption		<b>92</b>	1,175	<b>92</b>	1,175
Gross dividend income from subsidiaries		-	-	<b>15,870</b>	471
Gross dividend income from associates		-	-	-	1,057
Other income:					
Foreign exchange gain/(loss)					
- realised		<b>16,423</b>	8,989	<b>12,243</b>	8,790
- unrealised		<b>11,191</b>	(135)	<b>12,134</b>	(445)
Net gain/(loss) on disposal of property, plant and equipment		<b>205</b>	135	<b>(1)</b>	135
Rental income		-	55	<b>263</b>	103
Other operating income		<b>6,238</b>	2,304	<b>4,020</b>	2,966
Other non-operating income		<b>3,954</b>	-	<b>935</b>	-
Gain arising from disposal of an associate company	47(b)	<b>8,737</b>	-	<b>18,424</b>	-
		<b>46,748</b>	11,348	<b>48,018</b>	11,549
		<b>901,036</b>	351,912	<b>475,115</b>	267,073

**30 OTHER OPERATING EXPENSES**

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<u>Personnel costs</u>				
- Salaries, bonus, wages and allowances	<b>342,990</b>	121,729	<b>197,096</b>	79,523
- Defined contribution plan	<b>34,082</b>	15,945	<b>22,875</b>	11,871
- Other staff related costs	<b>53,450</b>	14,274	<b>26,369</b>	11,588
	<b>430,522</b>	151,948	<b>246,340</b>	102,982
<u>Establishment costs</u>				
- Property, plant and equipment:				
- Depreciation	<b>22,680</b>	7,907	<b>12,484</b>	5,987
- Written off	<b>418</b>	5	<b>167</b>	-
- Intangible assets:				
- Amortisation	<b>20,134</b>	4,502	<b>16,823</b>	3,831
- Written off	<b>219</b>	-	<b>-</b>	-
- Information technology expenses	<b>12,350</b>	6,287	<b>6,663</b>	4,957
- Repair and maintenance	<b>14,193</b>	1,662	<b>10,919</b>	1,137
- Rental of premises	<b>40,683</b>	12,983	<b>20,081</b>	8,621
- Water and electricity	<b>6,025</b>	2,278	<b>4,736</b>	1,943
- Rental of equipment	<b>5,378</b>	925	<b>2,478</b>	470
- Insurance	<b>3,702</b>	2,548	<b>2,723</b>	1,821
- Others	<b>14,200</b>	5,491	<b>8,328</b>	5,210
	<b>139,982</b>	44,588	<b>85,402</b>	33,977
<u>Marketing expenses</u>				
- Advertisement and publicity	<b>12,145</b>	8,428	<b>6,922</b>	7,666
- Sales commission	<b>76,588</b>	18,977	<b>925</b>	920
- Others	<b>63,395</b>	17,025	<b>12,522</b>	11,933
	<b>152,128</b>	44,430	<b>20,369</b>	20,519
<u>Administration and general expenses</u>				
- Communication expenses	<b>55,703</b>	10,575	<b>33,574</b>	8,984
- Auditors' remuneration (Note (i))	<b>1,834</b>	1,633	<b>629</b>	461
- Legal and professional fee	<b>5,352</b>	4,235	<b>2,384</b>	1,762
- Others	<b>64,581</b>	11,183	<b>34,070</b>	15,620
	<b>127,470</b>	27,626	<b>70,657</b>	26,827
	<b>850,102</b>	268,592	<b>422,768</b>	184,305

Included in the personnel cost is the Managing Director/CEO remuneration totalling RM485,000 for the Group and the Bank, as disclosed in Note 31.

Included in administration and general expenses of the Group and the Bank are non-executive Directors' remuneration (excluding benefits-in-kind) totalling RM1,938,000 (2012: RM1,153,000) and RM1,315,000 (2012: RM826,000) respectively, as disclosed in Note 31.

**30 OTHER OPERATING EXPENSES (CONTINUED)**

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
(i) Auditors' remuneration				
(a) Audit				
Statutory audit				
- Malaysia	736	637	463	388
- Overseas	849	909	-	-
Limited review	100	-	100	-
Other audit related	50	-	50	-
	<b>1,735</b>	1,546	<b>613</b>	388
(b) Non-Audit				
- Malaysia	99	87	16	73
	<b>99</b>	87	<b>16</b>	73
	<b>1,834</b>	1,633	<b>629</b>	461

**31 DIRECTORS' REMUNERATION**

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

Group	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
<b>2013</b>				
<b>Managing Director/Chief Executive Officer</b>				
Mike Chan Cheong Yuen*	475	10	-	485

\* Appointed on 15 August 2013.

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

Bank	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
<b>2013</b>				
<b>Managing Director/Chief Executive Officer</b>				
Mike Chan Cheong Yuen*	475	10	-	485

\* Appointed on 15 August 2013.

During the financial year ended 31 December 2012, there was no Managing Director appointed for the Group and the Bank.

**31 DIRECTORS' REMUNERATION (CONTINUED)**

	Group				Bank			
	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
<b>2013</b>								
<b>Non-executive Directors</b>								
Tan Sri Ong Leong Huat @ Wong Joo Hwa (Chairman)	320	18	23	361	148	18	20	186
Dato' Mohamed Khadar Merican	143	-	94	237	122	-	83	205
Tan Sri Azlan Zainol	146	-	20	166	120	-	20	140
Charles Lew Foon Keong	120	-	20	140	120	-	20	140
Patrick Chin Yoke Chung	311	24	150	485	120	-	97	217
Dato' Saw Choo Boon	123	-	137	260	120	-	137	257
Abdul Aziz Peru Mohamed	243	-	88	331	120	-	68	188
	<b>1,406</b>	<b>42</b>	<b>532</b>	<b>1,980</b>	<b>870</b>	<b>18</b>	<b>445</b>	<b>1,333</b>
<b>2012</b>								
<b>Non-executive Directors</b>								
Dato' Mohamed Khadar Merican (Chairman)	100	-	65	165	100	-	65	165
Tan Sri Azlan Zainol	80	-	15	95	80	-	15	95
Akira Miyama (Ceased on 25 February 2012)	12	-	-	12	12	-	-	12
Charles Lew Foon Keong	80	-	16	96	80	-	16	96
Patrick Chin Yoke Chung	240	-	132	372	80	-	64	144
Dato' Saw Choo Boon	80	-	90	170	80	-	90	170
Abdul Aziz Peru Mohamed	160	-	71	231	80	-	52	132
Tan Sri Ong Leong Huat @ Wong Joo Hwa (Appointed on 20 November 2012)	9	-	3	12	9	-	3	12
	761	-	392	1,153	521	-	305	826

\* Others comprise of committee members' allowance and meeting allowance

**32 CHANGE IN ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND OTHER LOSSES**

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>Allowance for impaired loans and advances</b>				
- Individual impairment allowance made	5,855	51	5,855	51
- Collective impairment allowance made	2,658	10	2,658	10
Impaired loans recovered	(9)	(72)	(9)	(72)
Allowance made/(write back) for impairment on other assets	29,651	1,857	(1,305)	358
	<b>38,155</b>	1,846	<b>7,199</b>	347

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

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>Change for the financial year:</b>				
- Financial investments AFS	13,161	1,570	13,161	1,570
- Financial investments HTM	-	3,305	-	3,305
- Investment in subsidiaries	-	-	6,543	-
- Investment in a joint venture	-	-	-	6,100
Reversal for the financial year:				
- Financial investments AFS	(628)	(36)	(628)	(36)
- Financial investments HTM	(20,166)	-	(20,166)	-
- Others	-	(41)	-	(41)
	<b>(7,633)</b>	4,798	<b>(1,090)</b>	10,898

### 34 TAXATION

	Note	Group		Bank	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Income tax based on profit for the financial year					
- Malaysian income tax		<b>53,094</b>	32,500	<b>44,474</b>	31,072
- Overseas tax		<b>2,957</b>	3,151	<b>116</b>	211
Deferred tax	12	<b>(2,712)</b>	(1,888)	<b>(591)</b>	(1,785)
Over provision in respect of prior years		<b>(8,821)</b>	(5,260)	<b>(6,035)</b>	(2,999)
		<b>44,518</b>	28,503	<b>37,964</b>	26,499
<b>Current tax</b>					
Current year		<b>56,051</b>	35,651	<b>44,590</b>	31,283
Over provision in respect of prior years		<b>(8,821)</b>	(5,260)	<b>(6,035)</b>	(2,999)
		<b>47,230</b>	30,391	<b>38,555</b>	28,284
<b>Deferred tax</b>					
Origination and reversal of temporary differences	12	<b>(2,712)</b>	(1,888)	<b>(591)</b>	(1,785)
		<b>(2,712)</b>	(1,888)	<b>(591)</b>	(1,785)
		<b>44,518</b>	28,503	<b>37,964</b>	26,499

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

	Group		Bank	
	2013 %	Restated 2012 %	2013 %	Restated 2012 %
Tax at Malaysian Statutory applicable tax rate	<b>25.0</b>	25.0	<b>25.0</b>	25.0
Tax effects in respect of:				
- Effects of different tax rate in other countries	<b>(0.4)</b>	0.7	-	-
- Income not subject to tax	<b>(0.9)</b>	(1.2)	<b>(1.8)</b>	(0.2)
- Expenses not deductible for tax purposes	<b>4.2</b>	3.7	<b>3.6</b>	5.2
- Utilisation of deferred tax assets not previously recognised	<b>(0.7)</b>	(0.2)	-	-
- Other temporary differences not recognised in prior year	<b>1.6</b>	(0.3)	<b>1.7</b>	(3.1)
- Over provision in respect of prior years	<b>(4.8)</b>	(3.0)	<b>(3.9)</b>	(0.4)
Effective tax rate	<b>24.0</b>	24.7	<b>24.6</b>	26.5

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

	Group	
	2013 RM'000	Restated 2012 RM'000
Unabsorbed tax losses carried forward	<b>80,349</b>	81,539
Unabsorbed capital allowances carried forward	<b>897</b>	897

Deferred tax assets have not been recognised in respect of unabsorbed tax losses and unabsorbed capital allowances of certain subsidiaries as they have a recent history of losses.

**35 EARNINGS PER SHARE**

## (a) Basic earnings per share

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

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Net profit attributable to equity holder	<b>131,363</b>	84,549	<b>116,528</b>	73,382
Weighted average number of ordinary share in issue ('000)	<b>663,550</b>	263,646	<b>663,550</b>	263,646
Basic earnings per share (sen)	<b>19.80</b>	32.07	<b>17.56</b>	27.83

## (b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2013 and 31 December 2012.

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

Group	Before tax RM'000	Tax expenses RM'000	Net of tax amount RM'000
<b>2013</b>			
Financial investments available-for-sale			
- Net fair value loss and amount transfer to income statements	<b>(46,120)</b>	<b>12,657</b>	<b>(33,463)</b>
<b>Restated 2012</b>			
Financial investments available-for-sale			
- Net fair value loss and amount transfer to income statements	<b>(6,101)</b>	<b>1,974</b>	<b>(4,127)</b>

Bank	Before tax RM'000	Tax expenses RM'000	Net of tax amount RM'000
<b>2013</b>			
Financial investments available-for-sale			
- Net fair value loss and amount transfer to income statements	<b>(58,008)</b>	<b>14,501</b>	<b>(43,507)</b>
<b>Restated 2012</b>			
Financial investments available-for-sale			
- Net fair value loss and amount transfer to income statements	<b>(7,985)</b>	<b>1,996</b>	<b>(5,989)</b>



### 37 ORDINARY DIVIDENDS

Dividend declared or proposed are as follows:

	Group and Bank			
	2013		2012	
	Gross dividend per share sen	Amount of dividends, net of tax RM'000	Gross dividend per share sen	Amount of dividends, net of tax RM'000
<b>Ordinary shares</b>				
Proposed final dividend – 2012/2011	-	-	8.60	17,005

The Bank does not propose any dividend for the financial year ended 31 December 2013.

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

	Group and Bank			
	2013		2012	
	Gross dividend per share sen	Amount of dividends, net of tax RM'000	Gross dividend per share sen	Amount of dividends, net of tax RM'000
<b>Ordinary shares</b>				
Final dividend – 2012/2011	8.60	17,005	-	-
Final dividend – 2011/2010	-	-	14.80	29,265
	8.60	17,005	14.80	29,265

### 38 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

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

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

**38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

## (b) Significant related party balances and transactions

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

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

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

<b>Group</b>	<b>Holding company RM'000</b>	<b>EPF and EPF Group of companies RM'000</b>	<b>Key management personnel RM'000</b>	<b>Other related companies RM'000</b>
<b>2013</b>				
<b>Income</b>				
Interest on loans and advances	71	5,739	7	22,092
Fee income	5,560	7,928	-	2,552
Brokerage fees	-	20,831	-	-
Fund management fees	-	-	-	1,553
Revaluation of interest rate swap	-	-	-	(1,860)
Other operating income	-	126	-	895
	<b>5,631</b>	<b>34,624</b>	<b>7</b>	<b>25,232</b>
<b>Expenditure</b>				
Insurance premium	-	-	-	1,394
Interest expense on deposits and placements	-	3,346	-	1,765
Rental of premises	-	-	11,147	7,527
Personnel expenses	-	-	-	478
Establishment expenses	-	-	-	998
Marketing expenses	-	-	-	15,551
Administration and general expenses	-	-	-	183
	-	<b>3,346</b>	<b>11,147</b>	<b>27,896</b>
<b>Amounts due from</b>				
Cash and short term funds	-	-	-	320,772
Financial assets HFT	-	140,345	-	-
Financial investments AFS	-	35,800	-	-
Loans and advances	-	245,000	312	-
Derivative assets	-	-	-	4,201
Other assets	7	4,754	3,088	3,584
	<b>7</b>	<b>425,899</b>	<b>3,400</b>	<b>328,557</b>
<b>Amounts due to</b>				
Deposits from customers	-	105,420	31,119	33,829
Clients' and brokers' balances	-	4,238	-	-
Derivative liabilities	-	-	-	17,879
Other liabilities	490	-	-	17,263
	<b>490</b>	<b>109,658</b>	<b>31,119</b>	<b>68,971</b>

**38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

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

<b>Group</b>	<b>Holding company RM'000</b>	<b>EPF and EPF Group of companies RM'000</b>	<b>Key management personnel RM'000</b>	<b>Other related companies RM'000</b>
<b>Restated 2012</b>				
<b>Income</b>				
Interest on deposits	-	-	-	12,241
Fee income	6,800	-	-	13,460
Brokerage fees	-	15,539	-	-
Fund management fees	-	-	-	2,331
Other interest income	77	-	-	-
Revaluation of interest rate swap	-	-	-	(1,873)
	6,877	15,539	-	26,159
<b>Expenditure</b>				
Insurance premium	-	-	-	1,733
Interest expense on deposits and placements	-	182	-	402
Rental of premises	-	-	1,893	7,314
Personnel expenses	-	-	-	475
Establishment expenses	-	-	-	180
Marketing expenses	-	-	-	1,825
Administration and general expenses	-	-	-	156
	-	182	1,893	12,085
<b>Amounts due from</b>				
Cash and short term funds	-	-	-	622,245
Deposits and placements with banks and other financial institution	-	-	-	650,074
Financial assets HFT	-	-	-	27,646
Financial investments AFS	9,278	-	-	145,544
Clients' and brokers' balances	-	10,908	-	-
Derivative assets	-	-	-	2,387
Other assets	987	-	3,152	3,890
	10,265	10,908	3,152	1,451,786
<b>Amounts due to</b>				
Deposits from customers	-	200,000	-	17,482
Derivative liabilities	-	-	-	2,247
Other liabilities	949	-	-	9,395
	949	200,000	-	29,124

**38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

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

<b>Bank</b>	<b>Holding company RM'000</b>	<b>EPF and EPF Group of companies RM'000</b>	<b>Subsidiaries RM'000</b>	<b>Key management personnel RM'000</b>	<b>Other related companies RM'000</b>
<b>2013</b>					
<b>Income</b>					
Interest on deposits	71	5,739	931	7	19,720
Fee income	5,560	7,928	6,211	-	738
Brokerage fees	-	20,831	-	-	-
Revaluation of interest rate swap	-	-	-	-	(1,860)
Other operating income	-	126	16,833	-	895
	<b>5,631</b>	<b>34,624</b>	<b>23,975</b>	<b>7</b>	<b>19,493</b>
<b>Expenditure</b>					
Insurance premium	-	-	-	-	1,362
Interest expense on deposits and placements	-	3,346	2,525	-	1,500
Rental of premises	-	-	-	9,554	6,591
Personnel expenses	-	-	-	-	443
Establishment expenses	-	-	-	-	993
Marketing expenses	-	-	-	-	5,403
Administration and general expenses	-	-	17,249	-	76
	-	<b>3,346</b>	<b>19,774</b>	<b>9,554</b>	<b>16,368</b>
<b>Amounts due from</b>					
Cash and short term funds	-	-	-	-	193,604
Financial assets HFT	-	140,345	-	-	-
Financial investments AFS	-	35,800	-	-	-
Loan and advances	-	245,000	41,831	312	-
Derivative assets	-	-	-	-	4,201
Other assets	-	4,754	6,800	-	106
	-	<b>425,899</b>	<b>48,631</b>	<b>312</b>	<b>197,911</b>
<b>Amounts due to</b>					
Deposit from customers	-	105,420	74,819	31,119	18,823
Clients' and brokers' balance	-	4,238	-	-	-
Derivative liabilities	-	-	-	-	17,879
Other liabilities	488	-	3,978	-	15,763
	<b>488</b>	<b>109,658</b>	<b>78,797</b>	<b>31,119</b>	<b>52,465</b>

**38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

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

<b>Bank</b>	<b>Holding company RM'000</b>	<b>EPF and EPF Group of companies RM'000</b>	<b>Subsidiaries RM'000</b>	<b>Key management personnel RM'000</b>	<b>Other related companies RM'000</b>
<b>Restated 2012</b>					
<b>Income</b>					
Interest on deposits	-	-	-	-	11,317
Fees income	6,800	-	1,639	-	12,416
Brokerage fees	-	15,539	-	-	-
Revaluation of interest rate swap	-	-	-	-	(1,873)
	6,800	15,539	1,639	-	21,860
<b>Expenditure</b>					
Insurance premium	-	-	-	-	1,273
Interest expense on deposits and placements	-	182	-	-	402
Rental of premises	-	-	-	1,568	6,195
Personnel expenses	-	-	-	-	423
Establishment expenses	-	-	-	-	180
Administration and general expenses	-	-	10,075	-	117
	-	182	10,075	1,568	8,590
<b>Amounts due from</b>					
Cash and short term funds	-	-	-	-	554,375
Deposits and placements with banks and other financial institution	-	-	-	-	650,074
Financial assets HFT	9,278	-	-	-	27,646
Financial investments AFS	-	-	-	-	145,544
Clients' and brokers' balances	-	10,908	-	-	-
Loans and advances	-	-	49,726	-	-
Derivative assets	-	-	-	-	2,387
Other assets	987	-	6,101	2,726	1,165
	10,265	10,908	55,827	2,726	1,381,191
<b>Amounts due to</b>					
Deposits from customers	-	200,000	86,504	-	17,482
Derivative liabilities	-	-	-	-	2,247
Other liabilities	460	-	3,364	-	7,390
	460	200,000	89,868	-	27,119

**38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)**

## (c) Key management personnel

The remuneration of key management personnel are as follows:

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Short term employee benefits				
- Fees	<b>1,912</b>	761	<b>870</b>	521
- Salary and other remuneration	<b>17,981</b>	9,768	<b>6,451</b>	6,805
- Contribution to EPF	<b>1,047</b>	1,565	<b>856</b>	1,101
- Benefits-in-kind	<b>826</b>	24	<b>106</b>	-
	<b>21,766</b>	12,118	<b>8,283</b>	8,427

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

## (d) Credit exposures arising from transactions with connected parties

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

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Outstanding credit exposure with connected parties (RM'000)	<b>391,728</b>	179,196	<b>391,728</b>	179,196
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	<b>7.43%</b>	8.68%	<b>7.43%</b>	8.68%
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	-	-	-	-

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

### 39 COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies comprise the following:

Group	2013			Restated 2012		
	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 <sup>#</sup>	-	-	-	1,000	1,000	1,000
Transaction-related contingent items <sup>#</sup>	-	-	-	1,053	527	159
Obligations under underwriting agreements	<b>267,648</b>	<b>133,824</b>	<b>85,356</b>	61,971	30,986	20,986
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	<b>1,733,605</b>	<b>346,721</b>	<b>346,721</b>	1,438,022	28,950	27,648
- Maturity exceeding one year	<b>52,922</b>	<b>26,461</b>	<b>26,466</b>	73,074	36,537	36,542
Over-the-counter ("OTC") derivative transactions and credit derivative contracts subject to valid bilateral netting agreements <sup>^</sup>	-	-	-	38,719	2,305	538
Foreign exchange-related contracts <sup>^</sup> :						
- Less than one year	<b>669,034</b>	<b>8,599</b>	<b>2,640</b>	1,190,247	19,347	4,205
- One year to less than five years	<b>1,640,120</b>	<b>213,740</b>	<b>58,934</b>	-	-	-
Interest rate-related contract <sup>^</sup> :						
- Less than one year	<b>1,055,000</b>	<b>2,087</b>	<b>417</b>	1,515,000	6,637	1,327
- One year to less than five years	<b>2,488,680</b>	<b>46,340</b>	<b>11,330</b>	1,685,000	34,814	6,963
- More than five years	-	-	-	15,000	2,290	458
Equity related contracts <sup>^</sup> :						
- Less than one year	-	-	-	4,423	4,423	4,423
<b>Total</b>	<b>7,907,009</b>	<b>777,772</b>	<b>531,864</b>	6,023,509	167,816	104,249

<sup>#</sup> Included in direct credit substitutes, transaction-related contingent items and short term self liquidating trade-related contingencies are financial guarantee contract of RMNil (2012 : RM2,053,000) of which fair value at the time of issuance is zero.

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

<sup>\*</sup> 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.



**39 COMMITMENTS AND CONTINGENCIES (CONTINUED)**

The commitments and contingencies comprise the following: (Continued)

Bank	2013			Restated 2012		
	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 <sup>#</sup>	-	-	-	1,000	1,000	1,000
Transaction-related contingent items <sup>#</sup>	-	-	-	1,053	527	159
Obligations under underwriting agreements	<b>228,069</b>	<b>114,035</b>	<b>65,567</b>	61,971	30,986	20,986
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	<b>827,866</b>	<b>165,573</b>	<b>165,573</b>	661,621	33,620	32,317
- Maturity exceeding one year	<b>52,922</b>	<b>26,461</b>	<b>26,466</b>	73,074	36,537	36,542
Over-the-counter ("OTC") derivative transactions and credit derivative contracts subject to valid bilateral netting agreements <sup>^</sup>	-	-	-	38,719	2,305	538
Foreign exchange-related contracts <sup>^</sup> :						
- Less than one year	<b>669,034</b>	<b>8,599</b>	<b>2,640</b>	1,190,247	19,347	4,205
- One year to less than five years	<b>1,640,120</b>	<b>213,740</b>	<b>58,934</b>	-	-	-
Interest rate-related contract <sup>^</sup> :						
- Less than one year	<b>1,055,000</b>	<b>2,087</b>	<b>417</b>	1,515,000	6,637	1,327
- One year to less than five years	<b>2,488,680</b>	<b>46,340</b>	<b>11,330</b>	1,685,000	34,814	6,963
- More than five years	-	-	-	15,000	2,290	458
Equity related contracts <sup>^</sup> :						
- Less than one year	-	-	-	4,423	4,423	4,423
<b>Total</b>	<b>6,961,691</b>	<b>576,835</b>	<b>330,927</b>	5,247,108	172,486	108,918

<sup>#</sup> Included in direct credit substitutes, transaction-related contingent items and short term self liquidating trade-related contingencies are financial guarantee contract of RMNil (2012 : RM2,053,000) of which fair value at the time of issuance is zero.

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

<sup>\*</sup> 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.

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

#### 40 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>Rental of premises</b>				
Within one year	<b>33,841</b>	22,210	<b>13,266</b>	4,913
Between one to five years	<b>41,239</b>	25,880	<b>18,851</b>	-
	<b>75,080</b>	48,090	<b>32,117</b>	4,913

#### 41 CAPITAL COMMITMENTS

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Capital expenditure for property, plant and equipment:				
- Authorised and contracted for	<b>1,360</b>	11,789	<b>950</b>	1,852
- Authorised but not contracted for	<b>6,595</b>	-	-	-
	<b>7,955</b>	11,789	<b>950</b>	1,852

#### 42 FINANCIAL RISK MANAGEMENT

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

###### Overview and Organisation

Risk is inherent in business of banking 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" or "BOD") through the Group Risk Management Committee ("GRMC") and the Group Risk Management function ("GRM function") is responsible for identifying principal risks and ensuring there is an ongoing process to manage these risks within tolerable ranges.

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 RHB Banking Group.

Overriding objectives of the GRMC:

- (i) To provide oversight and governance of risks of the Bank and the overall RHB Banking Group ("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.

**42 FINANCIAL RISK MANAGEMENT (CONTINUED)****(a) Financial Risk Management Objectives and Policies (Continued)****Overview and organisation (Continued)**

The primary responsibility for managing risks, however, rests with business managers who are best equipped to ensure that risk management and controls 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 corporate banking and advisory services, treasury products and services, and securities and futures related business, the Group and the Bank are 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 rates and foreign currency exchanges.
- (ii) Liquidity risk - the risk of the Group and the Bank being unable to maintain sufficient liquid assets to meet their financial commitments and obligations when they fall due and transact at a reasonable cost.
- (iii) Credit risk - the risk of potential loss due to changes in the quality of counter-parties and the market price for credit risk (collateral risk).
- (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 in of applicable laws and regulatory requirements.

**Investment Banking**Market Risk

Within the Investment Bank, market risk arising from the Group's trading activities may result from either client-related business or proprietary positions.

The GRM function plays an independent role in the monitoring and assessing of risk exposures arising from these, and it reports independently to the Bank's Risk Management Committee and GRMC. Risk measurement techniques and stress testing regimes are applied to the Bank's portfolio on a regular basis.

A framework of risk policies, measurement methodologies and limits, as approved by the Board, controls financial market activities as well as identifies potential risk areas to mitigate any adverse effects from market volatility.

As no single risk statistic can reflect all aspects of market risk, a variety of techniques, both statistical and non-statistical are used to measure and control the market risks it assumes in its various activities. The value-at-risk ("VAR") statistical method is used to measure the amount of potential loss from adverse market movement in an ordinary market environment. Back-testing of VAR against actual financial results, based on daily market risk-related revenue is conducted periodically.

While VAR measures the Bank's potential losses in normal market movements, extreme market movements are simulated under stress testing scenarios. Stress testing examines the impact that abnormally large swings in market factors, and years of prolonged inactivity, might have on the Bank's asset portfolios. The Bank performs stress tests on its portfolios using multiple scenarios that are continually reviewed and updated to reflect changes in economic events.

In addition, non-statistical risk measures such as net open position, sensitivity analysis and simulation models are also used to measure and provide additional information on market risk exposures and the direction in which the risk factors are moving.

## 42 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

#### Investment Banking (Continued)

##### Currency risk

Approved position limits are applied for each currency and there is also an overall total limit. Trading loss limits are imposed on each trading desk and on each individual dealer. The levels of these exposures (including off-balance sheet items), by currency and 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 strategies set by the GRMC.

##### Interest rate risk

The Asset and Liability Committee ("ALCO") monitors the statements of financial position and assesses them for profit and loss impacts arising from sensitivity to interest rate movements. The ALCO also sets and reviews limits on the level of mismatch of interest rate re-pricing that may be undertaken. Likewise, fixed rate assets, especially long term assets, are subject to various limit parameters.

##### Credit risk

The Bank abides by the Board's approved credit policy which supports the development of a strong credit culture with the objectives of maintaining a diversified portfolio. Market best practices are incorporated into this policy.

The Bank ensures that measures and processes are in place 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 Investment & Underwriting Committee approves credits that are above individual discretionary power with affirmation by the Group Credit Committee for credits above a pre-defined prudential threshold.

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

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

The Bank, presently under Standardized Approach, is moving towards the advanced Basel II approaches by implementing key programme components which include:

- (i) enhancing the economic returns of the Bank using established credit risk framework and methodologies;
- (ii) implementing and using empirical credit grading models for its structured and share margin loans; and
- (iii) designing and implementing modelling of expected and unexpected losses.

In stock-broking activities, credit risk is mitigated through the establishment of appropriate approving authority structure for the extension of trading/credit limits. Within clearly defined guidelines approved by the Board and in line with applicable laws and regulations, credit risk management also encompasses the systematic credit assessment, close monitoring of limits, exposures and concentration risk to counterparties or issuer, through timely management reporting procedures.

##### Liquidity risk

The ALCO plays a fundamental role in the asset/liability management of the Bank, and establishes strategies that 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 at unexpected levels of demand. Defined liquidity management ratios are maintained and monitored.

**42 FINANCIAL RISK MANAGEMENT (CONTINUED)****(a) Financial Risk Management Objectives and Policies (Continued)****Investment Banking (Continued)**Liquidity risk (Continued)

The Bank's liquidity framework is subject to periodic stress tests and the results are reviewed to ensure constant compliance with BNM's Liquidity Framework.

The Bank has established a Group Liquidity Policy Statement. In addition, plans to manage any potential adverse liquidity incidences have also been put in place; and can be implemented on a timely basis so that appropriate actions can be taken to remedy any unexpected market developments.

Operational risk

The GRM function is responsible for the development of bank-wide operational risk policies, frameworks 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 Bank uses an operational risk management system. This system has integrated applications for supporting the entire operational risk management process for loss event data collection and management, loss event analysis, assessment and monitoring of the quality of the internal control environment, risk scenario analysis and measurement, comprehensive reporting of operational risks and internal control quality, and tracking of risk mitigation and control improvement actions. This system facilitates the Bank's capabilities for the Advanced Measurement Approach of the Basel II Framework.

The Bank has a Business Continuity Planning ("BCP") programme for its critical business operations and activities. The BCP programme is subject to regular testing to ensure efficacy, reliability and functionality.

The Bank refines and strengthens existing policies, procedures and internal control measures, as well as conducts internal reviews, compliance monitoring, and audits continually to prevent and minimise unexpected losses.

**Capital Management Policy**Capital

The purpose of capital management is to ensure adequate capital at the Group and/or its entity in order to maintain confidence in its financial stability, while achieving returns on capital that are adequate to satisfy the expectations of stakeholders. Capital management involves capital strategy, capital planning, capital structuring, capital optimisation and dividend payout.

Capital Strategy

Capital strategy includes the determination of internal capital target under both normal and stress market conditions after taking into consideration capital contingency plans. The Group conducts a comprehensive capital adequacy assessment on, at least, an annual basis in order to ensure that the target capital level is appropriate.

Capital Planning

Capital planning includes capital budgeting and forecasting. Based on strategic directions and regulatory requirements, the Group and its entities formulate a capital plan, which describes actions required to raise capital in a timely manner in both normal and stress conditions as assumed in the stress scenarios. For capital planning purposes, capital adequacy is assessed in the multi-year financial projection under both normal and stressed scenarios, the objective of which is to ensure that the Group and/or its entities maintain adequate capital on a forward-looking basis. The Group also has a capital contingency funding plan that forms part of the capital plan. The capital plan, together with the analysis and proposed actions, are reviewed by the Group Chief Financial Officer and deliberated at the Group Capital and Strategic Risk Management Committee for endorsement, and submitted to Group Risk Management Committee and the Board for approval.

## 42 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

#### Capital Management Policy (Continued)

##### Capital Structuring

Capital structuring affects the Group through its impact on cash flow and cost of capital. The Group adopts an effective capital structuring that maximises value and minimises overall cost of capital. In order to achieve an optimum capital structure, the Group determines the levels, mix and structure of internal and regulatory capital in line with its current and planned levels of business activities, risk appetite and desired level of capital adequacy.

##### Capital Optimisation

The Group establishes the optimal level of capital by optimising its risk profile and balance sheet through risk-based strategic and financial planning, capital allocation and sound management of capital buffers.

##### Dividend Pay-Out

The Group aims to achieve a balance between dividend payout and the need to retain earnings in order to be consistent with its capital strength and to support business expansion. The Board reviews the dividend pay-out recommendation on an annual basis.

#### Stock-broking

##### Market risk

Market risk relates to the risk of an adverse fluctuation in equity prices.

Market risk arising from trading activities can result from either client-related business or proprietary positions. Market risk is managed as follows:

- Assignment of appropriate trading limits.
- Daily monitoring of large exposure risk to single equity to manage the concentration risk.
- Requirement of collateral or upfront payment for purchase of volatile stocks with “designated” status and “PN17” condition stocks under trading restriction prior to the execution of the transaction. Exposures to such counters are being monitored closely.
- In compliance with the Business Rules of Bursa Securities, clients must settle all positions on the third market day following the transaction date (i.e. T+3) unless approved under discretionary financing where settlement may be up to T+7.

##### Credit risk

Credit (and counterparty) risk refer to the potential losses attributable to an unexpected default or deterioration in client’s creditworthiness.

In trading activities, credit risk arises from the possibility that the counterparty is not able or willing to fulfil its obligation on a transaction on or before settlement date.

The Credit Control & Supervision Division in the Bank ensures that credit risk is mitigated by:

- Structured and systematic credit checking and processing based on approved policies, procedures and guidelines.
- Proper trading limit structure for dealer’s representatives and clients are in place in line with the credit policies.
- Daily review and monitoring of exposure and adequacy of collateral.
- Requirement of upfront payment for purchase positions prior to the execution of any exposure which is beyond acceptable risk tolerance level.
- Internal policy on suspension of clients from trading once their accounts are overdue. Clients’ losses are reviewed regularly and recovery action initiated when appropriate.

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

Group	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Total RM'000
<b>2013</b>					
<u>Financial Assets</u>					
Cash and short term funds	<b>1,065,190</b>	-	-	-	<b>1,065,190</b>
Deposits and placements with banks and other financial institutions	<b>100,715</b>	-	-	-	<b>100,715</b>
Financial assets HFT	-	<b>1,226,494</b>	-	-	<b>1,226,494</b>
Financial investments AFS	-	-	<b>3,668,358</b>	-	<b>3,668,358</b>
Financial investments HTM	-	-	-	<b>954,587</b>	<b>954,587</b>
Loans and advances	<b>2,393,747</b>	-	-	-	<b>2,393,747</b>
Clients' and brokers' balances	<b>2,573,583</b>	-	-	-	<b>2,573,583</b>
Other financial assets	<b>205,042</b>	-	-	-	<b>205,042</b>
Derivative assets	-	<b>48,760</b>	-	-	<b>48,760</b>
	<b>6,338,277</b>	<b>1,275,254</b>	<b>3,668,358</b>	<b>954,587</b>	<b>12,236,476</b>

	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
<u>Financial Liabilities</u>			
Deposits from customers	-	<b>2,484,429</b>	<b>2,484,429</b>
Deposits and placements of banks and other financial institutions	-	<b>4,620,678</b>	<b>4,620,678</b>
Obligation on securities sold under repurchase agreements	-	<b>401,522</b>	<b>401,522</b>
Obligation on securities borrowed	-	<b>31,734</b>	<b>31,734</b>
Clients' and brokers' balances	-	<b>2,314,971</b>	<b>2,314,971</b>
Other financial liabilities	-	<b>301,344</b>	<b>301,344</b>
Derivative liabilities	<b>82,463</b>	-	<b>82,463</b>
Borrowings	-	<b>152,192</b>	<b>152,192</b>
Subordinated obligations	-	<b>559,099</b>	<b>559,099</b>
	<b>82,463</b>	<b>10,865,969</b>	<b>10,948,432</b>



**42 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Financial instruments by category (Continued)**

<b>Group</b>	<b>Loans and receivables RM'000</b>	<b>Assets at fair value through the profit and loss RM'000</b>	<b>Financial investments available-for-sale RM'000</b>	<b>Financial investments held-to-maturity RM'000</b>	<b>Total RM'000</b>
<b>Restated 2012</b>					
<u>Financial Assets</u>					
Cash and short term funds	1,911,815	-	-	-	1,911,815
Deposits and placements with banks and other financial institutions	705,698	-	-	-	705,698
Financial assets HFT	-	1,136,224	-	-	1,136,224
Financial investments AFS	-	-	4,931,686	-	4,931,686
Financial investments HTM	-	-	-	1,142,505	1,142,505
Loans and advances	1,727,602	-	-	-	1,727,602
Clients' and brokers' balances	2,500,765	-	-	-	2,500,765
Other financial assets	271,089	-	-	-	271,089
Derivative assets	-	15,093	-	-	15,093
	7,116,969	1,151,317	4,931,686	1,142,505	14,342,477

	<b>Liabilities at fair value through the profit and loss RM'000</b>	<b>Other financial liabilities at amortised cost RM'000</b>	<b>Total RM'000</b>
<u>Financial Liabilities</u>			
Deposits from customers	-	3,749,449	3,749,449
Deposits and placements of banks and other financial institutions	-	5,883,851	5,883,851
Obligation on securities sold under repurchase agreements	-	240,010	240,010
Obligation on securities borrowed	-	119,905	119,905
Clients' and brokers' balances	-	2,240,993	2,240,993
Other financial liabilities	-	268,143	268,143
Derivative liabilities	37,692	-	37,692
Borrowings	-	112,385	112,385
Subordinated obligations	-	719,584	719,584
	37,692	13,334,320	13,372,012

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

<b>Bank</b>	<b>Loans and receivables RM'000</b>	<b>Assets at fair value through the profit and loss RM'000</b>	<b>Financial investments available-for-sale RM'000</b>	<b>Financial investments held-to-maturity RM'000</b>	<b>Total RM'000</b>
<b>2013</b>					
<u>Financial Assets</u>					
Cash and short term funds	<b>793,935</b>	-	-	-	<b>793,935</b>
Deposits and placements with banks and other financial institutions	<b>100,715</b>	-	-	-	<b>100,715</b>
Financial assets HFT	-	<b>1,061,869</b>	-	-	<b>1,061,869</b>
Financial investments AFS	-	-	<b>3,574,627</b>	-	<b>3,574,627</b>
Financial investments HTM	-	-	-	<b>954,587</b>	<b>954,587</b>
Loans and advances	<b>1,848,325</b>	-	-	-	<b>1,848,325</b>
Clients' and brokers' balances	<b>543,766</b>	-	-	-	<b>543,766</b>
Other financial assets	<b>108,854</b>	-	-	-	<b>108,854</b>
Derivative assets	-	<b>48,760</b>	-	-	<b>48,760</b>
	<b>3,395,595</b>	<b>1,110,629</b>	<b>3,574,627</b>	<b>954,587</b>	<b>9,035,438</b>

	<b>Liabilities at fair value through the profit and loss RM'000</b>	<b>Other financial liabilities at amortised cost RM'000</b>	<b>Total RM'000</b>
<u>Financial Liabilities</u>			
Deposits from customers	-	<b>2,559,248</b>	<b>2,559,248</b>
Deposits and placements of banks and other financial institutions	-	<b>4,620,678</b>	<b>4,620,678</b>
Obligation on securities sold under repurchase agreements	-	<b>401,522</b>	<b>401,522</b>
Obligation on securities borrowed	-	<b>31,734</b>	<b>31,734</b>
Clients' and brokers' balances	-	<b>419,269</b>	<b>419,269</b>
Other financial liabilities	-	<b>159,606</b>	<b>159,606</b>
Derivative liabilities	<b>82,284</b>	-	<b>82,284</b>
Subordinated obligations	-	<b>559,099</b>	<b>559,099</b>
	<b>82,284</b>	<b>8,751,156</b>	<b>8,833,440</b>

**42 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(b) Financial instruments by category (Continued)**

<b>Bank</b>	<b>Loans and receivables RM'000</b>	<b>Assets at fair value through the profit and loss RM'000</b>	<b>Financial investments available-for-sale RM'000</b>	<b>Financial investments held-to-maturity RM'000</b>	<b>Total RM'000</b>
<b>Restated 2012</b>					
<u>Financial Assets</u>					
Cash and short term funds	1,509,772	-	-	-	1,509,772
Deposits and placements with banks and other financial institutions	705,698	-	-	-	705,698
Financial assets HFT	-	1,044,686	-	-	1,044,686
Financial investments AFS	-	-	4,896,754	-	4,896,754
Financial investments HTM	-	-	-	1,142,505	1,142,505
Loans and advances	1,417,414	-	-	-	1,417,414
Clients' and brokers' balances	674,541	-	-	-	674,541
Other financial assets	200,102	-	-	-	200,102
Derivative assets	-	15,093	-	-	15,093
	4,507,527	1,059,779	4,896,754	1,142,505	11,606,565

	<b>Liabilities at fair value through the profit and loss RM'000</b>	<b>Other financial liabilities at amortised cost RM'000</b>	<b>Total RM'000</b>
<u>Financial Liabilities</u>			
Deposits from customers	-	3,835,953	3,835,953
Deposits and placements of banks and other financial institutions	-	5,883,851	5,883,851
Obligation on securities sold under repurchase agreements	-	240,010	240,010
Obligation on securities borrowed	-	119,905	119,905
Clients' and brokers' balances	-	620,615	620,615
Other financial liabilities	-	139,800	139,800
Derivative liabilities	37,692	-	37,692
Subordinated obligations	-	719,584	719,584
	37,692	11,559,718	11,597,410

**(c) Market risk**

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank as at 31 December 2013.

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

**42 FINANCIAL RISK MANAGEMENT (CONTINUED)****(c) Market risk (Continued)**

## (i) Interest 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 rates and fixed rate financial assets and financial liabilities.

	Group		Bank	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
<b>2013</b>				
+100 bps	(59,742)	(122,444)	(60,425)	(122,444)
-100 bps	62,395	130,645	63,044	130,645
<b>Restated 2012</b>				
+100 bps	(55,883)	(146,985)	(57,611)	(146,985)
-100 bps	57,849	155,800	59,576	155,800

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 available-for-sale portfolio arising from the shift in the interest 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 United States Dollar (USD) and Singapore Dollar (SGD) on the consolidated currency position, while other variables remain constant.

	Group	Bank
	Impact on profit after tax RM'000	Impact on profit after tax RM'000
<b>2013</b>		
+5%	4,409	533
-5%	(4,409)	(533)
<b>Restated 2012</b>		
+5%	4,154	1,118
-5%	(4,154)	(1,118)

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.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

Interest rate risk (Continued)

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

Group	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-Interest sensitive RM'000		
<b>2013</b>									
<b>ASSETS</b>									
Cash and short term funds	698,029	-	-	-	-	-	-	-	1,065,190
Deposits and placements with banks and other financial institutions	-	100,000	-	-	-	-	-	-	100,715
Financial assets HFT	-	-	-	-	-	-	-	1,226,494	1,226,494
Financial investments AFS	449,816	248,098	167,070	184,018	418,599	2,009,590	-	-	3,668,358
Financial investments HTM	5,001	29,999	27,650	108,632	358,112	405,045	-	-	954,567
Loans and advances									
- performing	1,573,448	-	35,300	252,775	487,642	2,014	874	-	2,352,053
- impaired	-	-	-	-	-	-	41,694	-	41,694
Clients' and brokers' balances	13,239	-	-	-	-	-	2,560,344	-	2,573,583
Other assets	32,915	-	-	-	-	-	190,531	-	223,446
Derivative assets	-	-	-	-	-	-	-	48,760	48,760
Statutory deposits	-	-	-	-	-	-	216,643	-	216,643
Tax recoverable	-	-	-	-	-	-	32,701	-	32,701
Deferred tax assets	-	-	-	-	-	-	17,345	-	17,345
Investment in associates and joint ventures	-	-	-	-	-	-	29,044	-	29,044
Property, plant and equipment	-	-	-	-	-	-	56,075	-	56,075
Goodwill and intangible assets	-	-	-	-	-	-	1,338,695	-	1,338,695
<b>TOTAL ASSETS</b>	<b>2,772,448</b>	<b>378,097</b>	<b>230,020</b>	<b>545,425</b>	<b>1,264,353</b>	<b>2,416,649</b>	<b>5,063,137</b>	<b>1,275,254</b>	<b>13,945,383</b>

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

**42 FINANCIAL RISK MANAGEMENT (CONTINUED)****(c) Market risk (Continued)**

Interest rate risk (Continued)

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

Group	Non-trading book								Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non- interest sensitive RM'000			
<b>2013</b>										
<b>LIABILITIES</b>										
Deposits from customers	1,778,039	449,041	194,226	47,383	6,311	100	9,329	-	2,484,429	
Deposits and placements of banks and other financial institutions	3,085,855	724,918	417,300	366,208	7,906	-	18,491	-	4,620,678	
Obligation on securities sold under repurchase agreements	399,923	-	-	-	-	-	1,599	-	401,522	
Obligation on securities borrowed	-	-	-	-	-	31,734	-	-	31,734	
Clients' and brokers' balances	-	-	-	-	-	-	2,314,971	-	2,314,971	
Other liabilities	-	-	-	-	-	-	315,172	-	315,172	
Derivative liabilities	-	-	-	-	-	-	-	82,463	82,463	
Taxation	-	-	-	-	-	-	10,384	-	10,384	
Deferred tax liabilities	-	-	-	-	-	-	11,028	-	11,028	
Borrowings	152,185	-	-	-	-	-	7	-	152,192	
Subordinated obligations	-	-	-	-	309,673	245,000	4,426	-	559,099	
<b>TOTAL LIABILITIES</b>	<b>5,416,002</b>	<b>1,173,959</b>	<b>611,526</b>	<b>413,591</b>	<b>323,890</b>	<b>276,834</b>	<b>2,685,407</b>	<b>82,463</b>	<b>10,983,672</b>	
Total equity	-	-	-	-	-	-	2,961,711	-	2,961,711	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,416,002</b>	<b>1,173,959</b>	<b>611,526</b>	<b>413,591</b>	<b>323,890</b>	<b>276,834</b>	<b>5,647,118</b>	<b>82,463</b>	<b>13,945,383</b>	
On-balance sheet interest sensitivity gap	(2,643,554)	(795,862)	(381,506)	131,834	940,463	2,139,815	-	-	-	
Off-balance sheet interest sensitivity gap	300,000	90,000	355,000	310,000	2,160,000	328,680	-	-	-	
<b>TOTAL INTEREST-SENSITIVITY GAP</b>	<b>(2,343,554)</b>	<b>(705,862)</b>	<b>(26,506)</b>	<b>441,834</b>	<b>3,100,463</b>	<b>2,468,495</b>				

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

Interest rate risk (Continued)

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

Group	Non-trading book								Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000			
<b>Restated 2012 ASSETS</b>										
Cash and short term funds	1,313,999	-	-	-	-	-	597,816	-	-	1,911,815
Deposits and placements with banks and other financial institutions	-	705,624	-	-	-	-	74	-	-	705,698
Financial assets HFT	-	-	-	-	-	-	-	1,136,224	-	1,136,224
Financial investments AFS	800,867	463,196	171,887	110,327	652,062	2,599,988	133,359	-	-	4,931,686
Financial investments HTM	52,462	44,994	26,871	30,192	421,912	540,655	25,419	-	-	1,142,505
Loans and advances										
- performing	701,769	62,370	124,761	242,505	369,290	7,414	(340)	-	-	1,507,769
- impaired	-	-	-	-	-	-	219,833	-	-	219,833
Clients' and brokers' balances	187,242	-	-	-	-	-	2,313,523	-	-	2,500,765
Other assets	-	-	-	-	-	94	283,847	-	-	283,941
Derivative assets	-	-	-	-	-	-	-	15,093	-	15,093
Statutory deposits	-	-	-	-	-	-	246,240	-	-	246,240
Tax recoverable	-	-	-	-	-	-	36,576	-	-	36,576
Deferred tax assets	-	-	-	-	-	-	5,064	-	-	5,064
Investment in associates and joint ventures	-	-	-	-	-	-	44,742	-	-	44,742
Property, plant and equipment	-	-	-	-	-	-	64,613	-	-	64,613
Goodwill and intangible assets	-	-	-	-	-	-	1,353,594	-	-	1,353,594
<b>TOTAL ASSETS</b>	3,056,339	1,276,184	323,519	383,024	1,443,264	3,148,151	5,324,360	1,151,317	16,106,158	

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



## 42 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (c) Market risk (Continued)

Interest rate risk (Continued)

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

Group	Non-trading book								Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non- interest sensitive RM'000			
<b>Restated 2012 LIABILITIES</b>										
Deposits from customers	2,355,895	837,096	229,201	299,283	9,302	6,031	12,642	-	3,749,449	
Deposits and placements of banks and other financial institutions	3,422,338	956,660	770,107	648,822	58,274	-	27,650	-	5,883,851	
Obligation on securities sold under repurchase agreements	143,550	68,030	27,546	-	-	-	884	-	240,010	
Obligation on securities borrowed	-	-	-	-	-	-	119,905	-	119,905	
Clients' and brokers' balances	-	-	-	-	-	-	2,240,993	-	2,240,993	
Other liabilities	-	-	-	-	-	-	289,841	-	289,841	
Derivative liabilities	-	-	-	-	-	-	-	37,692	37,692	
Taxation	-	-	-	-	-	-	15,018	-	15,018	
Deferred tax liabilities	-	-	-	-	-	-	13,571	-	13,571	
Borrowings	112,385	-	-	-	-	-	-	-	112,385	
Subordinated obligations	-	-	45,000	100,000	221,280	345,000	8,304	-	719,584	
<b>TOTAL LIABILITIES</b>	6,034,169	1,861,786	1,071,854	1,048,105	288,856	351,031	2,728,810	37,692	13,422,299	
Total equity	-	-	-	-	-	-	2,683,859	-	2,683,859	
<b>TOTAL LIABILITIES AND EQUITY</b>	6,034,169	1,861,786	1,071,854	1,048,105	288,856	351,031	5,412,669	37,692	16,106,158	
On-balance sheet interest sensitivity gap	(2,977,830)	(585,602)	(748,335)	(665,081)	1,154,408	2,797,120				
Off-balance sheet interest sensitivity gap	265,000	195,000	260,000	55,000	495,000	75,000				
<b>TOTAL INTEREST-SENSITIVITY GAP</b>	(2,712,830)	(390,602)	(488,335)	(610,081)	1,649,408	2,872,120				

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

Interest rate risk (Continued)

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

Bank	Non-trading book								Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000			
<b>2013</b>										
<b>ASSETS</b>	<b>576,058</b>	-	-	-	-	-	<b>217,877</b>	-	<b>793,935</b>	
Cash and short term funds	-	-	-	-	-	-	715	-	100,715	
Deposits and placements with banks and other financial institutions	100,000	-	-	-	-	-	-	1,061,869	1,061,869	
Financial assets HFT	-	248,098	167,070	184,018	418,599	2,009,590	97,436	-	3,574,627	
Financial investments AFS	449,816	29,999	27,650	108,632	358,112	405,045	20,148	-	954,567	
Financial investments HTM	5,001	-	-	-	-	-	-	-	-	
Loans and advances	-	-	35,300	252,775	487,642	2,014	875	-	1,806,631	
- performing	-	-	-	-	-	-	41,694	-	41,694	
- impaired	-	-	-	-	-	-	-	-	-	
Clients' and brokers' balances	13,239	-	-	-	-	-	530,527	-	543,766	
Other assets	32,915	-	-	-	-	-	86,314	-	119,229	
Derivative assets	-	-	-	-	-	-	-	48,760	48,760	
Statutory deposits	-	-	-	-	-	-	216,643	-	216,643	
Tax recoverable	-	-	-	-	-	-	28,881	-	28,881	
Deferred tax assets	-	-	-	-	-	-	11,121	-	11,121	
Investment in subsidiaries	-	-	-	-	-	-	1,077,291	-	1,077,291	
Investment in associates and joint ventures	-	-	-	-	-	-	29,464	-	29,464	
Property, plant and equipment	-	-	-	-	-	-	29,213	-	29,213	
Goodwill and intangible assets	-	-	-	-	-	-	1,161,646	-	1,161,646	
<b>TOTAL ASSETS</b>	<b>2,105,054</b>	<b>378,097</b>	<b>230,020</b>	<b>545,425</b>	<b>1,264,353</b>	<b>2,416,649</b>	<b>3,549,845</b>	<b>1,110,629</b>	<b>11,600,072</b>	

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

**42 FINANCIAL RISK MANAGEMENT (CONTINUED)****(c) Market risk (Continued)**

Interest rate risk (Continued)

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

Bank	Non-trading book								Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non- interest sensitive RM'000			
<b>2013</b>										
<b>LIABILITIES</b>										
Deposits from customers	1,852,832	449,041	194,226	47,383	6,311	100	9,355	-	2,559,248	
Deposits and placements of banks and other financial institutions	3,085,855	724,918	417,300	366,208	7,906	-	18,491	-	4,620,678	
Obligation on securities sold under repurchase agreements	399,923	-	-	-	-	-	1,599	-	401,522	
Obligation on securities borrowed	-	-	-	-	-	31,734	-	-	31,734	
Clients' and brokers' balances	-	-	-	-	-	-	419,269	-	419,269	
Other liabilities	-	-	-	-	-	-	170,093	-	170,093	
Derivative liabilities	-	-	-	-	-	-	-	82,284	82,284	
Subordinated obligations	-	-	-	-	309,673	245,000	4,426	-	559,099	
<b>TOTAL LIABILITIES</b>	<b>5,338,610</b>	<b>1,173,959</b>	<b>611,526</b>	<b>413,591</b>	<b>323,890</b>	<b>276,834</b>	<b>623,233</b>	<b>82,284</b>	<b>8,843,927</b>	
Total equity	-	-	-	-	-	-	2,756,145	-	2,756,145	
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>5,338,610</b>	<b>1,173,959</b>	<b>611,526</b>	<b>413,591</b>	<b>323,890</b>	<b>276,834</b>	<b>3,379,378</b>	<b>82,284</b>	<b>11,600,072</b>	
On-balance sheet interest sensitivity gap	(3,233,556)	(795,862)	(381,506)	131,834	940,463	2,139,815	-	-	-	
Off-balance sheet interest sensitivity gap	300,000	90,000	355,000	310,000	2,160,000	328,680	-	-	-	
<b>TOTAL INTEREST-SENSITIVITY GAP</b>	<b>(2,933,556)</b>	<b>(705,862)</b>	<b>(26,506)</b>	<b>441,834</b>	<b>3,100,463</b>	<b>2,468,495</b>	<b>-</b>	<b>-</b>	<b>-</b>	

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

Interest rate risk (Continued)

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

Bank	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000		
<b>Restated 2012 ASSETS</b>									
Cash and short term funds	1,358,324	-	-	-	-	-	151,448	-	1,509,772
Deposits and placements with banks and other financial institutions	-	690,324	15,300	-	-	-	74	-	705,698
Financial assets HFT	-	-	-	-	-	-	-	1,044,686	1,044,686
Financial investments AFS	800,867	463,196	171,887	110,326	652,062	2,599,989	98,427	-	4,896,754
Financial investments HTM	52,462	44,994	26,871	30,192	421,912	540,655	25,419	-	1,142,505
Loans and advances									
- performing	391,650	62,370	124,762	242,504	369,289	7,415	(341)	-	1,197,649
- impaired	-	-	-	-	-	-	219,765	-	219,765
Clients' and brokers' balances	187,242	-	-	-	-	-	487,299	-	674,541
Other assets	-	-	-	-	-	-	207,411	-	207,411
Derivative assets	-	-	-	-	-	-	-	15,093	15,093
Statutory deposits	-	-	-	-	-	-	246,240	-	246,240
Tax recoverable	-	-	-	-	-	-	33,358	-	33,358
Investment in subsidiaries	-	-	-	-	-	-	910,773	-	910,773
Investment in associates and joint ventures	-	-	-	-	-	-	37,241	-	37,241
Property, plant and equipment	-	-	-	-	-	-	35,267	-	35,267
Goodwill and intangible assets	-	-	-	-	-	-	1,175,412	-	1,175,412
<b>TOTAL ASSETS</b>	2,790,545	1,260,884	338,820	383,022	1,443,263	3,148,059	3,627,793	1,059,779	14,052,165

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

**42 FINANCIAL RISK MANAGEMENT (CONTINUED)****(c) Market risk (Continued)**

Interest rate risk (Continued)

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

Bank	Non-trading book							Trading book RM'000	Total RM'000
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non- interest sensitive RM'000		
<b>Restated 2012 LIABILITIES</b>									
Deposits from customers	2,442,399	837,096	229,201	299,283	9,302	6,031	12,642	-	3,835,953
Deposits and placements of banks and other financial institutions	3,422,338	956,660	770,107	648,822	58,274	-	27,650	-	5,883,851
Obligation on securities sold under repurchase agreements	143,550	68,030	27,546	-	-	-	884	-	240,010
Obligation on securities borrowed	-	-	-	-	-	-	119,905	-	119,905
Clients' and brokers' balances	-	-	-	-	-	-	620,615	-	620,615
Other liabilities	-	-	-	-	-	-	157,795	-	157,795
Derivative liabilities	-	-	-	-	-	-	-	37,692	37,692
Deferred tax liabilities	-	-	-	-	-	-	3,972	-	3,972
Subordinated obligations	-	-	45,000	100,000	221,280	345,000	8,304	-	719,584
<b>TOTAL LIABILITIES</b>	6,008,288	1,861,786	1,071,854	1,048,105	288,856	351,031	951,767	37,692	11,619,377
Total equity	-	-	-	-	-	-	2,432,788	-	2,432,788
<b>TOTAL LIABILITIES AND EQUITY</b>	6,008,288	1,861,786	1,071,854	1,048,105	288,856	351,031	3,384,555	37,692	14,052,165
On-balance sheet interest sensitivity gap	(3,217,743)	(600,902)	(733,034)	(665,083)	1,154,407	2,797,028			
Off-balance sheet interest sensitivity gap	265,000	(105,000)	100,000	55,000	(290,000)	(25,000)			
<b>TOTAL INTEREST-SENSITIVITY GAP</b>	(2,952,743)	(705,902)	(633,034)	(610,083)	864,407	2,772,028			

42 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 Bank to meet its contractual or regulatory obligations when they come due without incurring substantial losses. Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. Liquidity risk is measured primarily using Bank Negara Malaysia's New Liquidity Framework and depositors' concentration ratios.

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

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

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>2013</b>								
<b>ASSETS</b>								
Cash and short term funds	718,313	346,877	-	-	-	-	-	1,065,190
Deposits and placements with banks and other financial institutions	-	-	100,715	-	-	-	-	100,715
Financial assets HFT	-	14,496	31,794	21,722	-	1,010,982	147,500	1,226,494
Financial investments AFS	95,836	361,754	265,951	182,597	184,018	2,459,948	118,254	3,668,358
Financial investments HTM	148	6,457	32,843	30,573	108,632	775,934	-	954,587
Loans and advances	769,825	333,028	161,798	40,268	296,418	792,410	-	2,393,747
Clients' and brokers' balances	1,801,508	772,075	-	-	-	-	-	2,573,583
Other assets	41,467	47,556	4,325	40,293	2,465	24,859	62,481	223,446
Derivative assets	1,290	82	268	873	197	46,050	-	48,760
Statutory deposits	-	-	-	-	-	-	216,643	216,643
Tax recoverable	-	-	-	-	-	-	32,701	32,701
Deferred tax assets	-	-	-	-	-	-	17,345	17,345
Investment in associates and joint ventures	-	-	-	-	-	-	29,044	29,044
Property, plant and equipment	-	-	-	-	-	-	56,075	56,075
Goodwill and intangible assets	-	-	-	-	-	-	1,338,695	1,338,695
<b>TOTAL ASSETS</b>	<b>3,428,387</b>	<b>1,882,325</b>	<b>597,694</b>	<b>316,326</b>	<b>591,730</b>	<b>5,110,183</b>	<b>2,018,738</b>	<b>13,945,383</b>

## 42 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (d) Liquidity risk (Continued)

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

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>2013</b>								
<b>LIABILITIES</b>								
Deposits from customers	315,455	1,466,682	451,514	196,372	47,946	6,460	-	2,484,429
Deposits and placements of banks and other financial institutions	1,410,357	1,681,703	728,051	423,785	368,489	8,293	-	4,620,678
Obligation on securities sold under repurchase agreements	-	401,522	-	-	-	-	-	401,522
Obligation on securities borrowed	-	-	-	-	-	31,734	-	31,734
Clients' and brokers' balances	1,620,480	694,491	-	-	-	-	-	2,314,971
Other liabilities	76,954	84,377	113,148	12,646	6,611	6,133	15,303	315,172
Derivative liabilities	239	1,977	4,834	2,068	16,667	56,678	-	82,463
Taxation	-	-	-	-	-	-	10,384	10,384
Deferred tax liabilities	-	-	-	-	-	-	11,028	11,028
Borrowings	121,211	30,981	-	-	-	-	-	152,192
Subordinated obligations	-	-	-	4,426	9,673	545,000	-	559,099
<b>TOTAL LIABILITIES</b>	<b>3,544,696</b>	<b>4,361,733</b>	<b>1,297,547</b>	<b>639,297</b>	<b>449,386</b>	<b>654,298</b>	<b>36,715</b>	<b>10,983,672</b>
Total equity	-	-	-	-	-	-	2,961,711	2,961,711
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>3,544,696</b>	<b>4,361,733</b>	<b>1,297,547</b>	<b>639,297</b>	<b>449,386</b>	<b>654,298</b>	<b>2,998,426</b>	<b>13,945,383</b>



42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

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

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>Restated 2012</b>								
<b>ASSETS</b>								
Cash and short term funds	1,587,385	324,430	-	-	-	-	-	1,911,815
Deposits and placements with banks and other financial institutions	-	-	705,698	-	-	-	-	705,698
Financial assets HFT	1,861	26,474	18,117	2,442	395	948,858	138,077	1,136,224
Financial investments AFS	208,219	600,685	481,886	176,381	110,327	3,288,742	65,446	4,931,686
Financial investments HTM	-	53,677	48,604	27,897	30,193	982,134	-	1,142,505
Loans and advances	490,092	211,827	62,370	172,959	287,312	489,371	13,671	1,727,602
Clients' and brokers' balances	1,750,536	750,229	-	-	-	-	-	2,500,765
Other assets	26,931	10,792	8,032	9,325	10,474	148,781	69,606	283,941
Derivative assets	233	327	2,051	3,253	1,726	7,503	-	15,093
Statutory deposits	-	-	-	-	-	-	246,240	246,240
Tax recoverable	-	-	-	-	-	-	36,576	36,576
Deferred tax assets	-	-	-	-	-	-	5,064	5,064
Investment in associates and joint ventures	-	-	-	-	-	-	44,742	44,742
Property, plant and equipment	-	-	-	-	-	-	64,613	64,613
Goodwill and intangible assets	-	-	-	-	-	-	1,353,594	1,353,594
<b>TOTAL ASSETS</b>	<b>4,065,257</b>	<b>1,978,441</b>	<b>1,326,758</b>	<b>392,257</b>	<b>440,427</b>	<b>5,865,389</b>	<b>2,037,629</b>	<b>16,106,158</b>

## 42 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (d) Liquidity risk (Continued)

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

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>Restated 2012</b>								
<b>LIABILITIES</b>								
Deposits from customers	622,074	1,739,062	839,659	233,013	300,060	15,581	-	3,749,449
Deposits and placements of banks and other financial institutions	1,873,225	1,559,205	959,545	777,456	655,667	58,753	-	5,883,851
Obligation on securities sold under repurchase agreements	-	-	212,361	27,649	-	-	-	240,010
Obligation on securities borrowed	-	-	-	-	-	119,905	-	119,905
Clients' and brokers' balances	1,561,132	679,861	-	-	-	-	-	2,240,993
Other liabilities	91,187	30,332	98,903	8,818	393	9,018	51,190	289,841
Derivative liabilities	899	3,708	5,838	11,971	4,552	10,724	-	37,692
Taxation	-	-	-	-	-	-	15,018	15,018
Deferred tax liabilities	-	-	-	-	-	-	13,571	13,571
Borrowings	112,385	-	-	-	-	-	-	112,385
Subordinated obligations	-	3,463	-	49,839	100,000	566,282	-	719,584
<b>TOTAL LIABILITIES</b>	4,260,902	4,015,631	2,116,306	1,108,746	1,060,672	780,263	79,779	13,422,299
Total equity	-	-	-	-	-	-	2,683,859	2,683,859
<b>TOTAL LIABILITIES AND EQUITY</b>	4,260,902	4,015,631	2,116,306	1,108,746	1,060,672	780,263	2,763,638	16,106,158

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

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

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>2013</b>								
<b>ASSETS</b>	<b>536,556</b>	<b>257,379</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>793,935</b>
Cash and short term funds	-	-	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	-	-	100,715	-	-	-	-	100,715
Financial assets HFT	-	14,496	31,794	1,517	-	935,932	78,130	1,061,869
Financial investments AFS	95,836	361,614	265,951	182,597	184,018	2,459,453	25,158	3,574,627
Financial investments HTM	148	6,457	32,843	30,573	108,632	775,934	-	954,587
Loans and advances	358,747	198,683	161,798	40,268	296,418	792,411	-	1,848,325
Clients' and brokers' balances	380,636	163,130	-	-	-	-	-	543,766
Other assets	32,915	6,906	-	35,925	-	24,502	18,981	119,229
Derivative assets	1,290	82	268	873	197	46,050	-	48,760
Statutory deposits	-	-	-	-	-	-	216,643	216,643
Tax recoverable	-	-	-	-	-	-	28,881	28,881
Deferred tax assets	-	-	-	-	-	-	11,121	11,121
Investment in subsidiaries	-	-	-	-	-	-	1,077,291	1,077,291
Investment in associates and joint ventures	-	-	-	-	-	-	29,464	29,464
Property, plant and equipment	-	-	-	-	-	-	29,213	29,213
Goodwill and intangible assets	-	-	-	-	-	-	1,161,646	1,161,646
<b>TOTAL ASSETS</b>	<b>1,406,128</b>	<b>1,008,747</b>	<b>593,369</b>	<b>291,753</b>	<b>589,265</b>	<b>5,034,282</b>	<b>2,676,528</b>	<b>11,600,072</b>

## 42 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (d) Liquidity risk (Continued)

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

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>2013</b>								
<b>LIABILITIES</b>								
Deposits from customers	366,260	1,490,695	451,514	196,372	47,946	6,461	-	2,559,248
Deposits and placements of banks and other financial institutions	1,410,357	1,681,703	728,051	423,785	368,489	8,293	-	4,620,678
Obligation on securities sold under repurchase agreements	-	401,522	-	-	-	-	-	401,522
Obligation on securities borrowed	-	-	-	-	-	31,734	-	31,734
Clients' and brokers' balances	293,488	125,781	-	-	-	-	-	419,269
Other liabilities	55,884	20,229	86,858	4,666	-	-	2,456	170,093
Derivative liabilities	239	1,977	4,834	1,889	16,667	56,678	-	82,284
Subordinated obligations	-	-	-	4,426	9,673	545,000	-	559,099
<b>TOTAL LIABILITIES</b>	<b>2,126,228</b>	<b>3,721,907</b>	<b>1,271,257</b>	<b>631,138</b>	<b>442,775</b>	<b>648,166</b>	<b>2,456</b>	<b>8,843,927</b>
Total equity	-	-	-	-	-	-	2,756,145	2,756,145
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>2,126,228</b>	<b>3,721,907</b>	<b>1,271,257</b>	<b>631,138</b>	<b>442,775</b>	<b>648,166</b>	<b>2,756,601</b>	<b>11,600,072</b>

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

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

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>Restated 2012 ASSETS</b>								
Cash and short term funds	1,207,043	302,729	-	-	-	-	-	1,509,772
Deposits and placements with banks and other financial institutions	-	-	705,698	-	-	-	-	705,698
Financial assets HFT	1,861	26,474	18,117	2,442	366	916,252	79,174	1,044,686
Financial investments AFS	208,219	600,685	481,886	176,381	110,327	3,288,281	30,975	4,896,754
Financial investments HTM	-	53,677	48,604	27,897	30,193	982,134	-	1,142,505
Loans and advances	235,760	153,579	62,370	172,959	288,022	490,124	14,600	1,417,414
Clients' and brokers' balances	472,179	202,362	-	-	-	-	-	674,541
Other assets	3,397	4,417	7,615	672	-	148,653	42,657	207,411
Derivative assets	233	327	2,051	3,253	1,726	7,503	-	15,093
Statutory deposits	-	-	-	-	-	-	246,240	246,240
Tax recoverable	-	-	-	-	-	-	33,358	33,358
Investment in subsidiaries	-	-	-	-	-	-	910,773	910,773
Investment in associates and joint ventures	-	-	-	-	-	-	37,241	37,241
Property, plant and equipment	-	-	-	-	-	-	35,267	35,267
Goodwill and intangible assets	-	-	-	-	-	-	1,175,412	1,175,412
<b>TOTAL ASSETS</b>	2,128,692	1,344,250	1,326,341	383,604	430,634	5,832,947	2,605,697	14,052,165

## 42 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (d) Liquidity risk (Continued)

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

Bank	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
<b>Restated 2012</b>								
<b>LIABILITIES</b>								
Deposits from customers	708,578	1,739,062	839,659	233,013	300,060	15,581	-	3,835,953
Deposits and placements of banks and other financial institutions	1,873,225	1,559,205	959,545	777,456	655,667	58,753	-	5,883,851
Obligation on securities sold under repurchase agreements	-	-	212,361	27,649	-	-	-	240,010
Obligation on securities borrowed	-	-	-	-	-	119,905	-	119,905
Clients' and brokers' balances	434,430	186,185	-	-	-	-	-	620,615
Other liabilities	44,120	15,848	62,005	8,632	-	9,018	18,172	157,795
Derivative liabilities	899	3,708	5,838	11,971	4,552	10,724	-	37,692
Deferred tax liabilities	-	-	-	-	-	-	3,972	3,972
Subordinated obligations	-	3,463	-	49,839	100,000	566,282	-	719,584
<b>TOTAL LIABILITIES</b>	3,061,252	3,507,471	2,079,408	1,108,560	1,060,279	780,263	22,144	11,619,377
Total equity	-	-	-	-	-	-	2,432,788	2,432,788
<b>TOTAL LIABILITIES AND EQUITY</b>	3,061,252	3,507,471	2,079,408	1,108,560	1,060,279	780,263	2,454,932	14,052,165

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

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

Group	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
<b>2013</b>							
<b>LIABILITIES</b>							
Deposits from customers	1,808,613	629,593	48,968	7,703	119	-	2,494,996
Deposits and placement of banks and other financial institutions	3,094,893	1,161,334	379,035	7,906	-	-	4,643,168
Obligation on securities sold under repurchase agreements	401,926	-	-	-	-	-	401,926
Obligation on securities borrowed	-	-	-	-	13,838	17,896	31,734
Clients' and brokers' balances	2,314,971	-	-	-	-	-	2,314,971
Other liabilities	151,028	130,702	3,239	6,506	61	9,808	301,344
Derivative liabilities:							
- Gross settled derivatives	(199,774)	(207,422)	(83,604)	(404,702)	(541,563)	-	(1,437,065)
- Inflow	200,405	210,334	82,860	402,301	548,910	-	1,444,810
- Outflow	413	518	8,815	4,197	1,817	-	15,760
- Net settled derivatives	152,202	-	-	-	-	-	152,202
Borrowings	-	15,161	15,219	336,575	255,810	-	622,765
Subordinated obligations	-	-	-	-	-	-	-
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>7,924,677</b>	<b>1,940,220</b>	<b>454,532</b>	<b>360,486</b>	<b>278,992</b>	<b>27,704</b>	<b>10,986,611</b>



**42 FINANCIAL RISK MANAGEMENT (CONTINUED)****(d) Liquidity risk (Continued)**

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

Group	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
<b>Restated 2012</b>							
<b>LIABILITIES</b>							
Deposits from customers	2,365,054	1,080,218	305,041	10,273	7,297	-	3,767,883
Deposits and placements of banks and other financial institutions	3,435,104	1,753,263	671,475	61,568	-	-	5,921,410
Obligation on securities sold under repurchase agreements	-	240,339	-	-	-	-	240,339
Obligation on securities borrowed	-	-	-	-	65,810	54,095	119,905
Clients' and brokers' balances	2,240,993	-	-	-	-	-	2,240,993
Other liabilities	89,064	168,992	892	-	-	9,195	268,143
Derivative liabilities:							
- Gross settled derivatives	(149,723)	(349,822)	(132,626)	-	-	-	(632,171)
- Inflow	152,757	349,983	133,270	-	-	-	636,010
- Outflow	905	3,820	3,370	5,165	1,468	-	14,728
Borrowings	112,392	-	-	-	-	-	112,392
Subordinated obligations	3,740	61,414	118,930	253,538	369,167	-	806,789
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>8,250,286</b>	<b>3,308,208</b>	<b>1,100,352</b>	<b>330,544</b>	<b>443,742</b>	<b>63,290</b>	<b>13,496,422</b>

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

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

Bank	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>2013</b>							
<b>LIABILITIES</b>							
Deposits from customers	1,859,418	653,606	48,968	7,703	119	-	2,569,814
Deposits and placements of banks and other financial institutions	3,094,893	1,161,334	379,035	7,906	-	-	4,643,168
Obligation on securities sold under repurchase agreements	401,926	-	-	-	-	-	401,926
Obligation on securities borrowed	-	-	-	-	13,838	17,896	31,734
Clients' and brokers' balances	419,269	-	-	-	-	-	419,269
Other liabilities	76,113	83,490	-	-	-	3	159,606
Derivative liabilities:							
- Gross settled derivatives	(199,774)	(207,422)	(83,604)	(404,702)	(541,563)	-	(1,437,065)
- Inflow							
- Outflow	200,405	210,334	82,860	402,301	548,910	-	1,444,810
- Net settled derivatives	413	518	8,815	4,197	1,817	-	15,760
Subordinated obligations	-	15,161	15,219	336,575	255,810	-	622,765
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>5,852,663</b>	<b>1,917,021</b>	<b>451,293</b>	<b>353,980</b>	<b>278,931</b>	<b>17,899</b>	<b>8,871,787</b>

**42 FINANCIAL RISK MANAGEMENT (CONTINUED)****(d) Liquidity risk (Continued)**

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

Bank	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
<b>Restated 2012</b>							
<b>LIABILITIES</b>							
Deposits from customers	2,451,558	1,080,218	305,041	10,273	7,297	-	3,854,387
Deposits and placements of banks and other financial institutions	3,435,104	1,753,263	671,475	61,568	-	-	5,921,410
Obligation on securities sold under repurchase agreements	-	240,339	-	-	-	-	240,339
Obligation on securities borrowed	-	-	-	-	65,810	54,095	119,905
Clients' and brokers' balances	620,615	-	-	-	-	-	620,615
Other liabilities	59,968	70,637	-	-	-	9,195	139,800
Derivative liabilities:							
- Gross settled derivatives	(149,723)	(349,822)	(132,626)	-	-	-	(632,171)
- Inflow	152,757	349,983	133,270	-	-	-	636,010
- Outflow	905	3,820	3,370	5,165	1,468	-	14,728
Subordinated obligations	3,740	61,414	118,930	253,538	369,167	-	806,789
<b>TOTAL FINANCIAL LIABILITIES</b>	<b>6,574,924</b>	<b>3,209,853</b>	<b>1,099,460</b>	<b>330,544</b>	<b>443,742</b>	<b>63,290</b>	<b>11,721,813</b>

## 42 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (d) Liquidity risk (Continued)

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

	Group		
	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
<b>2013</b>			
Obligations under an ongoing underwriting agreements	267,648	-	267,648
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,733,605	52,922	1,786,527
<b>TOTAL COMMITMENTS AND CONTINGENCIES</b>	<b>2,001,253</b>	<b>52,922</b>	<b>2,054,175</b>
<b>Restated 2012</b>			
Obligations under an ongoing underwriting agreements	61,971	-	61,971
Direct credit substitutes	1,000	-	1,000
Transaction-related contingent items	1,053	-	1,053
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	1,438,022	73,074	1,511,096
<b>TOTAL COMMITMENTS AND CONTINGENCIES</b>	<b>1,502,046</b>	<b>73,074</b>	<b>1,575,120</b>

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

	Bank		
	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
<b>2013</b>			
Obligations under an ongoing underwriting agreements	228,069	-	228,069
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	827,866	52,922	880,788
<b>TOTAL COMMITMENTS AND CONTINGENCIES</b>	<b>1,055,935</b>	<b>52,922</b>	<b>1,108,857</b>
<b>Restated 2012</b>			
Obligations under an ongoing underwriting agreements	61,971	-	61,971
Direct credit substitutes	1,000	-	1,000
Transaction-related contingent items	1,053	-	1,053
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	661,621	73,074	734,695
<b>TOTAL COMMITMENTS AND CONTINGENCIES</b>	<b>725,645</b>	<b>73,074</b>	<b>798,719</b>

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

**42 FINANCIAL RISK MANAGEMENT (CONTINUED)****(e) Credit risk**

## (i) Maximum exposure to credit risk

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

	Group	
	2013 RM'000	Restated 2012 RM'000
Credit risk exposure:		
Short term funds (exclude cash in hand)	<b>1,065,053</b>	1,911,657
Deposits and placements with banks and other financial institutions	<b>100,715</b>	705,698
Financial assets and investments portfolios (exclude shares):		
- Held-for-trading	<b>1,078,994</b>	998,147
- Available-for-sale	<b>3,550,104</b>	4,858,857
- Held-to-maturity	<b>954,587</b>	1,142,505
Loans and advances	<b>2,393,747</b>	1,727,602
Clients' and brokers' balances	<b>2,573,583</b>	2,500,765
Other financial assets	<b>205,042</b>	271,089
Derivative assets	<b>48,760</b>	15,093
	<b>11,970,585</b>	14,131,413
Commitments and contingencies	<b>2,054,175</b>	1,575,120
Total maximum credit risk exposure	<b>14,024,760</b>	15,706,533

	Bank	
	2013 RM'000	Restated 2012 RM'000
Credit risk exposure:		
Short term funds (exclude cash in hand)	<b>793,855</b>	1,509,693
Deposits and placements with banks and other financial institutions	<b>100,715</b>	705,698
Financial assets and investments portfolios (exclude shares):		
- Held-for-trading	<b>983,739</b>	965,512
- Available-for-sale	<b>3,549,469</b>	4,858,230
- Held-to-maturity	<b>954,587</b>	1,142,505
Loans and advances	<b>1,848,325</b>	1,417,414
Clients' and brokers' balances	<b>543,766</b>	674,541
Other financial assets	<b>108,854</b>	200,102
Derivative assets	<b>48,760</b>	15,093
	<b>8,932,070</b>	11,488,788
Commitments and contingencies	<b>1,108,857</b>	798,719
Total maximum credit risk exposure	<b>10,040,927</b>	12,287,507

**42 FINANCIAL RISK MANAGEMENT (CONTINUED)**

**(e) Credit risk (Continued)**

(ii) Collaterals

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

- (a) Fixed deposits and cash deposits/margin
- (b) Land and buildings
- (c) Automobiles
- (d) Quoted shares, warrants and unquoted securities
- (e) Other tangible business assets, such as inventory and equipment

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

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans and advances as at 31 December 2013 for the Group and the Bank are 82.3% (2012: 95.9%) and 74.9% (2012: 91.8%) respectively and clients' and brokers' balances as at 31 December 2013 for the Group and the Bank are 97.3% (2012: 98.5%) and 96.6% (2012: 94.2%) respectively. The financial effect of collateral held for the other financial assets is not significant.

(iii) Credit quality

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

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

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

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

**42 FINANCIAL RISK MANAGEMENT (CONTINUED)****(e) Credit risk (Continued)**

## (iii) Credit quality (Continued)

## (a) Loans and advances

Loans and advances are summarised as follows:

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Neither past due nor impaired	<b>2,352,053</b>	1,508,771	<b>1,806,631</b>	1,198,583
Individually impaired	<b>78,915</b>	247,539	<b>78,915</b>	247,539
Gross loans and advances	<b>2,430,968</b>	1,756,310	<b>1,885,546</b>	1,446,122
Less: Individual impairment allowance	<b>(29,592)</b>	(23,737)	<b>(29,592)</b>	(23,737)
Collective impairment allowance	<b>(7,629)</b>	(4,971)	<b>(7,629)</b>	(4,971)
Net loans and advances	<b>2,393,747</b>	1,727,602	<b>1,848,325</b>	1,417,414

## (i) Loans and advances neither past due nor impaired

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

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Investment Grade	<b>1,217,099</b>	263,125	<b>1,217,099</b>	263,125
Lower investment Grade	-	587,020	-	587,020
Non-rated	<b>1,134,954</b>	658,626	<b>589,532</b>	348,438
	<b>2,352,053</b>	1,508,771	<b>1,806,631</b>	1,198,583

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

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

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Individually impaired loans	<b>78,915</b>	247,539	<b>78,915</b>	247,539

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

(iii) Credit quality (Continued)

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

Group	Short term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
<b>2013</b>							
Neither past due nor impaired	1,165,768	1,038,994	3,501,956	948,561	2,441,569	205,042	48,760
Past due but not impaired	-	-	-	-	127,749	-	-
Impaired	-	40,000	229,558	172,319	46,755	3,620	-
Less: Impairment losses	-	-	(181,410)	(166,293)	(42,490)	(3,620)	-
	<b>1,165,768</b>	<b>1,078,994</b>	<b>3,550,104</b>	<b>954,587</b>	<b>2,573,583</b>	<b>205,042</b>	<b>48,760</b>
<b>Restated 2012</b>							
Neither past due nor impaired	2,617,355	998,147	4,823,730	1,105,480	2,378,548	270,616	15,093
Past due but not impaired	-	-	-	-	111,955	-	-
Impaired	-	-	230,940	223,434	26,719	2,758	-
Less: Impairment losses	-	-	(195,813)	(186,409)	(16,457)	(2,285)	-
	<b>2,617,355</b>	<b>998,147</b>	<b>4,858,857</b>	<b>1,142,505</b>	<b>2,500,765</b>	<b>271,089</b>	<b>15,093</b>

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



## 42 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (e) Credit risk (Continued)

(iii) Credit quality (Continued)

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

Bank	Short term funds and deposits with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
<b>2013</b>							
Neither past due nor impaired	894,570	943,739	3,501,815	948,561	530,265	108,854	48,760
Past due but not impaired	-	-	-	-	8,863	-	-
Impaired	-	40,000	227,465	172,319	11,374	1,778	-
Less: Impairment losses	-	-	(179,811)	(166,293)	(6,736)	(1,778)	-
	894,570	983,739	3,729,280	1,120,880	550,502	110,632	48,760
	894,570	983,739	3,549,469	954,587	543,766	108,854	48,760
<b>Restated 2012</b>							
Neither past due nor impaired	2,215,391	965,512	4,823,103	1,105,480	660,315	199,629	15,093
Past due but not impaired	-	-	-	-	5,752	-	-
Impaired	-	-	229,452	223,434	18,509	2,152	-
Less: Impairment losses	-	-	(194,325)	(186,409)	(10,035)	(1,679)	-
	2,215,391	965,512	5,052,555	1,328,914	684,576	201,781	15,093
	2,215,391	965,512	4,858,230	1,142,505	674,541	200,102	15,093

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

(iii) Credit quality (Continued)

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

Group	Short term funds and deposits with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
<b>2013</b>							
AAA to AA3	-	459,571	1,296,664	334,143	-	-	43,503
A1 to A3	-	50,757	188,548	13,852	-	-	1,222
Baa1 to Baa3	-	33,423	114,717	-	-	-	-
P1 to P3	937,759	19,897	-	-	-	-	-
Non-rated Including:	228,009	475,346	1,902,027	600,566	2,441,569	205,042	4,035
- Bank Negara Malaysia	118,010	-	-	-	-	-	-
- Malaysian Government Securities	-	128,150	407,032	20,516	-	-	-
- Malaysian Government Treasury Bills	-	-	-	-	-	-	-
- Malaysian Government Investment Issues	-	121,510	520,724	508,053	-	-	-
- Private debt securities	-	-	77,801	29,570	-	-	-
- Bankers' acceptances and Islamic accepted notes	-	-	378,121	-	-	-	-
- Khazanah bonds	-	-	47,725	9,887	-	-	-
- Negotiable instruments of deposits	-	-	403,558	-	-	-	-
- Others	109,999	225,686	67,066	32,540	2,441,569	205,042	4,035
	<b>1,165,768</b>	<b>1,038,994</b>	<b>3,501,956</b>	<b>948,561</b>	<b>2,441,569</b>	<b>205,042</b>	<b>48,760</b>

## 42 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (e) Credit risk (Continued)

(iii) Credit quality (Continued)

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

Group	Short term funds and deposits with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
<b>Restated 2012</b>							
AAA to AA3	-	660,023	1,116,363	347,462	-	-	659
A1 to A3	-	80,403	134,309	5,024	-	-	7,124
Baa1 to Baa3	-	11,528	-	-	-	-	665
P1 to P3	1,943,522	41,722	-	49,961	-	-	5,713
Non-rated including:	673,833	204,471	3,573,058	703,033	2,378,548	270,616	932
- Bank Negara Malaysia	235,110	-	350,355	45,892	-	-	-
- Malaysian Government Securities	-	101,577	566,023	437,596	-	-	-
- Malaysian Government Treasury Bills	-	-	-	-	-	-	-
- Malaysian Government Investment Issues	-	30,415	486,650	101,103	-	-	-
- Private debt securities	-	72,479	1,188,435	118,419	-	-	-
- Bankers' acceptances and Islamic accepted notes	-	-	507,382	-	-	-	-
- Khazanah bonds	-	-	13,100	-	-	-	-
- Negotiable instruments of deposits	-	-	459,878	-	-	-	-
- Others	438,723	-	1,235	23	2,378,548	270,616	932
	2,617,355	998,147	4,823,730	1,105,480	2,378,548	270,616	15,093

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

(iii) Credit quality (Continued)

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

	Short term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
<b>Bank</b>							
<b>2013</b>							
AAA to AA3	-	389,855	1,296,664	334,143	-	-	43,503
A1 to A3	-	25,218	188,548	13,852	-	-	1,222
Baa1 to Baa3	-	33,423	114,717	-	-	-	-
P1 to P3	776,560	19,897	-	-	-	-	-
Non-rated including:	118,010	475,346	1,901,886	600,566	530,265	108,854	4,035
- Bank Negara Malaysia	118,010	-	-	-	-	-	-
- Malaysian Government Securities	-	128,150	407,032	20,516	-	-	-
- Malaysian Government Treasury Bills	-	-	-	-	-	-	-
- Malaysian Government Investment Issues	-	121,510	520,724	508,053	-	-	-
- Private debt securities	-	-	77,661	29,570	-	-	-
- Bankers' acceptances and Islamic accepted notes	-	-	378,121	-	-	-	-
- Khazanah bonds	-	-	47,725	9,887	-	-	-
- Negotiable instruments of deposits	-	-	403,558	-	-	-	-
- Others	-	225,686	67,065	32,540	530,265	108,854	4,035
	894,570	943,739	3,501,815	948,561	530,265	108,854	48,760

## 42 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (e) Credit risk (Continued)

(iii) Credit quality (Continued)

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

Bank	Short term funds and deposits with banks and other financial institutions RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Clients' and brokers' balances RM'000	Other financial assets RM'000	Derivative assets RM'000
<b>Restated 2012</b>							
AAA to AA3	-	660,023	1,116,363	347,462	-	-	659
A1 to A3	-	80,403	134,309	5,024	-	-	7,124
Baa1 to Baa3	-	11,528	-	-	-	-	665
P1 to P3	1,869,076	41,722	-	49,961	-	-	5,713
Non-rated including:	346,315	171,836	3,572,431	703,033	660,315	199,629	932
- Bank Negara Malaysia	235,110	-	350,355	45,892	-	-	-
- Malaysian Government Securities	-	101,577	566,023	437,596	-	-	-
- Malaysian Government Investment Issues	-	30,415	486,650	101,103	-	-	-
- Private debt securities	-	39,844	1,188,269	118,419	-	-	-
- Bankers' acceptances and Islamic accepted notes	-	-	507,382	-	-	-	-
- Khazanah bonds	-	-	13,100	-	-	-	-
- Negotiable instruments of deposits	-	-	459,878	-	-	-	-
- Others	111,205	-	774	23	660,315	199,629	932
	2,215,391	965,512	4,823,103	1,105,480	660,315	199,629	15,093

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

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

Group	Short term deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading <sup>~</sup> RM'000	Financial investments available-for-sale <sup>®</sup> RM'000	Financial investments held-to-maturity RM'000	Loans and advances <sup>#</sup> RM'000	Clients' and brokers' balances and other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
<b>2013</b>								
Agriculture	-	10,136	65,666	-	108,735	-	23,087	207,624
Mining and quarrying	-	-	24,092	-	-	-	22,782	46,874
Manufacturing	-	48,372	17,244	6,774	-	-	1,359	73,749
Electricity, gas and water	-	10,031	136,851	-	-	-	-	146,882
Construction	-	193,951	283,268	25,798	97,200	-	47,125	647,342
Real estate	-	-	-	-	245,000	-	8,527	253,527
Purchase of landed property	-	-	-	-	-	-	19	19
Wholesale & retail trade and restaurants & hotel	-	6,345	25,562	-	49,900	-	17,292	99,099
Transport, storage and communication	-	184,149	71,822	-	-	-	868	256,839
Finance, insurance and business services	1,047,758	614,674	1,788,101	319,989	684,635	48,760	335,933	4,839,850
Government and government agencies	118,010	-	994,369	534,582	-	-	-	1,646,961
Purchase of securities	-	-	-	-	1,099,764	2,577,758	1,554,624	5,232,146
Others	-	11,336	143,129	67,444	116,142	205,042	42,559	585,652
	<b>1,165,768</b>	<b>1,078,994</b>	<b>3,550,104</b>	<b>954,587</b>	<b>2,401,376</b>	<b>2,831,560</b>	<b>2,054,175</b>	<b>14,036,564</b>

<sup>~</sup> Excludes equity instrument amounting to RM147,500,000.

<sup>®</sup> Excludes equity instrument amounting to RM118,254,000.

<sup>#</sup> Excludes collective impairment allowance amounting to RM7,629,000.

<sup>\*</sup> Excludes collective impairment allowance amounting to RM4,175,000. Other financial assets include other assets and derivative assets.

## 42 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (e) Credit risk (Continued)

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

Group	Short term funds and deposits with banks and other financial institutions RM'000	Financial assets held-for-trading <sup>~</sup> RM'000	Financial investments available-for-sale <sup>®</sup> RM'000	Financial investments held-to-maturity RM'000	Loans and advances <sup>#</sup> RM'000	Clients' and brokers' balances and other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
<b>Restated 2012</b>								
Agriculture	-	50,371	45,516	-	5,595	-	67,426	168,908
Mining and quarrying	-	-	15,326	-	-	-	6,113	21,439
Manufacturing	-	41,722	176,909	21,866	45,000	-	40,000	325,497
Electricity, gas and water	-	-	168,842	51,668	-	-	-	220,510
Construction	-	70,743	113,891	53,428	142,407	-	500	380,969
Real estate	-	-	17,582	-	-	-	6,909	24,491
Purchase of landed property	-	-	-	-	-	-	337	337
General commerce	-	-	15,490	-	-	-	-	15,490
Wholesale & retail trade and restaurants & hotel	-	10,112	10,274	5,008	79,616	-	80	105,090
Transport, storage and communication	-	85,925	80,436	65,764	8,817	-	1,488	242,430
Finance, insurance and business services	2,384,058	587,071	2,662,589	293,702	708,080	15,093	193,604	6,844,197
Government and government agencies	233,297	152,203	1,546,430	641,965	-	-	-	2,573,895
Purchase of securities	-	-	-	-	707,286	2,506,853	1,256,453	4,470,592
Others	-	-	5,573	9,104	35,772	271,089	2,210	323,748
	2,617,355	998,147	4,858,857	1,142,505	1,732,573	2,793,035	1,575,120	15,717,592

<sup>~</sup> Excludes equity instrument amounting to RM138,077,000.

<sup>®</sup> Excludes equity instrument amounting to RM72,829,000.

<sup>#</sup> Excludes collective impairment allowance amounting to RM4,971,000.

\* Excludes collective impairment allowance amounting to RM6,088,000. Other financial assets include other assets and derivative assets.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

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

	Short term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading <sup>~</sup> RM'000	Financial investments available-for-sale <sup>@</sup> RM'000	Financial investments held-to-maturity RM'000	Loans and advances <sup>#</sup> RM'000	Clients' and brokers' balances and other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
<b>2013</b>								
Agriculture	-	10,136	65,666	-	108,735	-	22,787	207,324
Mining and quarrying	-	-	24,092	-	-	-	416	24,508
Manufacturing	-	48,372	17,244	6,774	-	-	1,359	73,749
Electricity, gas and water	-	10,031	136,851	-	-	-	-	146,882
Construction	-	193,951	283,268	25,798	97,200	-	47,125	647,342
Real estate	-	-	-	-	245,000	-	8,527	253,527
Purchase of landed property	-	-	-	-	-	-	19	19
Wholesale & retail trade and restaurants & hotel	-	6,345	25,562	-	49,900	-	379	82,186
Transport, storage and communication	-	184,149	71,822	-	-	-	868	256,839
Finance, insurance and business services	776,560	523,940	1,787,607	319,989	726,466	48,760	317,059	4,500,381
Government and government agencies	118,010	-	994,369	534,582	-	-	-	1,646,961
Purchase of securities	-	-	-	-	512,511	547,941	667,759	1,728,211
Others	-	6,815	142,988	67,444	116,142	108,854	42,559	484,802
	<b>894,570</b>	<b>983,739</b>	<b>3,549,469</b>	<b>954,587</b>	<b>1,855,954</b>	<b>705,555</b>	<b>1,108,857</b>	<b>10,052,731</b>

<sup>~</sup> Excludes equity instrument amounting to RM78,130,000.

<sup>@</sup> Excludes equity instrument amounting to RM25,158,000.

<sup>#</sup> Excludes collective impairment allowance amounting to RM7,629,000.

<sup>\*</sup> Excludes collective impairment allowance amounting to RM4,175,000. Other financial assets include other assets and derivative assets.



## 42 FINANCIAL RISK MANAGEMENT (CONTINUED)

## (e) Credit risk (Continued)

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

Bank	Short term funds and deposits with banks and other financial institutions RM'000	Financial assets held-for-trading <sup>~</sup> RM'000	Financial investments available-for-sale <sup>®</sup> RM'000	Financial investments held-to-maturity RM'000	Loans and advances <sup>#</sup> RM'000	Clients' and brokers' balances and other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
<b>Restated 2012</b>								
Agriculture	-	50,371	45,516	-	5,595	-	67,426	168,908
Mining and quarrying	-	-	15,326	-	-	-	6,113	21,439
Manufacturing	-	41,722	176,909	21,866	45,000	-	40,000	325,497
Electricity, gas and water	-	-	168,842	51,668	-	-	-	220,510
Construction	-	70,743	113,891	53,428	142,407	-	500	380,969
Real estate	-	-	17,582	-	-	-	6,909	24,491
Purchase of landed property	-	-	-	-	-	-	337	337
General commerce	-	-	15,490	-	-	-	-	15,490
Wholesale & retail trade and restaurants & hotel	-	10,112	10,274	5,008	79,616	-	80	105,090
Transport, storage and communication	-	85,925	80,436	65,764	8,817	-	1,488	242,430
Finance, insurance and business services	1,982,094	554,436	2,662,422	293,702	757,807	15,093	159,780	6,425,334
Government and government agencies	233,297	152,203	1,546,430	641,965	-	-	-	2,573,895
Purchase of securities	-	-	-	-	347,371	680,629	513,876	1,541,876
Others	-	-	5,112	9,104	35,772	200,102	2,210	252,300
	2,215,391	965,512	4,858,230	1,142,505	1,422,385	895,824	798,719	12,298,565

<sup>~</sup> Excludes equity instrument amounting to RM79,174,000.

<sup>®</sup> Excludes equity instrument amounting to RM38,524,000.

<sup>#</sup> Excludes collective impairment allowance amounting to RM4,971,000.

\* Excludes collective impairment allowance amounting to RM6,088,000. Other financial assets include other assets and derivative assets.

## 42 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (f) Fair value measurement

The Group and the Bank analyse their financial instruments measured at fair value into three categories as described below:

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

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

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

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
<b>2013</b>				
<b>Financial assets</b>				
Financial investments HFT	<b>147,500</b>	<b>1,037,149</b>	<b>41,845</b>	<b>1,226,494</b>
- Money market instruments	-	<b>249,660</b>	-	<b>249,660</b>
- Quoted securities	<b>147,500</b>	-	-	<b>147,500</b>
- Unquoted securities	-	<b>787,489</b>	<b>41,845</b>	<b>829,334</b>
Financial investments AFS	<b>11,780</b>	<b>3,501,958</b>	<b>154,620</b>	<b>3,668,358</b>
- Money market instruments	-	<b>1,868,892</b>	-	<b>1,868,892</b>
- Quoted securities	<b>11,780</b>	-	-	<b>11,780</b>
- Unquoted securities	-	<b>1,633,066</b>	<b>154,620</b>	<b>1,787,686</b>
Derivative assets:				
- Money market instruments	-	<b>48,760</b>	-	<b>48,760</b>
	<b>159,280</b>	<b>4,587,867</b>	<b>196,465</b>	<b>4,943,612</b>
<b>Financial liabilities</b>				
Derivative liabilities				
- Money market instruments	<b>16,462</b>	<b>66,001</b>	-	<b>82,463</b>
<b>Restated 2012</b>				
<b>Financial assets</b>				
Financial investments HFT	138,077	996,302	1,845	1,136,224
- Money market instruments	-	157,741	-	157,741
- Quoted securities	138,077	-	-	138,077
- Unquoted securities	-	838,561	1,845	840,406
Financial investments AFS	27,778	4,822,495	81,413	4,931,686
- Money market instruments	-	2,498,410	-	2,498,410
- Quoted securities	27,778	-	-	27,778
- Unquoted securities	-	2,324,085	81,413	2,405,498
Derivative assets:				
- Money market instruments	-	15,093	-	15,093
	165,855	5,833,890	83,258	6,083,003
<b>Financial liabilities</b>				
Derivative liabilities				
- Money market instruments	14,352	23,340	-	37,692

**42 FINANCIAL RISK MANAGEMENT (CONTINUED)****(f) Fair value measurement (Continued)**

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

<b>Bank</b>	<b>Level 1 RM'000</b>	<b>Level 2 RM'000</b>	<b>Level 3 RM'000</b>	<b>Total RM'000</b>
<b>2013</b>				
<b>Financial assets</b>				
Financial investments HFT	<b>78,130</b>	<b>941,894</b>	<b>41,845</b>	<b>1,061,869</b>
- Money market instruments	-	<b>249,660</b>	-	<b>249,660</b>
- Quoted securities	<b>78,130</b>	-	-	<b>78,130</b>
- Unquoted securities	-	<b>692,234</b>	<b>41,845</b>	<b>734,079</b>
Financial investments AFS	<b>789</b>	<b>3,501,816</b>	<b>72,022</b>	<b>3,574,627</b>
- Money market instruments	-	<b>1,868,892</b>	-	<b>1,868,892</b>
- Quoted securities	<b>789</b>	-	-	<b>789</b>
- Unquoted securities	-	<b>1,632,924</b>	<b>72,022</b>	<b>1,704,946</b>
Derivative assets:				
- Money market instruments	-	<b>48,760</b>	-	<b>48,760</b>
	<b>78,919</b>	<b>4,492,470</b>	<b>113,867</b>	<b>4,685,256</b>
<b>Financial liabilities</b>				
Derivative liabilities				
- Money market instruments	<b>16,462</b>	<b>65,822</b>	-	<b>82,284</b>
<b>Restated 2012</b>				
<b>Financial assets</b>				
Financial investments HFT	79,174	963,667	1,845	1,044,686
- Money market instruments	-	157,741	-	157,741
- Quoted securities	79,174	-	-	79,174
- Unquoted securities	-	805,926	1,845	807,771
Financial investments AFS	16,393	4,822,328	58,033	4,896,754
- Money market instruments	-	2,498,410	-	2,498,410
- Quoted securities	16,393	-	-	16,393
- Unquoted securities	-	2,323,918	58,033	2,381,951
Derivative assets:				
- Money market instruments	-	15,093	-	15,093
	95,567	5,801,088	59,878	5,956,533
<b>Financial liabilities</b>				
Derivative liabilities				
- Money market instruments	14,352	23,340	-	37,692

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

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 ongoing basis. These would include quoted securities and unit trusts.

## 42 FINANCIAL RISK MANAGEMENT (CONTINUED)

### (f) Fair value measurement (Continued)

#### Qualitative disclosures of valuation techniques (Continued)

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.

Reconciliation of fair value measurements in Level 3:

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

	Note	Group		Bank	
		2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Balance as at the beginning of financial year		<b>44,982</b>	58,166	<b>44,522</b>	42,463
Acquisition of subsidiaries/assets and liabilities					
- Effect of predecessor accounting	48	<b>38,276</b>	-	<b>15,356</b>	-
		<b>83,258</b>	58,166	<b>59,878</b>	42,463
Acquisition of subsidiaries/assets and liabilities					
- Effect of predecessor accounting		-	36,630	-	15,356
Total gains/(losses) recognised in other comprehensive income		<b>16,901</b>	(2,526)	<b>(258)</b>	(6,035)
Purchases		<b>59,026</b>	-	<b>13,783</b>	-
Settlements		<b>(15,633)</b>	-	<b>(12,421)</b>	-
Disposals		-	(30,054)	-	(12,994)
Impairment losses made		<b>(12,533)</b>	-	<b>(12,533)</b>	-
Transfer in		<b>65,418</b>	21,088	<b>65,418</b>	21,088
Exchange differences		<b>28</b>	(46)	-	-
Balance as at the end of financial year		<b>196,465</b>	83,258	<b>113,867</b>	59,878

**43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES**

The fair value of each financial assets and liabilities presented on the statements of financial position of the Group and the Bank approximates the carrying amounts as at the reporting date, except for the following:

	Group		Bank	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
<b>2013</b>				
<b>Financial assets</b>				
Financial investments held-to-maturity	954,587	939,427	954,587	939,427
Loans and advances	2,393,747	2,394,301	1,848,325	1,848,879
	<b>3,348,334</b>	<b>3,333,728</b>	<b>2,802,912</b>	<b>2,788,306</b>
<b>Financial liabilities</b>				
Subordinated obligations	559,099	555,015	559,099	555,015
<b>Restated 2012</b>				
<b>Financial assets</b>				
Financial investments held-to-maturity	1,142,505	1,125,838	1,142,505	1,125,838
Loans and advances	1,727,602	1,727,988	1,417,414	1,417,800
	2,870,107	2,853,826	2,559,919	2,543,638
<b>Financial liabilities</b>				
Subordinated obligations	719,584	717,880	719,584	717,880

The following table analyses within the fair value hierarchy the Group's and the Bank's assets and liabilities not measured at fair value at 31 December 2013 but for which fair value is disclosed:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
<b>2013</b>				
<b>Financial assets</b>				
Financial investments held-to-maturity	-	933,378	6,049	939,427
Loans and advances	-	2,394,301	-	2,394,301
	-	3,327,679	6,049	3,333,728
<b>Financial liabilities</b>				
Subordinated obligations	-	555,015	-	555,015
<b>Bank</b>				
<b>2012</b>				
<b>Financial assets</b>				
Financial investments held-to-maturity	-	933,378	6,049	939,427
Loans and advances	-	1,848,879	-	1,848,879
	-	2,782,257	6,049	2,788,306
<b>Financial liabilities</b>				
Subordinated obligations	-	555,015	-	555,015

#### 43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The fair values are based on the following methodologies and assumptions:

(i) Cash and short term funds and deposits and placements with financial institutions

For cash and short term funds and deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(ii) Financial assets held-for-trading, financial investments HTM and AFS

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

(iii) Loans and advances

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

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risk and maturities.

The fair values of impaired loans are represented by their carrying value, net of impairment allowance.

(iv) Other assets and liabilities

The carrying value less any estimated impairment allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

(v) Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposits with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

(vi) Deposits and placements of banks and other financial institutions, bills and acceptances payable

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

(vii) Borrowings

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

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

(viii) Subordinated obligations

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

(x) 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.

(xi) Foreign exchange and interest rate related contracts

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

**44 CONTINGENT LIABILITIES**

The Bank has given a corporate guarantee to Securities and Exchange Commission of Thailand (“SEC”) on behalf of RHB OSK Securities (Thailand) Public Company Limited, a subsidiary of the Bank for the issuance of warrants on the SEC.

**45 CAPITAL ADEQUACY RATIO**

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

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

The capital adequacy ratios of the Group and the Bank are as follows:

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
<b>Tier I Capital</b>				
Paid-up ordinary share capital	<b>818,646</b>	263,646	<b>818,646</b>	263,646
Share premium	<b>1,515,150</b>	-	<b>1,515,150</b>	-
Retained profits	<b>206,734</b>	115,358	<b>176,310</b>	76,788
Other reserves	<b>255,781</b>	2,075,353	<b>278,549</b>	2,081,357
AFS reserves	<b>(25,948)</b>	12,926	<b>(32,510)</b>	10,997
	<b>2,770,363</b>	2,467,283	<b>2,756,145</b>	2,432,788
Less: Goodwill	<b>(1,269,934)</b>	(1,269,934)	<b>(1,118,418)</b>	(1,118,418)
Other intangible assets (include associated deferred tax liabilities)	<b>(68,406)</b>	(83,660)	<b>(42,967)</b>	(56,994)
Securitisation exposure subject to deductions	<b>(1,744)</b>	(4,879)	<b>(1,744)</b>	(4,879)
55% of cumulative gains of AFS securities	-	(7,109)	-	(6,048)
Other deductions	<b>(2,019)</b>	(5,846)	<b>(2,019)</b>	(782)
Deferred tax assets	<b>(17,700)</b>	-	<b>(11,382)</b>	-
Reductions in excess of Tier II Capital due to insufficient Tier II Capital <sup>#</sup>	-	-	<b>(554,041)</b>	(268,120)
Common Equity Tier I Capital (“CET I Capital”)	<b>1,410,560</b>	1,095,855	<b>1,025,574</b>	977,547
Qualifying non-controlling interests recognised as Tier I Capital	<b>31,301</b>	14,139	-	-
	<b>1,441,861</b>	1,109,994	<b>1,025,574</b>	977,547
<b>Tier II Capital</b>				
Subordinated obligations*	<b>545,000</b>	674,706	<b>545,000</b>	674,706
Qualifying non-controlling interests recognised as Tier II Capital	<b>5,665</b>	2,099	-	-
Collective impairment allowance <sup>^</sup>	<b>7,714</b>	7,932	<b>7,714</b>	5,188
	<b>558,379</b>	684,737	<b>552,714</b>	679,894
Less: Investment in subsidiaries, associates and joint ventures	<b>(29,044)</b>	(44,742)	<b>(552,714)</b>	(679,894)
	<b>529,335</b>	639,995	-	-
<b>Total Capital</b>	<b>1,971,196</b>	1,749,989	<b>1,025,574</b>	977,547

#### 45 CAPITAL ADEQUACY RATIO (CONTINUED)

	Group		Bank	
	2013	Restated 2012	2013	Restated 2012
<b>Capital ratios</b>				
Before proposed dividends:				
CET I Capital Ratio	<b>24.766%</b>	20.136%	<b>24.556%</b>	22.712%
Tier I Capital Ratio	<b>25.316%</b>	20.396%	<b>24.556%</b>	22.712%
Total Capital Ratio	<b>34.610%</b>	32.156%	<b>24.556%</b>	22.712%
After proposed dividends:				
CET I Capital Ratio	<b>24.766%</b>	19.824%	<b>24.556%</b>	22.317%
Tier I Capital Ratio	<b>25.316%</b>	20.083%	<b>24.556%</b>	22.317%
Total Capital Ratio	<b>34.610%</b>	31.843%	<b>24.556%</b>	22.317%

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

\* 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).

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

	Group		Bank	
	2013 RM'000	Restated 2012 RM'000	2013 RM'000	Restated 2012 RM'000
Credit risk	<b>3,472,531</b>	3,462,844	<b>2,518,192</b>	3,197,581
Market risk	<b>1,300,494</b>	1,540,346	<b>1,070,638</b>	720,014
Operational risk	<b>922,336</b>	438,993	<b>587,482</b>	386,394
<b>Total risk-weighted assets</b>	<b>5,695,361</b>	5,442,183	<b>4,176,312</b>	4,303,989

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

#### 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.

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.



**46 SEGMENT REPORTING (CONTINUED)**

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

## (a) Investment Banking

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

Included in Investment Banking are Stockbroking and Investment Banking products and services to RHB regional customers in Singapore, Hong Kong, Indonesia and Thailand.

## (b) Treasury

Treasury and money market operations is involved in proprietary trading of various financial products that include short term money market instruments, long term securities and foreign exchange and derivatives products.

## (c) Asset Management

Asset Management business focuses on providing investment management services, unit trust fund management services, Islamic funds management services, wills and trustees services.

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

## (a) Segment analysis

<b>Group</b>	<b>Investment Banking RM'000</b>	<b>Treasury RM'000</b>	<b>Asset Management RM'000</b>	<b>Elimination RM'000</b>	<b>Total RM'000</b>
<b>2013</b>					
External revenue	<b>784,480</b>	<b>80,862</b>	<b>198,923</b>	-	<b>1,064,265</b>
Inter-segment revenue	<b>27,821</b>	-	-	<b>(27,821)</b>	-
Segment revenue	<b>812,301</b>	<b>80,862</b>	<b>198,923</b>	<b>(27,821)</b>	<b>1,064,265</b>
Other operating expenses:	<b>(684,148)</b>	<b>(19,189)</b>	<b>(174,586)</b>	<b>27,821</b>	<b>(850,102)</b>
Including:					
Depreciation of property, plant and equipment	<b>(21,203)</b>	<b>(382)</b>	<b>(1,095)</b>	-	<b>(22,680)</b>
Amortisation of intangible assets	<b>(17,985)</b>	<b>(1,792)</b>	<b>(357)</b>	-	<b>(20,134)</b>
Change in allowance for impairment on loans, advances and other losses	<b>(37,900)</b>	-	<b>(255)</b>	-	<b>(38,155)</b>
Impairment losses write back on other assets	<b>408</b>	<b>7,225</b>	-	-	<b>7,633</b>
	<b>90,661</b>	<b>68,898</b>	<b>24,082</b>	-	<b>183,641</b>
Share of results of associates					<b>1,517</b>
Share of results of joint ventures					<b>427</b>
Profit before taxation					<b>185,585</b>
Taxation					<b>(44,518)</b>
Net profit for the financial year					<b>141,067</b>

**46 SEGMENT REPORTING (CONTINUED)**

(a) Segment analysis (Continued)

<b>Group</b>	<b>Investment Banking RM'000</b>	<b>Treasury RM'000</b>	<b>Asset Management RM'000</b>	<b>Elimination RM'000</b>	<b>Total RM'000</b>
<b>2013</b>					
Segment assets	<b>5,293,152</b>	<b>8,283,705</b>	<b>227,227</b>	<b>(1,207,725)</b>	<b>12,596,359</b>
Goodwill	<b>512,391</b>	<b>614,176</b>	<b>143,367</b>	-	<b>1,269,934</b>
Investment in associate and joint ventures					<b>29,044</b>
Tax recoverable					<b>32,701</b>
Deferred tax assets					<b>17,345</b>
Total assets					<b>13,945,383</b>
Segment liabilities	<b>2,591,447</b>	<b>7,668,715</b>	<b>89,616</b>	<b>(98,809)</b>	<b>10,250,969</b>
Taxation					<b>10,384</b>
Deferred tax liabilities					<b>11,028</b>
Borrowings					<b>152,192</b>
Subordinated obligations					<b>559,099</b>
Total liabilities					<b>10,983,672</b>
<u>Other segment items</u>					
Capital expenditure	<b>19,511</b>	<b>19</b>	<b>918</b>	-	<b>20,448</b>

<b>Group</b>	<b>Investment Banking RM'000</b>	<b>Treasury RM'000</b>	<b>Asset Management RM'000</b>	<b>Elimination RM'000</b>	<b>Total RM'000</b>
<b>Restated 2012</b>					
External revenue	238,959	96,250	53,460	-	388,669
Inter-segment revenue	14,703	-	-	(14,703)	-
Segment revenue	253,662	96,250	53,460	(14,703)	388,669
Other operating expenses:	(223,638)	(12,245)	(47,412)	14,703	(268,592)
Including:					
Depreciation of property, plant and equipment	(7,012)	(267)	(628)	-	(7,907)
Amortisation of intangible assets	(4,049)	(438)	(15)	-	(4,502)
Change in allowance for impairment on loans, advances and other losses	(1,126)	(9)	(711)	-	(1,846)
Impairment losses write back on other assets	(2,820)	(1,978)	-	-	(4,798)
	26,078	82,018	5,337	-	113,433
Share of results of associates					738
Share of results of joint ventures					826
Profit before taxation					114,997
Taxation					(28,503)
Net profit for the financial year					86,494

**46 SEGMENT REPORTING (CONTINUED)**

(a) Segment analysis (Continued)

<b>Group</b>	<b>Investment Banking RM'000</b>	<b>Treasury RM'000</b>	<b>Asset Management RM'000</b>	<b>Elimination RM'000</b>	<b>Total RM'000</b>
<b>Restated 2012</b>					
Segment assets	5,735,594	9,976,152	211,061	(1,172,965)	14,749,842
Goodwill	512,391	614,176	143,367	-	1,269,934
Investment in associates and joint ventures					44,742
Tax recoverable					36,576
Deferred tax assets					5,064
<b>Total assets</b>					<b>16,106,158</b>
Segment liabilities	3,604,281	8,988,019	81,100	(111,659)	12,561,741
Taxation					15,018
Deferred tax liabilities					13,571
Borrowings					112,385
Subordinated obligations					719,584
<b>Total liabilities</b>					<b>13,422,299</b>
<u>Other segment items</u>					
Capital expenditure	8,052	88	2,465	-	10,605

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

	<b>Revenue RM'000</b>	<b>Segment assets RM'000</b>	<b>Capital expenditure RM'000</b>
<b>2013</b>			
Attributed to the country of domicile:			
- Malaysia	<b>746,480</b>	<b>10,921,385</b>	<b>10,276</b>
Attributed to foreign countries:			
- Singapore	<b>167,413</b>	<b>2,215,449</b>	<b>2,677</b>
- Hong Kong	<b>44,932</b>	<b>259,714</b>	<b>1,599</b>
- Indonesia	<b>56,699</b>	<b>262,323</b>	<b>1,814</b>
- Thailand	<b>48,741</b>	<b>286,512</b>	<b>4,082</b>
	<b>1,064,265</b>	<b>13,945,383</b>	<b>20,448</b>
<b>2012</b>			
<b>Restated</b>			
Attributed to the country of domicile:			
- Malaysia	346,210	13,436,576	8,890
Attributed to foreign countries:			
- Singapore	18,770	1,909,573	665
- Hong Kong	8,271	221,726	56
- Indonesia	10,352	276,205	268
- Thailand	5,066	262,078	726
	<b>388,669</b>	<b>16,106,158</b>	<b>10,605</b>

#### 47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Acquisition of OSK Investment Bank Berhad (“OSKIB”)

On 27 February 2013, the High Court of Malaya at Kuala Lumpur had granted an order pursuant to Section 50 of the Banking and Financial Institutions Act, 1989 and Section 139 of the Capital Market and Services Act, 2007 for the transfer of the entire business including all assets and liabilities of OSKIB to the Bank, both wholly-owned subsidiaries of RHB Capital Berhad.

On 5 April 2013, the High Court of Malaya at Kuala Lumpur had granted an order for the transfer of the entire businesses, including assets and liabilities for the following entities (“Vesting Order”):

- (i) OSK Nominees (Tempatan) Sdn Bhd (“OSKNT”) to RHB Nominees (Tempatan) Sdn Bhd (“RHBNT”) (Vesting Order pursuant to sections 176 & 178 of the Companies Act, 1965 (“CA 1965”));
- (ii) OSK Nominees (Asing) Sdn Bhd (“OSKNA”) to RHB Nominees (Asing) Sdn Bhd (“RHBNA”) (Vesting Order pursuant to sections 176 & 178 of the CA 1965); and
- (iii) OSK Research Sdn Bhd (“OSKR”) to RHB Research Institute Sdn Bhd (“RHBRI”) (Vesting Order pursuant to section 139 of the Capital Market and Services Act 2007).

On 15 November 2013, the High Court of Malaya at Kuala Lumpur had granted an order pursuant to Section 139 of the Capital Market and Services Act, 2007 for the transfer of the entire business including all assets and liabilities of RHB Islamic Asset Management Sdn Bhd (“RHBIAM”) to RHB Islamic International Asset Management Bhd (“RHBIAM”).

On 20 November 2013, the High Court of Malaya at Kuala Lumpur had granted an order pursuant to Section 139 of the Capital Market and Services Act, 2007 for the transfer of the entire business including all assets and liabilities of OSK-UOB Investment Management Berhad (“OUIM”) to RHB Asset Management Sdn Bhd (“RHBAM”).

The transfer of the entire business, including all assets and liabilities of OSKIB to the Bank, OSKNT to RHBNT, OSKNA to RHBNA and OSKR to RHBRI was completed on 13 April 2013 whilst the transfer of the entire business, including all assets and liabilities of RHBIAM to RHBIAM and OUIM to RHBAM was completed on 1 December 2013.

The purchase consideration of RM2,070.15 million for the acquisition of OSKIB was settled by way of issuance of 555 million new ordinary shares of RM1 each at fair value of RM3.73 each. The acquisition was accounted for using predecessor basis of accounting.

(b) Acquisitions of the remaining 30% equity interest in OUIM and OUIFM, a subsidiary of OUIM; and disposal of 30% equity interest in UOB-OSK Assets Management Sdn Bhd (“UOAM”).

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

- (i) RHB Investment Bank Berhad (“RHBIB”) and United Overseas Bank (Malaysia) Bhd (“UOBM”) for the sale of all the shares owned by UOBM in OSK-UOB Investment Management Berhad (“OUIM”), a subsidiary of RHBIB, comprising 3.0 million ordinary shares, representing 30% of the issued capital of OUIM, to RHBIB at the consideration of RM43.12 million;
- (ii) OUIM and UOB Asset Management Limited (“UOBAM”) for the sale of all the shares owned by UOBAM in OSK-UOB Islamic Fund Management Berhad (“OUIFM”), a subsidiary of OUIM, comprising 3.9 million ordinary shares, representing 30% of the issued share capital of OUIFM, to OUIM at the consideration of RM3.04 million; and
- (iii) RHBIB and UOBAM for the acquisition by UOBAM of all the shares owned by RHBIB in UOB-OSK Asset Management Sdn Bhd (“UOAM”), comprising 1.2 million ordinary shares, representing 30% of the issued share capital of UOAM, at the consideration of RM26.20 million.

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

(i) Acquisitions of non-controlling interest

On 22 October 2013, the Bank acquired remaining equity interest in OUIM and RHBIAM from its non-controlling interest for a cash consideration of RM43.12 million and RM3.04 million respectively. As a result of these acquisitions, OUIM and RHBIAM become wholly-owned subsidiaries of the Bank.

**47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)**

- (b) Acquisitions of the remaining 30% equity interest in OUIM and OUIFM, a subsidiary of OUIM; and disposal of 30% equity interest in UOB-OSK Assets Management Sdn Bhd (“UOAM”) (Continued)

- (i) Acquisitions of non-controlling interest (Continued)

The financial position of OUIM and RHBIAM at the date of acquisition:

	<b>OUIM RM'000</b>	<b>RHBIAM RM'000</b>
Carrying value of net assets	86,782	10,307
Carrying value of the additional interest acquired	26,035	3,092

The following summarises the effect of the change in the Group's ownership interest in OUIM and RHBIAM on the equity attributable to owner of the Group arising from the above acquisitions. The difference between the carrying value and the additional interest acquired has been recognised within retained earnings:

	<b>OUIM RM'000</b>	<b>RHBIAM RM'000</b>	<b>Total RM'000</b>
Consideration paid for the acquisition of non-controlling interest	43,123	3,040	46,163
Decrease in equity attributable to non-controlling interest	26,035	3,092	29,127
<b>Equity attributable to owner of the Group</b>	<b>17,088</b>	<b>(52)</b>	<b>17,036</b>

- (ii) Disposal of 30% equity interest of an associated company

On 22 October 2013, the 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:

	<b>Total RM'000</b>
Equity attributable to net assets	17,464
Proceed from disposal	26,201
Gain on disposal of an associated company	8,737

- (c) On 8 April 2013, the Bank acquired the remaining 13,000,000 ordinary shares of HKD1.00 each in RHBHK (“RHBHKK Shares”) from Sui Ming Fai and Sandman Investment Limited for a total consideration of HKD9.75 million (equivalent to RM3.85 million) or at a purchase price of HKD0.75 per RHBHKK Share. Subsequently, RHBHKK became a wholly-owned subsidiary of the Bank upon the completion of the acquisition. The difference between the fair value of consideration and the relevant shared of the carrying value of net asset of RM729,000 is recorded in equity.
- (d) On 9 April 2013, the Bank acquired an additional 16,545,048 shares in RHB OSK Securities (Thailand) Public Company Limited (formerly known as OSK Securities Thailand Limited) (“RHBST”) from its holding company, RHB Capital Berhad, for a total consideration of THB75.8 million (approximately RM7.9 million), thereby increasing its equity interest in RHBST from 97.41% to 99.43%. The effects of this transaction is disclosed in the consolidated statement of changes in equity.
- (e) On 12 April 2013, the Bank subscribed for 100 million new ordinary shares of HKD1.00 each in RHBHKK, amounting to HKD100 million (approximately RM39 million) for additional working capital purpose. Upon completion of the subscription, the equity interest held by the Bank in RHBHKK remains the same.
- (f) On 26 April 2013, the Bank subscribed for 30 million Redeemable Preference Shares (“RPS”) of RM2.00 each in RHB Private Equity Holdings Sdn Bhd (“PEHSB”) amounting to RM60 million for additional working capital purpose. Upon completion of the subscription, the equity interest held by the Bank in PEHSB remains the same.

**47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)**

(g) During the financial year, the Bank had undertaken a voluntary tender offer to acquire all the remaining shares of RHB OSK Securities (Thailand) Public Company Limited ("RHBST") not already held by the Bank for the purpose of delisting RHBST from the Stock Exchange of Thailand. The tender offer was for a period of 45 business days from 23 July 2013 to 24 September 2013 at an offer price of THB4.58 per RHBST's share. Upon the completion of the tender offer, the Bank acquired 4.24 million RHBST's share for a total consideration of THB19.43 million (approximately RM2.00 million), thereby increasing the Bank's equity interest in RHBST from 99.43% to 99.95% as of 31 December 2013. The difference between the fair value of consideration and the relevant shared of the carrying value of net asset of RM4,469,000 is recorded in equity.

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

On 22 April 2013, the 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.

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

On 15 July 2013, the Bank had fully redeemed its existing 7.50% RM100 million in nominal value subordinated notes which was issued on 14 July 2008 by OSKIB (which is now undertaken by RHBIB pursuant to the transfer of the entire business including all assets and liabilities of OSKIB to RHBIB which took effect from 13 April 2013).

(j) Proposed Multi-currency Medium Term Note ("MCMTN") Programme for the issuance of senior notes and/or subordinated notes of up to RM1.0 billion (or its equivalent in other currencies) in nominal value.

The Bank has obtained approval from the Securities Commission on 25 July 2013 for the proposed multi-currency medium term note programme for the issuance of senior notes and/or subordinated notes of up to RM1.0 billion (or its equivalent in other currencies) in nominal value ("MCMTN Programme"). The subordinated notes to be issued under the MCMTN Programme are Basel III-compliant.

In addition, the approval from BNM for the establishment of the MCMTN Programme has also been obtained on 12 June 2013 (subject to the terms and conditions contained therein).

The proceeds raised from the MCMTN Programme will be utilised without limitation by the Bank for working capital and general banking purpose, including not limited to repayment of the RHB Investment Bank's borrowings and subordinated debts.

As at year end, the Bank has yet to issue any part of the MCMTN Programme.

**48 COMPARATIVES**

The Group and the Bank have restated certain comparatives to reflect the effect of acquisition of assets and liabilities of OSK Investment Bank Berhad by applying predecessor accounting. Arising from this, certain comparatives for previous financial year have been restated.

**STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012**

	Group		
	As previously reported RM'000	Effect of predecessor accounting RM'000	Restated RM'000
<b>ASSETS</b>			
Cash and short term funds	1,238,662	673,153	1,911,815
Deposits and placements with banks and other financial institutions	650,074	55,624	705,698
Financial assets held-for-trading	324,889	811,335	1,136,224
Financial investments available-for-sale	1,028,550	3,903,136	4,931,686
Financial investments held-to-maturity	671,892	470,613	1,142,505
Loans and advances	39,639	1,687,963	1,727,602
Clients' and brokers' balances	300,193	2,200,572	2,500,765
Other assets	56,456	227,485	283,941
Derivative assets	9,380	5,713	15,093
Statutory deposits	49,600	196,640	246,240
Tax recoverable	4,042	32,534	36,576
Deferred tax assets	1,663	3,401	5,064
Investment in associates and joint ventures	18,967	25,775	44,742
Property, plant and equipment	10,864	53,749	64,613
Goodwill and other intangible assets	177,959	1,175,635	1,353,594
<b>TOTAL ASSETS</b>	<b>4,582,830</b>	<b>11,523,328</b>	<b>16,106,158</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	1,668,104	2,081,345	3,749,449
Deposits and placements of banks and other financial institutions	1,586,201	4,297,650	5,883,851
Obligation on securities sold under repurchase agreements	-	240,010	240,010
Obligation on securities borrowed	-	119,905	119,905
Clients' and brokers' balances	286,676	1,954,317	2,240,993
Other liabilities	86,311	203,530	289,841
Derivative liabilities	10,244	27,448	37,692
Taxation liabilities	1,883	13,135	15,018
Deferred tax liabilities	581	12,990	13,571
Borrowings	-	112,385	112,385
Subordinated obligations	291,131	428,453	719,584
<b>TOTAL LIABILITIES</b>	<b>3,931,131</b>	<b>9,491,168</b>	<b>13,422,299</b>
Share capital	263,646	-	263,646
Reserves	388,053	1,815,584	2,203,637
	651,699	1,815,584	2,467,283
Non-controlling interests	-	216,576	216,576
<b>TOTAL EQUITY</b>	<b>651,699</b>	<b>2,032,160</b>	<b>2,683,859</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,582,830</b>	<b>11,523,328</b>	<b>16,106,158</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>1,991,961</b>	<b>4,031,548</b>	<b>6,023,509</b>

48 COMPARATIVES (CONTINUED)

STATEMENTS OF FINANCIAL POSITION AS AT 31 DECEMBER 2012 (CONTINUED)

	Bank		
	As previously reported RM'000	Effect of predecessor accounting RM'000	Restated RM'000
<b>ASSETS</b>			
Cash and short term funds	1,151,456	358,316	1,509,772
Deposits and placements with banks and other financial institutions	650,074	55,624	705,698
Financial assets held-for-trading	324,889	719,797	1,044,686
Financial investments available-for-sale	1,028,089	3,868,665	4,896,754
Financial investments held-to-maturity	671,892	470,613	1,142,505
Loans and advances	39,639	1,377,775	1,417,414
Clients' and brokers' balances	300,193	374,348	674,541
Other assets	36,527	170,884	207,411
Derivative assets	9,380	5,713	15,093
Statutory deposits	49,600	196,640	246,240
Tax recoverable	2,536	30,822	33,358
Investment in subsidiaries	84,970	825,803	910,773
Investment in associates and joint ventures	15,363	21,878	37,241
Property, plant and equipment	9,833	25,434	35,267
Goodwill and other intangible assets	163,502	1,011,910	1,175,412
<b>TOTAL ASSETS</b>	<b>4,537,943</b>	<b>9,514,222</b>	<b>14,052,165</b>
<b>LIABILITIES AND EQUITY</b>			
Deposits from customers	1,668,104	2,167,849	3,835,953
Deposits and placements of banks and other financial institutions	1,586,201	4,297,650	5,883,851
Obligation on securities sold under repurchase agreements	-	240,010	240,010
Obligation on securities borrowed	-	119,905	119,905
Clients' and brokers' balances	286,676	333,939	620,615
Other liabilities	52,979	104,816	157,795
Derivative liabilities	10,244	27,448	37,692
Deferred tax liabilities	581	3,391	3,972
Subordinated obligations	291,131	428,453	719,584
<b>TOTAL LIABILITIES</b>	<b>3,895,916</b>	<b>7,723,461</b>	<b>11,619,377</b>
Share capital	263,646	-	263,646
Reserves	378,381	1,790,761	2,169,142
<b>TOTAL EQUITY</b>	<b>642,027</b>	<b>1,790,761</b>	<b>2,432,788</b>
<b>TOTAL LIABILITIES AND EQUITY</b>	<b>4,537,943</b>	<b>9,514,222</b>	<b>14,052,165</b>
<b>COMMITMENTS AND CONTINGENCIES</b>	<b>1,991,961</b>	<b>3,255,147</b>	<b>5,247,108</b>



## 48 COMPARATIVES (CONTINUED)

## INCOME STATEMENTS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Group		
	As previously reported RM'000	Effect of predecessor accounting RM'000	Restated RM'000
Interest income	136,233	47,872	184,105
Interest expense	(118,351)	(28,997)	(147,348)
Net interest income	17,882	18,875	36,757
Other operating income	249,474	102,438	351,912
Other operating expenses	267,356 (166,288)	121,313 (102,304)	388,669 (268,592)
Operating profit before allowances	101,068	19,009	120,077
Change in allowance for impairment on loans, advances and other losses	37	(1,883)	(1,846)
Impairment losses on other assets	(4,798)	-	(4,798)
Share of results of associates	96,307	17,126	113,433
Share of results of joint ventures	-	738	738
Share of results of joint ventures	826	-	826
Profit before taxation	97,133	17,864	114,997
Taxation	(26,263)	(2,240)	(28,503)
Net profit for the financial year	70,870	15,624	86,494

	Bank		
	As previously reported RM'000	Effect of predecessor accounting RM'000	Restated RM'000
Interest income	135,309	40,396	175,705
Interest expense	(118,351)	(28,996)	(147,347)
Net interest income	16,958	11,400	28,358
Other operating income	215,841	51,232	267,073
Other operating expenses	232,799 (137,560)	62,632 46,745	295,431 (184,305)
Operating profit before allowances	95,239	15,887	111,126
Change in allowance for impairment on loans, advances and other losses	37	(384)	(347)
Impairment losses on other assets	(10,898)	-	(10,898)
Profit before taxation	84,378	15,503	99,881
Taxation	(25,308)	(1,191)	(26,499)
Net profit for the financial year	59,070	14,312	73,382

**48 COMPARATIVES (CONTINUED)**

**STATEMENTS OF CASH FLOWS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012**

	<b>Group</b>		
	<b>As previously reported RM'000</b>	<b>Effect of predecessor accounting RM'000</b>	<b>Restated RM'000</b>
Net cash used in operating activities	(1,956,940)	(472,647)	(2,429,587)
Net cash generated from investing activities	1,424,155	1,193,366	2,617,521
Net cash generated from/(used in) financing activities	15,797	(47,058)	(31,261)
Net (decrease)/increase in cash and cash equivalents	(516,988)	673,661	156,673
Effects of exchange rate differences	879	(508)	371
Cash and cash equivalents carried forward	1,238,662	673,153	1,911,815

	<b>Bank</b>		
	<b>As previously reported RM'000</b>	<b>Effect of predecessor accounting RM'000</b>	<b>Restated RM'000</b>
Net cash used in operating activities	(1,959,148)	(607,835)	(2,566,983)
Net cash generated from investing activities	1,406,991	964,333	2,371,324
Net cash generated from financing activities	15,797	1,818	17,615
Net decrease in cash and cash equivalents	(536,360)	358,316	(178,044)
Cash and cash equivalents carried forward	1,151,456	358,316	1,509,772

**49 APPROVAL OF FINANCIAL STATEMENTS**

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

# Statement by Directors

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

We, Tan Sri Ong Leong Huat @ Wong Joo Hwa and Dato' Saw Choo Boon, being two of the Directors of RHB Investment Bank Berhad state that, in the opinion of the Directors, the financial statements set out on pages 49 to 191 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2013 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

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

**TAN SRI ONG LEONG HUAT @ WONG JOO HWA**  
CHAIRMAN

**DATO' SAW CHOO BOON**  
DIRECTOR

Kuala Lumpur  
6 March 2014

# Statutory Declaration

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

I, Muffriezal bin Ahmad Sufian @ Qurnain, the officer primarily responsible for the financial management of RHB Investment Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 49 to 191 are, in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

**MUFFRIEZAL BIN AHMAD SUFIAN @ QURNAIN**

Subscribed and solemnly declared by the abovenamed Muffriezal bin Ahmad Sufian @ Qurnain at Kuala Lumpur in Wilayah Persekutuan on 6 March 2014.

**COMMISSIONER FOR OATHS**

Kuala Lumpur  
6 March 2014

# Independent Auditors' Report

## to the Members of RHB Investment Bank Berhad

(Incorporated in Malaysia)  
(Company No. 19663-P)

### REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Investment Bank Berhad on pages 49 to 191, which comprise the statements of financial position as at 31 December 2013 of the Group and the Bank, and the income statements, statements of comprehensive income, changes in equity and cash flows of the Group and the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on notes 1 to 49.

#### Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

#### Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

#### Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as of 31 December 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 in Malaysia.

### REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 13 to the financial statements.
- (c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

**OTHER MATTER**

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**PRICEWATERHOUSECOOPERS**

(No AF: 1146)  
Chartered Accountants

**Ng Yee Ling**

(No. 3032/01/15 (J))  
Chartered Accountant

Kuala Lumpur  
6 March 2014

# Basel II Pillar 3 Disclosures

31 December 2013

Consolidated basis

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# Statement by Managing Director

In accordance with the requirements of Bank Negara Malaysia's Guideline on Risk-Weighted Capital Adequacy Framework ("Basel II") – Disclosure Requirements ("Pillar 3"), and on behalf of the Board of Directors and Senior Management of RHB Investment Bank Berhad, I am pleased to provide an attestation that the bank's Basel II Pillar 3 disclosures for the year ended 31 December 2013 are accurate and complete.

**MIKE CHAN CHEONG YUEN**

Managing Director



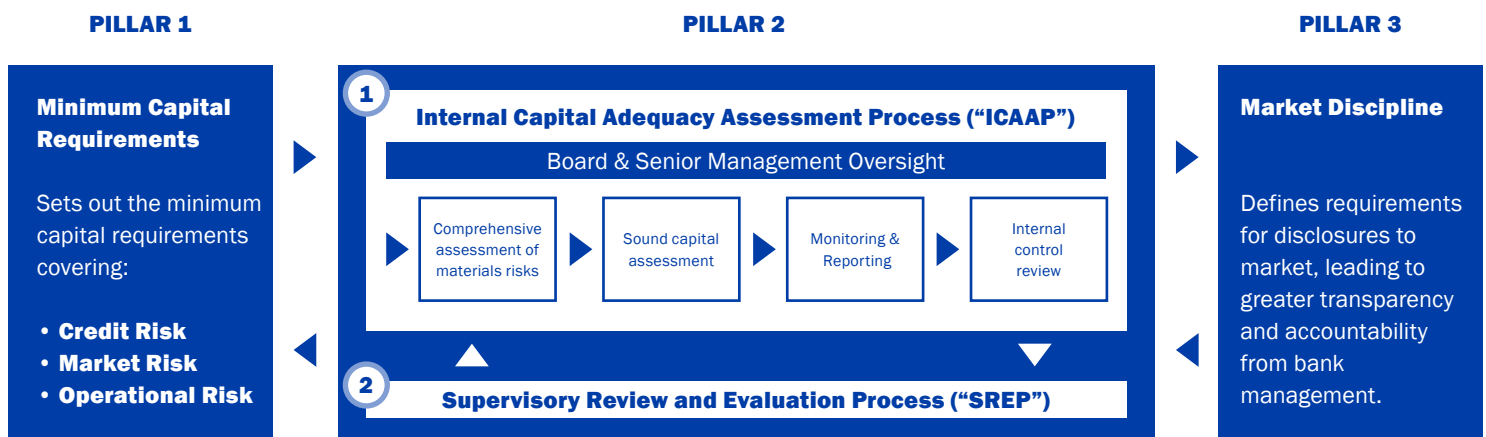
**1.0 INTRODUCTION**

This document discloses RHB Investment Bank Berhad (“RHB Investment Bank”) risk profile, risk management practices and capital adequacy position in accordance with the disclosure requirements as outlined in the Risk-Weighted Capital Adequacy Framework (“Basel II”) – Disclosure Requirements (“Pillar 3”) issued by Bank Negara Malaysia (“BNM”).

In November 2012, BNM issued the revised requirements and guidance under the Capital Adequacy Framework (Basel II – Risk-Weighted Assets) which specify the approaches for quantifying the risk-weighted assets (“RWA”) for credit risk, market risk and operational risk.

Basel II introduces a more risk-based approach to regulatory capital with a distinct charge for operational risk in addition to the existing credit and market risk capital charges. Basel II is designed to be a catalyst for more advanced risk management techniques, enterprise-wide culture of risk management and improved corporate governance and public disclosure.

The Basel II approach based on the three pillars can be diagrammatically depicted as below:



Pillar 1 provides guidelines for calculation of RWA for credit risk, market risk and operational risk, and the minimum amount of regulatory capital that banks must hold against the risks they assume.

Pillar 2 comprises two components as follows:

1. Placing obligations on banks to develop an Internal Capital Adequacy Assessment Process (“ICAAP”), and to setting capital targets that commensurate with the banking institution’s risk profile and control environment; and
2. Placing obligations on the supervisory authority to evaluate how well banking institutions are assessing their capital needs relative to their risks, and to intervene where appropriate.

Pillar 3 covers the external communication of risk and capital information by banks. The purpose of the Pillar 3 disclosures is to complement the minimum capital requirements under Pillar 1 and the supervisory review process under Pillar 2 by encouraging market efficiency through the development of a set of disclosure requirements that will allow market participants to assess information on banking institutions’ capital structures, risk exposures, risk management processes, and hence, their overall capital adequacy.

The table below lists the various methodologies applicable to the capital requirements calculation for the various types of risk under Pillar 1.

**Type of Approaches**

Credit Risk	Market Risk	Operational Risk
1. Standardised Approach (“SA”)	1. Standardised Approach (“SA”)	1. Basic Indicator Approach (“BIA”)
2. Foundation Internal Ratings - Based Approach (“F-IRB”)	2. Internal Models Approach (“IMA”)	2. The Standardised Approach (“TSA”)
3. Advanced Internal Ratings - Based Approach (“A-IRB”)		3. Advanced Measurement Approach (“AMA”)

## 1.0 INTRODUCTION (CONTINUED)

For the purpose of credit risk and market risk measurement under Basel II Pillar 1, RHB Investment Bank has adopted the Standardised Approach (“SA”) while for operational risk, the Basic Indicator Approach (“BIA”). These requirements are set out in the Guidelines on Risk-Weighted Capital Adequacy Framework (Basel II – Risk-Weighted Assets Computation) issued by BNM in 2009 (updated in November 2012).

This document covers the qualitative and quantitative information for financial year ended 31 December 2013 with comparative quantitative information of the preceding financial year 2012.

This is RHB Investment Bank’s fourth annual Pillar 3 disclosure report published in accordance with the Basel II Pillar 3 Guideline issued by BNM. This disclosure report has been verified and approved internally in line with the RHB Banking Group Pillar 3 Disclosure Policy.

RHB Investment Bank’s Pillar 3 disclosure report will be made available under the Investor Relations section of the bank’s website at [www.rhbgroup.com.my](http://www.rhbgroup.com.my) as a separate report in its 2013 annual report, after the notes to the financial statements.

## 2.0 SCOPE OF APPLICATION

In this Pillar 3 document, RHB Investment Bank’s information is presented on a consolidated basis, i.e. RHB Investment Bank Berhad, its subsidiaries and its overseas joint venture company, and is referred to as “RHB Investment Bank Group” or “the Bank”.

On 13 April 2013, RHB Investment Bank completed its merger with OSK Investment Bank to form the enlarged RHB Investment Bank. This document therefore covers the quantitative information of enlarged RHB Investment Bank as at 31 December 2013 with comparative quantitative information of RHB Investment Bank as at 31 December 2012 prior to the merger.

In accordance with the accounting standards for financial reporting, all subsidiaries of the RHB Investment Bank are fully consolidated from the date it obtains control until the date such control ceases. Refer to Note 13 to the financial statements for a list of consolidated entities.

The Bank’s capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, except where the types of investment to be deducted from eligible capital are required under BNM’s Guideline “Capital Adequacy Framework (Capital Components)” Part C.

The Bank also offers advisory and fund raising services and issuances of various forms of debt securities, comprising bonds, commercial papers, medium term notes and asset-backed securities for Islamic finance facilities. The Bank also distributes a full array of domestic and global unit trust funds including Shariah compliant funds.

The transfer of funds for regulatory capital within the Bank is subject to shareholders’ and regulatory approval.

During the financial year 2013, there were no capital deficiencies in RHB Investment Bank or in any of its subsidiaries and its associate company.

## 3.0 CAPITAL MANAGEMENT

The overall capital management objective is to ensure that the Bank has adequate capital to maintain stability, meet its business objectives and be in line with its risk appetite. Capital adequacy is the extent to which capital resources on the Bank’s balance sheet are sufficient to cover the business capital requirements now and in the foreseeable future. It also indicates the ability of the Bank to provide financing across the business cycles and in meeting any contingency without compromising the interest of the depositors and investors. The Bank aims to maintain a strong capital position to drive sustainable business growth through an optimal capital structure while meeting the regulatory requirements.

With a comprehensive capital management, the Bank aims to have a sound capital management practice that is aligned to BNM’s ICAAP requirements.

The management of capital involves capital strategy, capital planning, capital structuring and dividend pay-out.

- **Capital Strategy**

Capital strategy includes the determination of target capital under both normal and stress market conditions and considers the business risk and strategic objectives, external credit ratings, and capital adequacy requirements. A comprehensive capital adequacy assessment is conducted at least annually to ensure that the target capital level is appropriate.

**3.0 CAPITAL MANAGEMENT (CONTINUED)**

• **Capital Planning**

Based on strategic directions and regulatory requirements, the Bank formulates a capital plan to support its overall risk profile and forecast the capital demand for material risks for which capital held is deemed appropriate. The capital plan describes the actions required to raise capital in a timely manner in both normal and stress conditions as assumed in the stressed scenarios. For capital planning purposes, capital adequacy is assessed in the multi-year financial projection under both normal and stressed scenarios, the objective of which is to ensure that the Bank maintains adequate capital on a forward-looking basis. The Bank also establishes a capital contingency funding plan that forms part of the capital plan. The capital plan, together with the analysis and proposed actions, is reviewed by the Group Chief Financial Officer; deliberated at the Group Capital and Strategic Risk Management Committee (“GCSC”) for endorsement; and submitted to the Bank’s Risk Management Committee (“RMC”) and Group Risk Management Committee (“GRMC”) and the Board of Directors (“Board”) for approval.

• **Capital Structuring**

Capital structuring affects the Bank through its impact on cash flow and cost of capital. The Bank adopts capital structuring that maximises value and minimises overall cost of capital. In order to achieve optimum capital structure, the Bank determines the levels, mix and structure of internal and regulatory capital in line with its current and planned levels of business activities, risk appetite and desired level of capital adequacy.

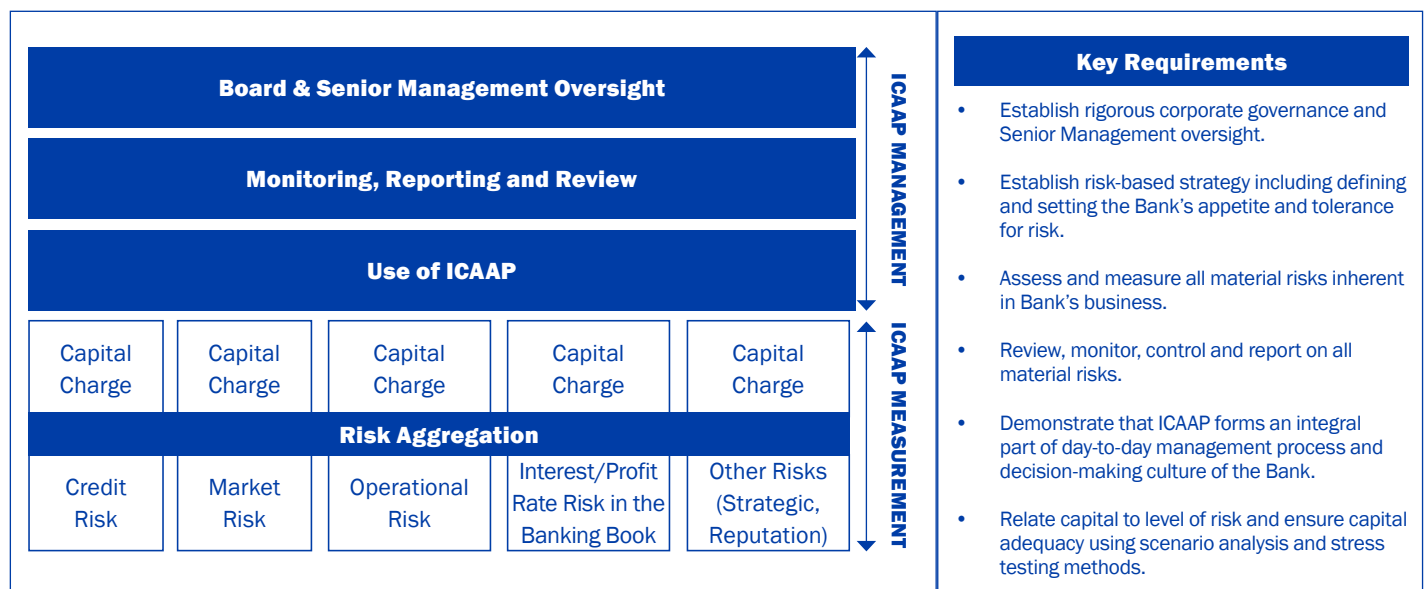
• **Dividend Pay-Out**

The Bank aims to achieve a balance between dividend pay-out and the need to retain earnings in order to be consistent with its capital strength and to support business expansion. The Board reviews the dividend pay-out recommendation on an annual basis.

**3.1 Internal Capital Adequacy Assessment Process (“ICAAP”)**

In line with BNM’s Guideline on ICAAP under the Risk-Weighted Capital Adequacy Framework (Basel II) – Internal Capital Adequacy Assessment Process (Pillar 2) issued in December 2011, the Bank has implemented ICAAP with the objective to forge a strong alignment between risk and capital. This entails that capital adequacy is assessed in relation to the Bank’s risk profile, and that strategies are in place to maintain appropriate capital levels.

The ICAAP Framework, developed and adopted across the Bank, summarises the key ICAAP requirements into two functional categories, namely ICAAP Measurement and ICAAP Management as depicted below:



**3.0 CAPITAL MANAGEMENT (CONTINUED)**

**3.2 Basel III Implementation**

The implementation of Basel III by BNM in Malaysia has commenced with effect from 1 January 2013. Under the new Basel III rules, banking institutions are required to strengthen the quality of their capital by maintaining higher minimum capital requirement and holding capital buffers namely, the capital conservation buffer and the countercyclical capital buffer. However, the requirements are subject to a series of transitional arrangements with a gradual phase-in beginning 2013 until 2019.

Apart from the above, the Bank has commenced the Basel III observation period reporting to BNM on the two key liquidity ratios, namely the Liquidity Coverage Ratio (“LCR”) and the Net Stable Funding Ratio (“NSFR”), since June 2012.

**3.3 Capital Adequacy Ratios**

BNM’s Guideline on Capital Adequacy Framework (Capital Components) issued in November 2012 sets out the general requirements concerning regulatory capital adequacy and the components of eligible regulatory capital.

Banking institutions are required to maintain, at all times, the following minimum capital adequacy ratios:

Calendar Year	Common Equity Tier I (“CET I”) Capital Ratio	Tier I Capital Ratio	Total Capital Ratio
2013	3.5%	4.5%	8.0%
2014	4.0%	5.5%	8.0%
2015 onwards	4.5%	6.0%	8.0%

With effect from 1 January 2013, the capital ratios of the Bank are computed based on BNM’s Guideline on Capital Adequacy Framework (Basel II – Risk-Weighted Assets).

The capital ratios of the Bank on consolidated basis (RHB Investment Bank Group), and on global basis (RHB Investment Bank) as at 31 December 2013 and 31 December 2012 are as follows:

**Table 1: Capital Adequacy Ratios**

	RHB Investment Bank Group		RHB Investment Bank	
	2013	2012	2013	2012
<b>Before proposed dividends:</b>				
CET I capital ratio	24.766%	N/A	24.556%	N/A
Tier I capital ratio	25.316%	29.446%	24.556%	31.403%
Total capital ratio	34.610%	42.589%	24.556%	39.928%
<b>After proposed dividends:</b>				
CET I capital ratio	24.766%	N/A	24.556%	N/A
Tier I capital ratio	25.316%	28.353%	24.556%	30.251%
Total capital ratio	34.610%	40.949%	24.556%	38.201%

These capital ratios on both consolidated and global basis are substantially above the minimum levels required by BNM.

**3.0 CAPITAL MANAGEMENT (CONTINUED)****3.4 Minimum Capital Requirements and Risk-Weighted Assets (“RWA”)****Table 2: Risk-Weighted Assets (“RWA”) by Risk Types**

	RHB Investment Bank Group (RM'000)		RHB Investment Bank (RM'000)	
	2013	2012	2013	2012
Credit RWA	3,472,531	911,953	2,518,192	885,313
Market RWA	1,300,494	204,925	1,070,638	204,925
Operational RWA	922,336	438,993	587,482	386,394
<b>Total RWA</b>	<b>5,695,361</b>	<b>1,555,871</b>	<b>4,176,312</b>	<b>1,476,632</b>

Capital requirement for the three risk types is derived by multiplying the RWA by 8%.

The following table shows a breakdown of the RWA and capital requirements by risk types as at 31 December 2013 and 31 December 2012:

**Table 3a: RWA and Minimum Capital Requirements by Risk Types as at 31 December 2013**

Risk Type	RWA (RM'000)		Capital Requirement (RM'000)	
	RHB Investment Bank Group	RHB Investment Bank	RHB Investment Bank Group	RHB Investment Bank
<b>Credit Risk</b>				
<i>Under Standardised Approach</i>	3,472,531	2,518,192	277,802	201,455
<b>Market Risk</b>				
<i>Under Standardised Approach</i>	1,300,494	1,070,638	104,040	85,651
<b>Operational Risk</b>				
<i>Under Basic Indicator Approach</i>	922,336	587,482	73,787	46,999
<b>Total</b>	<b>5,695,361</b>	<b>4,176,312</b>	<b>455,629</b>	<b>334,105</b>

**Table 3b: RWA and Minimum Capital Requirements by Risk Types as at 31 December 2012**

Risk Type	RWA (RM'000)		Capital Requirement (RM'000)	
	RHB Investment Bank Group	RHB Investment Bank	RHB Investment Bank Group	RHB Investment Bank
<b>Credit Risk</b>				
<i>Under Standardised Approach</i>	911,953	885,313	72,956	70,825
<b>Market Risk</b>				
<i>Under Standardised Approach</i>	204,925	204,925	16,394	16,394
<b>Operational Risk</b>				
<i>Under Basic Indicator Approach</i>	438,993	386,394	35,119	30,912
<b>Total</b>	<b>1,555,871</b>	<b>1,476,632</b>	<b>124,469</b>	<b>118,131</b>

Year-on-year comparison saw a sharp rise in the RWA and the minimum capital requirement for all risk types for 2013 at both global and consolidated basis, which is attributed to the finalisation of the merger with OSK Investment Bank in April 2013. In terms of percentage against the total amount for consolidated basis, the Bank's RWA and the minimum capital requirement for market risk and credit risk increased by about 10% and 2%, respectively while operational risk fell by 12% for 2013 compared to 2012.

The Bank did not have any capital requirement for Large Exposure Risk as there was no amount in excess of the lowest threshold arising from holding of equities.

#### 4.0 CAPITAL STRUCTURE

The constituents of total eligible capital are set out in BNM's Guideline on Capital Adequacy Framework (Capital Components) Parts B and C. These include shareholders' funds after regulatory-related adjustments, and eligible capital instruments issued by RHB Investment Bank Group. Tier I capital consists primarily of ordinary share capital, share premium, retained profits, and other reserves. Tier II capital consists of subordinated obligations. Refer to Note 23 to the Financial Statements for the terms of these capital instruments.

The following table sets forth details on the capital resources for RHB Investment Bank Group and RHB Investment Bank as at 31 December 2013 and 31 December 2012.

**Table 4: Capital Structure**

	RHB Investment Bank Group (RM'000)		RHB Investment Bank (RM'000)	
	2013	2012	2013	2012
<b>Tier I Capital</b>				
Paid-up ordinary share capital	818,646	263,646	818,646	263,646
Share premium	1,515,150	-	1,515,150	-
Retained profits	206,734	101,299	176,310	85,112
Other reserves	255,781	272,034	278,549	278,549
Available-for-sale ("AFS") reserves	(25,948)	-	(32,510)	-
<b>Less:</b>				
Goodwill	(1,269,934)	(172,844)	(1,118,418)	(159,280)
Other intangibles	(68,406)	-	(42,967)	-
55% of cumulative gains on AFS securities	-	-	-	-
Securitisation exposure subject to deductions	(1,744)	-	(1,744)	-
Other deductions	(2,019)	-	(2,019)	-
Deferred tax assets	(17,700)	(5,988)	(11,382)	(4,325)
Deduction applied to Tier I due to insufficient Tier II capital (Investment in affiliate)	-	-	(554,041)	-
<b>Common Equity Tier I Capital</b>	<b>1,410,560</b>	<b>458,147</b>	<b>1,025,574</b>	<b>463,702</b>
Qualifying minority interest recognized as Tier I Capital	31,301	-	-	-
<b>Total Tier I Capital</b>	<b>1,441,861</b>	<b>458,147</b>	<b>1,025,574</b>	<b>463,702</b>
<b>Tier II Capital</b>				
Subordinated obligations <sup>#</sup>	545,000	229,074	545,000	231,851
Qualifying minority interest recognised as Tier II	5,665	-	-	-
Collective impairment allowance <sup>^</sup>	7,714	34	7,714	34
<b>Less:</b>				
Investment in affiliate	(29,044)	(18,967)	(552,714)	(100,333)
Securitisation exposure subject to deductions	-	(4,879)	-	(4,879)
Other deductions	-	(782)	-	(782)
<b>Total Tier II Capital</b>	<b>529,335</b>	<b>204,480</b>	<b>-</b>	<b>125,891</b>
<b>Total Capital</b>	<b>1,971,196</b>	<b>662,627</b>	<b>1,025,574</b>	<b>589,593</b>

Notes:

# Subordinated obligations that are recognised as Tier II capital instruments are subject to gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36 of the BNM's Guideline on Capital Adequacy Framework (Capital Components).

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

## 5.0 RISK MANAGEMENT

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

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

The RHB Group Risk Management Framework governs the management of risks in the RHB Banking Group ("the Group"), as follows:

- It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and mitigation against losses which may occur through, principally, the failure of effective checks and controls in the organisation; and
- It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk-adjusted (or economic) returns.

The following sections describe some practising aspects of this risk management framework.

### OVERARCHING RISK MANAGEMENT PRINCIPLES

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

- Risk governance from the Boards of Directors of the various operating entities within the Group;
- Clear understanding of risk management;
- Institutionalisation of a risk focused organisation;
- Alignment of risk management to business strategies; and
- Optimisation of risk-adjusted economic and financial returns.

#### **Principle 1: Risk Governance from the Boards of Directors of the various operating entities within the Group**

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

### RISK GOVERNANCE AND ORGANISATION

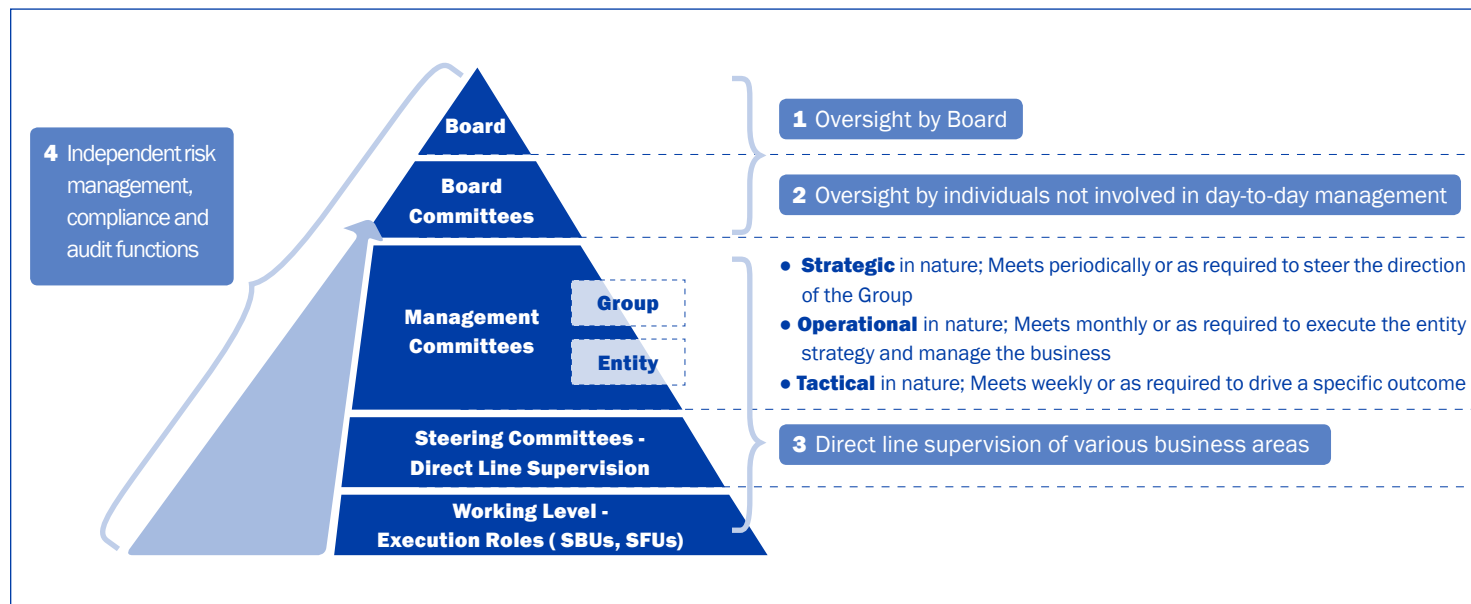
The Board of Directors ("Board") through the Group Risk Management Committee ("GRMC") and the Group Risk Management function ("GRM function") establishes the Group's risk appetite and risk principles. The GRMC is the principal Board Committee that provides oversight over risk management for the Group to ensure that the Group's risk management process is in place and is functional. The GRMC assists the Board to review the Group's overall risk management philosophy, risk appetite, risk management framework, risk management policy and risk management models.

The Bank has also established a Risk Management Committee ("RMC") as a forum for its senior management to focus on risk management issues unique to investment banking.

**5.0 RISK MANAGEMENT (CONTINUED)**

**RISK GOVERNANCE AND ORGANISATION (Continued)**

There are other committees set up to manage specific areas of risks in the Group. An overview of this governance framework at Group level is as below:



**Principle 2: Clear Understanding of Risk Management Ownership**

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

**Principle 3: Institutionalisation of a Risk-Focused Organisation**

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

**Central Risk Coordination Function**

The Risk Management function is independent of the business function to ensure that the necessary balance in risk/return decisions is not compromised by short term pressures to generate revenues. This risk management function is responsible for formulating risk-related policies and presenting business risk performance and risk reports to the Bank’s RMC, GRMC for recommendation to the Board.

The risk management function is headed by the Director of Group Risk Management, who reports to the Group Managing Director. Among the role and responsibilities of the Director of Group Risk Management are:

- Facilitating the setting of the strategic direction and overall policy on management and control of risk of the Group;
- Ensuring industry’s best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk underwriting models;
- Developing a pro-active, balanced and risk-attuned culture within the Group;
- Advising Senior Management, the Bank’s RMC, GRMC and the Board on risk issues and their possible impact on the Group in the achievement of its objectives and strategies; and
- Administering the delegation of discretionary powers to Management personnel within the Group.

**Risk and Control Environment**

The business and functional heads are accountable for risk management in their businesses and functions, and in overseas operations where they have governance responsibilities. The business and functional units have clear segregation of duties to ensure that business processes are



## 5.0 RISK MANAGEMENT (CONTINUED)

### Risk and Control Environment (Continued)

functioning effectively. There is accountability delegated to the appropriate authority to enable them to execute their respective authorities in meeting the business strategies without compromising the risk management process.

The primary responsibility for managing risks, therefore, rests with the business managers, who are best equipped to ensure that risk management and control are focused on the way business is conducted. There is a continuous review of business activities and processes to identify significant risk areas and implement control procedures to operate within established corporate policies and limits.

### Principle 4: Alignment of Risk Management to Business Strategies

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

### Principle 5: Optimisation of Risk-Adjusted Economic and Financial Returns

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

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

## 6.0 CREDIT RISK

### Credit Risk Definition

Credit risk arises as a result of customers' or counterparties' inability to fulfil their financial and contractual obligations as and when they arise. These obligations arise from the Bank's direct lending/financing obligations in margin financing and structured lending/financing, and in its funding, investment and trading activities, among others.

### 6.1 Credit Risk Management Oversight & Organisation

The Investment & Underwriting Committee ("IUC") is the senior management committee that examines the need for new credit risk policies, reviews the Bank's credit risk policy, as well as credit risk models and decision parameters applicable to investment, trading, credit provision and lending/financing activities. The IUC also approves and renews loans/credits/facilities and escalates to the Group Credit Committee ("GCC") for affirmation or veto if the loan/credits/facilities exceed a pre-defined threshold.

The GCC's main functions are affirming, imposing additional covenants or vetoing credits of the Group which are duly approved by the IUC and the Central Credit Committee ("CCC") of RHB Bank Berhad, as well as to oversee the management of impaired credits and high risk accounts, and affirming, imposing additional covenants or vetoing impaired credits from Credit Recovery for amounts above the defined thresholds of the IUC.

Within the Bank's Risk Management Division, the Credit & Counterparty Risk Limits Department has the functional responsibility for credit risk management, including credit portfolio risk limit monitoring and reporting. Regular credit stress tests are conducted to assess the credit portfolio's vulnerability to adverse credit risk events.

Regular risk reporting is made to the Bank's RMC, GRMC and the Board. These reports include various credit risk aspects such as portfolio quality, size of credit exposures against approved risk limits and appetite, expected losses and concentration risk exposures by business portfolio. Such reporting allows Senior Management to inform adverse credit trends, be informed of credit exceptions, take prompt corrective actions, and ensure appropriate risk-adjusted decision-making.

## 6.0 CREDIT RISK (CONTINUED)

### 6.2 Credit Risk Management Approach

The Bank's credit risk management framework which is founded upon BNM's Guidelines on Best Practices for the Management of Credit Risk, Guidelines on Investment Banks, Single Counterparty Exposures Limit, etc, is documented under the Bank's Credit Risk Policy. The Bank abides strictly by this Credit Risk Policy which supports the development of a strong credit culture with the objective of maintaining a diversified portfolio, and a reliable and satisfactory risk-weighted return. Industry's best practices are instilled in the continual updating of the Credit Risk Policy.

The Bank ensures that internal processes and credit underwriting standards are adhered to before financing proposals are approved. All financing proposals are first evaluated by the originating business units before being evaluated by an independent credit evaluation and management function. All financing exposure limits are approved within a defined credit approval authority framework. Large financing exposures are further subject to post approval credit review by Group Internal Audit.

The Bank's credit risk management process is documented in the Bank's Credit Procedures Manual ("CPM") which sets out the operational procedures and guidelines governing the credit management processes for the Bank's Structured Lending, Debt/Equity Capital Markets and Treasury Business operations. The CPM has been designed to ensure that:

- The process of credit initiation, administration, supervision and management of corporate financing, credit counterparty lines, primary subscription and/or underwriting of Private Debt Securities including conventional loans and SUKUK (Islamic Bonds) denominated in both Ringgit and other currencies are carried out consistently and uniformly by the relevant business origination and other credit support functions within the Bank.
- Procedures and guidelines governing the credit function are in compliance with the credit policies of the Group.

#### Lending/Financing to Corporate and Institutional Customers

Loans/financing to corporate and institutional customers are undertaken in the course of its share margin/trading or investment banking activities in derivatives and debt securities. The Bank does not undertake bilateral lending activities to corporate customers.

#### Credit Risk from Investment or Trading Activities

In the course of its trading or investment banking activities, the Bank is also exposed to credit risk from trading, derivative and debt/equity securities activities.

#### Lending/Financing to Share Margin Financing

Loans/financing to share margin clients are based on credit/financing facilities made available to these clients for trading or redemption of securities that are listed in Bursa Malaysia Berhad in accordance with the Bursa Securities Rules.

For Share Margin Financing, credit risk is mitigated through the establishment of appropriate approving authority structure/matrix for the extension of trading/credit limits. Within clearly defined guidelines approved by the Board and in line with applicable laws and regulations, credit risk management also encompasses the systematic credit assessment, close monitoring of limits, exposures and concentration risk to counterparties or issuer, through timely management reporting procedures.

### 6.3 Off-Balance Sheet Exposures and Counterparty Credit Risk ("CCR")

The management of the following off-balance sheet exposures of the Bank is in accordance to the credit risk management approach as set out under Section 6.2 of this document:

- Underwriting commitments in respect of the Bank's debt capital or equity capital market activities;
- Commitments to extend credit/financing including the unutilised or undrawn portions of credit facilities; and
- Principal or notional amount of derivative financial instruments.

## 6.0 CREDIT RISK (CONTINUED)

### 6.3 Off-Balance Sheet Exposures and Counterparty Credit Risk (“CCR”) (Continued)

#### Counterparty Credit Risk on Derivative Financial Instruments

Counterparty Credit Risk (“CCR”) on derivative financial instruments is the risk that the Bank’s counterparty in a foreign exchange, interest rate, commodity, equity, options or credit derivative contract defaults prior to the maturity date of the contract, and that the Bank at the relevant time has a claim on the counterparty. Derivative financial instruments are primarily entered into for hedging purposes. The Bank may also take trading derivative positions, within pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates.

Any financial loss is calculated based on the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default.

All outstanding financial derivative positions are marked-to-market on a daily basis. The RHB Investment Bank’s Treasury Operations Department monitors counterparties’ positions and promptly escalates any shortfall in the threshold levels to the relevant parties for next course of action to remedy the shortfall.

### 6.4 Credit Exposures and Risk-Weighted Assets (“RWA”) by Portfolio

The subsequent tables show the Bank’s credit exposures (“EAD”) segregated by:

- the various types of asset classes showing details of the exposures before and after credit risk mitigation (“CRM”), the corresponding RWA and the capital requirement;
- disclosure on off-balance sheet and counterparty credit risk;
- geographical distribution;
- industry sector; and
- residual maturity with breakdown into exposures with maturity of one year or less, one to five years, and over five years.

Under the Standardised Approach, the risk weights are prescribed by BNM based on the asset class to which the exposure is assigned.

## 6.0 CREDIT RISK (CONTINUED)

## 6.4 Credit Exposures and Risk-Weighted Assets (“RWA”) by Portfolio (Continued)

Table 5a: Summary of Credit Exposures with CRM by Asset Class and Capital Requirement (On- and Off-Balance Sheet Exposures) as at 31 December 2013

Exposure Class	Gross Exposures/ EAD before CRM (RM'000)	Net Exposures/ EAD after CRM (RM'000)	RWA (RM'000)	Minimum Capital Requirement at 8% (RM'000)
<b>On-Balance Sheet Exposures</b>				
Sovereigns and Central Banks	1,863,704	1,863,704	1,416	113
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions and MDBs	2,404,648	2,404,648	555,378	44,430
Insurance Cos, Securities Firms and Fund Managers	131,430	131,430	131,430	10,514
Corporates	3,983,874	2,425,899	1,337,741	107,020
Regulatory Retail	324	324	243	19
Residential Mortgage	1,939	1,939	737	59
Higher Risk Assets	33	33	49	4
Other Assets	2,725,436	2,725,436	723,182	57,855
Securitisation Exposures	-	-	-	-
Equity Exposures	108,742	108,742	108,742	8,699
Defaulted Exposures	68,834	65,955	81,749	6,540
<b>Total On-Balance Sheet Exposures</b>	<b>11,288,964</b>	<b>9,728,110</b>	<b>2,940,667</b>	<b>235,253</b>
<b>Off-Balance Sheet Exposures</b>				
OTC Derivatives	270,766	270,766	73,321	5,866
Credit Derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	507,006	507,006	458,543	36,683
<b>Total Off-Balance Sheet Exposures</b>	<b>777,772</b>	<b>777,772</b>	<b>531,864</b>	<b>42,549</b>
<b>Total On- and Off-Balance Sheet Exposures</b>	<b>12,066,736</b>	<b>10,505,882</b>	<b>3,472,531</b>	<b>277,802</b>

**6.0 CREDIT RISK (CONTINUED)****6.4 Credit Exposures and Risk-Weighted Assets (“RWA”) by Portfolio (Continued)****Table 5b: Summary of Credit Exposures with CRM by Asset Class and Capital Requirement (On- and Off-Balance Sheet Exposures) as at 31 December 2012**

<b>Exposure Class</b>	<b>Gross Exposures/ EAD before CRM (RM'000)</b>	<b>Net Exposures/ EAD after CRM (RM'000)</b>	<b>RWA (RM'000)</b>	<b>Minimum Capital Requirement at 8% (RM'000)</b>
<b>On-Balance Sheet Exposures</b>				
Sovereigns and Central Banks	1,274,014	1,274,014	-	-
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions and MDBs	1,811,091	1,811,091	362,218	28,977
Insurance Cos, Securities Firms and Fund Managers	-	-	-	-
Corporates	556,644	556,644	148,505	11,880
Regulatory Retail	1,751	1,751	1,313	105
Residential Mortgage	1,102	1,102	386	31
Higher Risk Assets	34	34	51	5
Other Assets	363,499	363,499	340,082	27,206
Securitisation Exposures	-	-	-	-
Equity Exposures	19,251	19,251	19,251	1,540
Defaulted Exposures	21,605	21,605	8,373	670
<b>Total On-Balance Sheet Exposures</b>	<b>4,048,991</b>	<b>4,048,991</b>	<b>880,179</b>	<b>70,414</b>
<b>Off-Balance Sheet Exposures</b>				
OTC Derivatives	29,624	29,624	5,925	474
Credit Derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	37,515	37,515	25,849	2,068
<b>Total Off-Balance Sheet Exposures</b>	<b>67,139</b>	<b>67,139</b>	<b>31,774</b>	<b>2,542</b>
<b>Total On- and Off-Balance Sheet Exposures</b>	<b>4,116,130</b>	<b>4,116,130</b>	<b>911,953</b>	<b>72,956</b>

## 6.0 CREDIT RISK (CONTINUED)

## 6.4 Credit Exposures and Risk-Weighted Assets (“RWA”) by Portfolio (Continued)

**Table 6a: Exposures for Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2013**

Nature of Item	Principal/ Notional Amount (RM'000)	Positive Fair Value of Derivative Contracts (RM'000)	Credit Equivalent Amount (RM'000)	RWA (RM'000)
Direct credit substitutes	-	-	-	-
Transaction related contingent items	-	-	-	-
Assets sold with recourse	-	-	-	-
NIFs & obligations under an ongoing underwriting agreement	267,648	-	133,824	85,356
<b>Foreign exchange related contracts</b>	<b>2,309,154</b>	<b>42,013</b>	<b>222,339</b>	<b>61,574</b>
1 year or less	669,034	2,015	8,599	2,640
Over 1 year to 5 years	1,640,120	39,998	213,740	58,934
Over 5 years	-	-	-	-
<b>Interest/profit rate related contracts</b>	<b>3,543,680</b>	<b>6,747</b>	<b>48,427</b>	<b>11,747</b>
1 year or less	1,055,000	617	2,087	417
Over 1 year to 5 years	2,488,680	6,130	46,340	11,330
Over 5 years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-	-
Other commitments such as formal standby facilities & credit lines, with original maturity of over 1 year	52,922	-	26,461	26,466
Other commitments such as formal standby facilities & credit lines, with original maturity of up to 1 year	1,733,605	-	346,721	346,721
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-	-	-	-
<b>Total</b>	<b>7,907,009</b>	<b>48,760</b>	<b>777,772</b>	<b>531,864</b>

**6.0 CREDIT RISK (CONTINUED)****6.4 Credit Exposures and Risk-Weighted Assets (“RWA”) by Portfolio (Continued)****Table 6b: Exposures for Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2012**

<b>Nature of Item</b>	<b>Principal/ Notional Amount (RM'000)</b>	<b>Positive Fair Value of Derivative Contracts (RM'000)</b>	<b>Credit Equivalent Amount (RM'000)</b>	<b>RWA (RM'000)</b>
Direct credit substitutes	1,000		1,000	1,000
Transaction related contingent items	1,053		527	159
Assets sold with recourse				
NIFs & obligations under an ongoing underwriting agreement	40,000		20,000	10,000
<b>Foreign exchange related contracts</b>	-	-	-	-
1 year or less	-	-	-	-
Over 1 year to 5 years	-	-	-	-
Over 5 years	-	-	-	-
<b>Interest/profit rate related contracts</b>	<b>1,870,000</b>	<b>9,380</b>	<b>29,624</b>	<b>5,925</b>
1 year or less	1,055,000	3,853	5,846	1,169
Over 1 year to 5 years	800,000	3,987	21,488	4,298
Over 5 years	15,000	1,540	2,290	458
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-	-
Other commitments such as formal standby facilities & credit lines, with original maturity of over 1 year	22		11	16
Other commitments such as formal standby facilities & credit lines, with original maturity of up to 1 year	79,886		15,977	14,674
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-		-	-
<b>Total</b>	<b>1,991,961</b>	<b>9,380</b>	<b>67,139</b>	<b>31,774</b>

## 6.0 CREDIT RISK (CONTINUED)

## 6.4 Credit Exposures and Risk-Weighted Assets (“RWA”) by Portfolio (Continued)

Table 7a: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2013

Exposure Class	Malaysia (RM'000)	Singapore (RM'000)	Thailand (RM'000)	Hong Kong (RM'000)	Indonesia (RM'000)	Total (RM'000)
<b>Exposures under Standardised Approach (SA)</b>						
Sovereigns & Central Banks	1,863,704	-	-	-	-	1,863,704
Public Sector Entities	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,441,561	8,565	33,433	40,956	26,988	2,551,503
Insurance Cos, Securities Firms & Fund Managers	20,098	111,400	3,516	77	-	135,091
Corporates	3,871,304	313,284	243,368	32,444	217,809	4,678,209
Regulatory Retail	325	-	-	-	-	325
Residential Mortgages	1,939	-	-	-	-	1,939
Higher Risk Assets	43	-	-	-	-	43
Other Assets	727,067	1,784,172	60,759	77,951	75,487	2,725,436
<b>Total Exposures under SA</b>	<b>8,926,041</b>	<b>2,217,421</b>	<b>341,076</b>	<b>151,428</b>	<b>320,284</b>	<b>11,956,250</b>

Table 7b: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2012

Exposure Class	Malaysia (RM'000)	Countries other than Malaysia (RM'000)	Total (RM'000)
<b>Exposures under SA</b>			
Sovereigns & Central Banks	1,274,014	-	1,274,014
Public Sector Entities	-	-	-
Banks, Development Financial Institutions & MDBs	1,840,715	-	1,840,715
Insurance Cos, Securities Firms & Fund Managers	-	-	-
Corporates	605,661	-	605,661
Regulatory Retail	6,965	-	6,965
Residential Mortgages	1,102	-	1,102
Higher Risk Assets	44	-	44
Other Assets	363,499	-	363,499
<b>Total Exposures under Standardised Approach</b>	<b>4,092,000</b>	<b>-</b>	<b>4,092,000</b>

This table 7b does not include exposures to OSK Investment Bank prior to the merger.



## 6.0 CREDIT RISK (CONTINUED)

## 6.4 Credit Exposures and Risk-Weighted Assets ("RWA") by Portfolio (Continued)

Table 8a: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2013

Exposure Class	Agriculture	Mining & Quarrying	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance, Real Estate & Business	Education, Health & others	Household	Others	Total
<b>Exposures under Standardised Approach</b>												
Sovereigns and Central Banks	-	-	-	-	-	-	-	118,310	1,745,394	-	-	1,863,704
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-
Banks, Development Financial Institutions and MDBs	-	-	-	-	-	-	-	2,551,503	-	-	-	2,551,503
Insurance Cos, Securities Firms and Fund Managers	-	-	-	-	-	-	-	135,091	-	-	-	135,091
Corporates	181,025	39,343	43,431	136,851	440,182	83,995	74,628	2,415,288	20,574	1,039,725	203,167	4,678,209
Regulatory	-	-	-	-	-	-	-	-	-	325	-	325
Retail	-	-	-	-	-	-	-	-	-	1,939	-	1,939
Residential Mortgage	-	-	-	-	-	-	-	-	-	-	-	-
Higher Risk Assets	-	-	-	-	-	-	-	-	-	43	-	43
Other Assets	-	-	-	-	-	-	-	1,696,293	-	-	1,029,143	2,725,436
<b>Total Exposures under SA</b>	<b>181,025</b>	<b>39,343</b>	<b>43,431</b>	<b>136,851</b>	<b>440,182</b>	<b>83,995</b>	<b>74,628</b>	<b>6,916,485</b>	<b>1,765,968</b>	<b>1,042,032</b>	<b>1,232,310</b>	<b>11,956,250</b>

Note: This table excludes equity and securitisation exposures.

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets ("RWA") by Portfolio (Continued)

Table 8b: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2012

Exposure Class	Agriculture	Mining & Quarrying	Manufacturing	Electricity, Gas & Water Supply	Construction	Wholesale, Retail Trade, Restaurants & Hotels	Transport, Storage & Communication	Finance, Insurance, Real Estate & Business	Education, Health & others	Household	Others	Total
	(RM'000)											
<b>Exposures under Standardised Approach</b>												
Sovereigns and Central Banks	-	-	-	-	-	-	-	282,897	991,117	-	-	1,274,014
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-
Banks, Development Financial Institutions and MDBs	-	-	-	-	-	-	-	1,840,715	-	-	-	1,840,715
Insurance Cos, Securities Firms and Fund Managers	-	-	189,617	-	-	-	-	-	-	-	-	-
Corporates	-	-	-	153,092	26,233	-	40,799	148,291	-	-	47,629	605,661
Regulatory	-	-	-	-	-	-	-	-	-	6,965	-	6,965
Retail	-	-	-	-	-	-	-	-	-	1,102	-	1,102
Residential Mortgage	-	-	-	-	-	-	-	-	-	-	-	-
Higher Risk Assets	-	-	-	-	-	-	-	-	-	44	-	44
Other Assets	-	-	-	-	-	-	-	346,516	1,004	-	15,979	363,499
<b>Total Exposures under SA</b>	-	-	<b>189,617</b>	<b>153,092</b>	<b>26,233</b>	-	<b>40,799</b>	<b>2,618,419</b>	<b>992,121</b>	<b>8,111</b>	<b>63,608</b>	<b>4,092,000</b>

Note: This table excludes equity and securitisation exposures.

## 6.0 CREDIT RISK (CONTINUED)

## 6.4 Credit Exposures and Risk-Weighted Assets ("RWA") by Portfolio (Continued)

Table 9a: Credit Risk Exposures (Before Credit Risk Mitigation) by Maturity as at 31 December 2013

Exposure Class	One year or less (RM'000)	One to five years (RM'000)	Over five years (RM'000)	Total (RM'000)
<b>Exposures under Standardised Approach</b>				
Sovereigns and Central Banks	393,166	548,365	922,173	1,863,704
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions and MDBs	2,061,025	375,195	115,283	2,551,503
Insurance Cos, Securities Firms and Fund Managers	135,091	-	-	135,091
Corporates	2,221,622	1,847,584	609,003	4,678,209
Regulatory Retail	50	191	84	325
Residential Mortgages	-	50	1,889	1,939
Higher Risk Assets	-	-	43	43
Other Assets	2,669,361	-	56,075	2,725,436
<b>Total Exposures under Standardised Approach</b>	<b>7,480,315</b>	<b>2,771,385</b>	<b>1,704,550</b>	<b>11,956,250</b>

Note: Table 9a excludes equity and securitisation exposures.

Table 9b: Credit Risk Exposures (Before Credit Risk Mitigation) by Maturity as at 31 December 2012

Exposure Class	One year or less (RM'000)	One to five years (RM'000)	Over five years (RM'000)	Total (RM'000)
<b>Exposures under Standardised Approach</b>				
Sovereigns and Central Banks	282,897	45,892	945,225	1,274,014
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions and MDBs	1,710,812	82,903	47,000	1,840,715
Insurance Cos, Securities Firms and Fund Managers	-	-	-	-
Corporates	124,465	357,858	123,338	605,661
Regulatory Retail	6,738	-	227	6,965
Residential Mortgages	-	-	1,102	1,102
Higher Risk Assets	-	-	44	44
Other Assets	344,115	-	19,384	363,499
<b>Total Exposures under Standardised Approach</b>	<b>2,469,027</b>	<b>486,653</b>	<b>1,136,320</b>	<b>4,092,000</b>

Note: Table 9b excludes equity and securitisation exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets ("RWA") by Portfolio (Continued)

Table 10a: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2013

Exposures after CRM (RM'000)	Risk Weight (%)								Deduction from Capital Base	Total Exposures (RM'000)	
	0%	20%	35%	50%	75%	100%	150%	350%			
Sovereigns and Central Banks	1,856,626	7,078	-	-	-	-	-	-	-	-	1,863,704
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-
Banks, Development Financial Institutions & MDEs	-	2,296,468	-	255,035	-	-	-	-	-	-	2,551,503
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	135,091	-	-	-	-	135,091
Corporates	-	1,440,296	-	148,741	-	1,477,326	50,992	-	-	-	3,117,355
Regulatory Retail	-	-	-	-	325	-	-	-	-	-	325
Residential Mortgages	-	-	1,548	391	-	-	-	-	-	-	1,939
Higher Risk Assets	-	-	-	-	-	-	43	-	-	-	43
Other Assets	645,219	1,696,293	-	-	-	383,924	-	-	-	-	2,725,436
Securitisation	-	-	-	-	-	-	-	-	1,744	-	1,744
Equity Exposures	-	-	-	-	-	108,742	-	-	-	-	108,742
<b>Total Exposures after CRM (RM'000)</b>	<b>2,501,845</b>	<b>5,440,135</b>	<b>1,548</b>	<b>404,167</b>	<b>325</b>	<b>2,105,083</b>	<b>51,035</b>	<b>-</b>	<b>1744</b>	<b>10,505,882</b>	
<b>Total Risk-Weighted Assets (RM'000)</b>	<b>-</b>	<b>1,088,026</b>	<b>542</b>	<b>202,083</b>	<b>244</b>	<b>2,105,083</b>	<b>76,553</b>	<b>-</b>	<b>-</b>	<b>3,472,531</b>	

## 6.0 CREDIT RISK (CONTINUED)

## 6.4 Credit Exposures and Risk-Weighted Assets ("RWA") by Portfolio (Continued)

Table 10b: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2012

Exposures after CRM (RM'000)	Risk Weight (%)								Deduction from Capital Base	Total Exposures (RM'000)	
	0%	20%	35%	50%	75%	100%	150%	350%			
Sovereigns and Central Banks	1,274,014	-	-	-	-	-	-	-	-	-	1,274,014
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	-	1,840,715	-	-	-	-	-	-	-	-	1,840,715
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	-	-	-	-
Corporates	241,025	200,730	-	68,092	-	78,222	17,592	-	-	-	605,661
Regulatory Retail	-	-	-	-	6,965	-	-	-	-	-	6,965
Residential Mortgages	-	-	1,102	-	-	-	-	-	-	-	1,102
Higher Risk Assets	-	-	-	-	-	-	44	-	-	-	44
Other Assets	17,891	6,908	-	-	-	338,700	-	-	-	-	363,499
Securitisation	-	-	-	-	-	-	-	-	4,879	-	4,879
Equity	-	-	-	-	-	19,251	-	-	-	-	19,251
<b>Total Exposures after CRM (RM'000)</b>	<b>1,532,930</b>	<b>2,048,353</b>	<b>1,102</b>	<b>68,092</b>	<b>6,965</b>	<b>436,173</b>	<b>17,636</b>	<b>-</b>	<b>4,879</b>	<b>4,116,130</b>	
<b>Total Risk-Weighted Assets (RM'000)</b>	<b>-</b>	<b>409,670</b>	<b>386</b>	<b>34,046</b>	<b>5,224</b>	<b>436,173</b>	<b>26,454</b>	<b>-</b>	<b>-</b>	<b>911,953</b>	

## 6.0 CREDIT RISK (CONTINUED)

### 6.5 Use of External Ratings

For sovereigns, corporates and banking institutions, external ratings from approved external credit assessment institutions (“ECAIs”), whichever is available are used to determine the risk-weighted assets and regulatory capital.

The process used to map ECAI issuer ratings or comparable ECAI issue ratings are as per BNM standards. Approved ECAIs are as follows:

- (i) Standard & Poor’s (“S&P”);
- (ii) Moody’s Investor Services (“Moody’s”);
- (iii) Fitch Ratings (“Fitch”);
- (iv) Malaysian Rating Corporation Berhad (“MARC”);
- (v) Rating Agency Malaysia (“RAM”); and
- (vi) Rating and Investment Information, Inc (“R&I”);

External ratings for the counterparties are determined as soon as relationship is established and these ratings are tracked and kept updated. Only publicly available credit ratings are used for regulatory risk weighting purpose. Where the counterparty is not rated, the corresponding exposure is mapped as “unrated” and the appropriate risk weighting for unrated exposures is assigned.

The following tables show the Bank’s credit exposures to Sovereigns and Central Banks, Corporates and Banking Institutions for 31 December 2013 compared with 31 December 2012, according to the ratings by ECAIs.

## 6.0 CREDIT RISK (CONTINUED)

## 6.5 Use of External Ratings (Continued)

Table 11a: Rated Exposures According to Ratings by ECAIs as at 31 December 2013

	Moody's	Aaa to Aaa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
<b>Ratings of Corporates by Approved ECAIs</b>	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B1 to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
<b>On- and Off-Balance Sheet Exposures</b>						
Insurance Cos, Securities Firms & Fund Managers		-	-	-	-	135,091
Corporates (RM'000)	1,440,295	142,700	53,003	36,019		1,445,338
<b>Short term Ratings of Banking Institutions by Approved ECAIs</b>						
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	R&I	a-1+, a-1	a-2	a-3	b, c	Unrated
<b>On- and Off-Balance Sheet Exposures</b>						
Banks, Development Financial Institutions & MDBs (RM'000)	69,274	-	-	-	-	-

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (Continued)

Table 11a: Rated Exposures According to Ratings by ECAIs as at 31 December 2013

	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
<b>Ratings of Sovereigns and Central Banks by Approved ECAIs</b>	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<b>On- and Off-Balance Sheet Exposures</b> Sovereigns and Central Banks (RM'000)		-	1,863,704	-	-	-	-
<b>Ratings of Banking Institutions by Approved ECAIs</b>	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<b>On- and Off-Balance Sheet Exposures</b> Banks, MDBs and DFIs (RM'000)		1,356,220	251,811	76,446	-	-	797,752



## 6.0 CREDIT RISK (CONTINUED)

## 6.5 Use of External Ratings (Continued)

Table 11b: Rated Exposures According to Ratings by ECAIs as at 31 December 2012

Ratings of Corporates by Approved ECAIs		Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated	
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B1 to D	Unrated	
	R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated	
<b>On- and Off-Balance Sheet Exposures</b>							
Corporates (RM'000)		334,693	52,188	17,582	-	201,198	
Short term Ratings of Corporates by Approved ECAIs		Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	MARC-4	Unrated
	R&I	a-1+, a-1	a-2	a-3	b, c	b, c	Unrated
<b>On- and Off-Balance Sheet Exposures</b>							
Corporates (RM'000)		-	-	-	-	-	-

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (Continued)

Table 11b: Rated Exposures According to Ratings by ECAIs as at 31 December 2012

	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
<b>Ratings of Sovereigns and Central Banks by Approved ECAIs</b>	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
			<b>1,274,014</b>				
<b>On- and Off-Balance Sheet Exposures</b> Sovereigns and Central Banks (RM'000)		-					-
<b>Ratings of Banking Institutions by Approved ECAIs</b>	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
<b>On- and Off-Balance Sheet Exposures</b> Banks, MDBs and DFIs (RM'000)		<b>516,827</b>	<b>1,323,888</b>				-

## 6.0 CREDIT RISK (CONTINUED)

### 6.6 Credit Risk Monitoring and Control

#### Credit Risk Mitigation

The Bank generally does not enter into a credit/financing commitment solely on the basis of collateral(s) provided. All credit facilities/commitments are granted based on prior analysis of the credit standing of the borrower/counterparty with a legitimate credit purpose and a good debt servicing ability, and on the Bank's ability to adequately ring-fence the source(s) of repayment. Attention is also paid to ensure that the credit transaction is within BNM's directives on lending by an investment bank.

Collateral is taken whenever possible to mitigate the credit risk assumed subject to the Bank's policies that govern the eligibility of collateral used for credit risk mitigation. Reliance on collateral when taken is carefully assessed in the light of issues such as legal certainty and enforceability, market valuation correlation and counterparty risk of the guarantor.

The main types of collateral taken by the Bank are:

- Shares listed on Bursa Malaysia (including listed warrants)
- Land only/Land and Buildings
- Cash Deposit

Collateral is valued in accordance with the Bank's policy on collateral valuation, which prescribes the frequency of valuation for different collateral/securities types, based on liquidity and volatility of the collateral value and the underlying product or risk exposure. The value of collateral/securities pledged is monitored periodically, analysed and updated concurrently during the annual/periodic renewal of facilities. The latest collateral value is updated into the Bank's collateral management system.

The Bank also accepts non-tangible securities as support, such as guarantees from individuals, corporates and institutions; bank guarantees; debenture; and assignment of contract proceeds subject to internal guidelines on eligibility. Currently, the Bank does not employ the use of derivative credit instruments or on-balance sheet netting to mitigate its credit exposures. The Bank is nonetheless in the process of signing master netting agreements e.g. International Swaps and Derivatives Association ("ISDA") Master Agreement with all its counterparties to mitigate the credit risks in swaps and derivative transactions.

Equity securities or collaterals acquired arising from debt conversions are accounted for as a disposal of the financing and acquisition of equity securities or investment properties. Any further impairment of the assets or business acquired is treated as an impairment of the relevant asset or business rather than as an impairment of the original instrument.

**6.0 CREDIT RISK (CONTINUED)**

**6.6 Credit Risk Monitoring and Control (Continued)**

**Table 12a: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2013**

<b>Exposure Class</b>	<b>Exposures Before Credit Risk Mitigation (RM'000)</b>	<b>Exposures Covered by Guarantees/ Credit Derivatives (RM'000)</b>	<b>Exposures Covered by Eligible Financial Collateral (RM'000)</b>
<b>On-Balance Sheet Exposures</b>			
Sovereigns and Central Banks	1,863,704	-	-
Public Sector Entities	-	-	-
Banks, Development Financial Institutions and MDBs	2,404,648	-	-
Insurance Cos, Securities Firms & Fund Managers	131,430	-	-
Corporates	3,983,874	-	1,557,975
Regulatory Retail	324	-	-
Residential Mortgages	1,939	-	-
High Risk Assets	33	-	-
Other Assets	2,725,436	-	-
Securitisation Exposures	-	-	-
Equity Exposures	108,742	-	-
Defaulted Exposures	68,834	-	2,879
<b>Total On-Balance Sheet Exposures</b>	<b>11,288,964</b>	<b>-</b>	<b>1,560,854</b>
<b>Off-Balance Sheet Exposures</b>			
OTC Derivatives	270,766	-	-
Off-Balance Sheet exposures other than OTC Derivatives or Credit Derivatives	507,006	-	-
<b>Total Off-Balance Sheet Exposures</b>	<b>777,772</b>	<b>-</b>	<b>-</b>
<b>Total On- and Off-Balance Sheet Exposures</b>	<b>12,066,736</b>	<b>-</b>	<b>1,560,854</b>

**6.0 CREDIT RISK (CONTINUED)****6.6 Credit Risk Monitoring and Control (Continued)****Table 12b: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2012**

<b>Exposure Class</b>	<b>Exposures Before Credit Risk Mitigation (RM'000)</b>	<b>Exposures Covered by Guarantees/ Credit Derivatives (RM'000)</b>	<b>Exposures Covered by Eligible Financial Collateral (RM'000)</b>
<b>On-Balance Sheet Exposures</b>			
Sovereigns and Central Banks	1,274,014	-	-
Public Sector Entities	-	-	-
Banks, Development Financial Institutions and MDBs	1,811,091	-	-
Insurance Cos, Securities Firms & Fund Managers	-	-	-
Corporates	556,644	10,240	291
Regulatory Retail	1,751	-	-
Residential Mortgages	1,102	-	-
High Risk Assets	34	-	-
Other Assets	363,499	-	-
Securitisation Exposures	-	-	-
Equity Exposures	19,251	-	-
Defaulted Exposures	21,605	-	-
<b>Total On-Balance Sheet Exposures</b>	<b>4,048,991</b>	<b>10,240</b>	<b>291</b>
<b>Off-Balance Sheet Exposures</b>			
OTC Derivatives	29,624	-	-
Off-Balance Sheet exposures other than OTC Derivatives or Credit Derivatives	37,515	-	-
<b>Total Off-Balance Sheet Exposures</b>	<b>67,139</b>	<b>-</b>	<b>-</b>
<b>Total On- and Off-Balance Sheet Exposures</b>	<b>4,116,130</b>	<b>10,240</b>	<b>291</b>

## 6.0 CREDIT RISK (CONTINUED)

### 6.6 Credit Risk Monitoring and Control (Continued)

#### Credit Concentration Risk

The Bank manages the diversification of its portfolio to avoid undue credit concentration risk. Credit concentration risk exists in lending/financing to single customer groups, borrowers engaged in similar activities, or diverse groups of customers that could be affected by similar economic factors. To manage this concentration risk, exposure limits are established for single customer groups and industry segments. In this respect, analysis of large customer group exposures are regularly conducted, and the financing units undertake intensive account updates, monitoring and management of these exposures.

Industry and sector-specific analyses are also incorporated within the overall credit risk management regimen. In this respect, the Bank seeks to continually update financing, investment and treasury guidelines based on periodic reviews and updates of industry and sector risk factors and economic outlook. This facilitates better management of credit concentration risk.

#### Credit Monitoring and Annual Reviews

The Bank regularly monitors financing exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are generated for Senior Management, the Bank's RMC and GRMC containing information on key environmental, political and economic trends across portfolios and countries, portfolio delinquency with major credit delinquency, and loan/financing impairment performance.

In addition to the ongoing qualitative assessment by the account relationship managers, reviews are conducted at least once a year with updated information on the customer's/counterparty's financial position, market position, industry and economic condition and account conduct.

Group Internal Audit conducts independent post-approval reviews on sampling basis to ensure that the quality of credit appraisals and approval standards are in accordance with the credit standards and policies on lending/financing and investment established by the Bank's management or by laws and regulations.

### 6.7 Impairment Allowances for Loans/Financing/Bonds

Previously, the Bank had applied the Amendment to FRS 139 Financial Instruments: Recognition and Measurement, which included an additional transitional arrangement, whereby BNM prescribed the use of an alternative basis for collective assessment of impairments on loans, advances, investments and financing. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued in 2010, whereby banking institutions were required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

With effect from 1 January 2012, BNM has removed the transitional provision for banking institutions on collective evaluation of loan impairment assessment and impairment provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

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

## 6.0 CREDIT RISK (CONTINUED)

### 6.7 Impairment Allowances for Loans/Financing/Bonds (Continued)

#### Individual impairment allowance

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

#### Collective impairment allowance

Loans/financing and advances, and Bonds which are not individually significant and loans/financing and advances and Bonds that have been individually assessed with no evidence of impairment loss are grouped together for collective impairment assessment. These loans/financing are grouped within similar credit risk characteristics for collective assessment, whereby data from the loan/financing portfolio (such as credit quality, levels of arrears, credit utilisation, loan/financing-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 Bank. Historical loss experience is adjusted on the basis of current observable data to reflect current conditions on which the historical loss experience is based 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.

#### Write-Off of Impaired Loans/Financing and Advances

All loans/financing and advances that satisfy any one of the following criteria may be recommended for write-off subject to impairment loss having been fully made for any shortfall:

- a) Deemed irrecoverable, worthless and with slim prospect of recovery;
- b) Waiver/discount already given under approved composite settlement schemes; and
- c) For retail and scored loans/financing with ageing of 12 months and above, provided legal action has been initiated.

This policy of impairment loans/financing write-off is intended to provide a timely and consistent methodology for loans/financing to be written off and to reflect the true value of assets in the Bank's books.

## 6.0 CREDIT RISK (CONTINUED)

## 6.7 Impairment Allowances for Loans (Continued)

**Table 13a: Impaired and Past Due Loans/Financing and Impairment Allowances by Industry Sector as at 31 December 2013**

Industry Sector	Impaired Loans and Advances/ Financing (RM'000)	Past Due Loans/ Financing (RM'000)	Individual Impairment Allowance (RM'000)	Collective Impairment Allowance (RM'000)
Agriculture	-	-	-	587
Construction	6,878	-	-	525
Wholesale, Retail Trade, Restaurants & Hotels	-	-	-	270
Finance, Insurance, Real Estate & Business	71,702	-	29,258	6,232
Others	335	-	334	15
<b>Total</b>	<b>78,915</b>	<b>-</b>	<b>29,592</b>	<b>7,629</b>

**Table 13b: Impaired and Past Due Loans/Financing and Impairment Allowances by Industry Sector as at 31 December 2012**

Industry Sector	Impaired Loans and Advances/ Financing (RM'000)	Past Due Loans/ Financing (RM'000)	Individual Impairment Allowances (RM'000)	Collective Impairment Allowances (RM'000)
Household	350	-	340	-
<b>Total</b>	<b>350</b>	<b>-</b>	<b>340</b>	<b>-</b>

**Table 14: Charges/(Write-back) and Write-Offs for Impairment by Industry Sector**

Industry Sector	Twelve Months Period Ended 31.12.2013		Twelve Months Period Ended 31.12.2012	
	Charges/ (Write-back) for Individual Impairment Allowances (RM'000)	Write-Offs	Charges/ (Write-back) for Individual Impairment Allowances (RM'000)	Write-Offs
Finance, Insurance, Real Estate & Business	5,912	-	-	-
Household	-	-	-	172
Others	(57)	-	-	-
<b>Total</b>	<b>5,855</b>	<b>-</b>	<b>-</b>	<b>172</b>



**6.0 CREDIT RISK (CONTINUED)****6.7 Impairment Allowances for Loans (Continued)****Table 15a: Impaired and Past Due Loans/ Financing & Impairment Allowances by Geographical Distribution as at 31 December 2013**

Geographical Distribution	Impaired Loans and Advances/ Financing (RM'000)	Past Due Loans/ Financing (RM'000)	Individual Impairment Allowances (RM'000)	Collective Impairment Allowances (RM'000)
Malaysia	78,915	-	29,592	7,629
<b>Total</b>	<b>78,915</b>	<b>-</b>	<b>29,592</b>	<b>7,629</b>

**Table 15b: Impaired and Past Due Loans/ Financing & Impairment Allowances by Geographical Distribution as at 31 December 2012**

Geographical Distribution	Impaired Loans and Advances/ Financing (RM'000)	Past Due Loans/ Financing (RM'000)	Individual Impairment Allowances (RM'000)	Collective Impairment Allowances (RM'000)
Malaysia	350	-	340	-
<b>Total</b>	<b>350</b>	<b>-</b>	<b>340</b>	<b>-</b>

**Table 16: Reconciliation of Changes to Loan Impairment Allowances**

Impairment Allowances Details	Individual Impairment Allowances (RM'000)		Collective Impairment Allowances (RM'000)	
	2013	2012	2013	2012
<b>Balance as at the beginning of financial period/year</b>	<b>340</b>	<b>584</b>	-	-
Effect of predecessor accounting on RHBIB-OSKIB's Merger & Acquisition *	23,397	-	4,971	-
Net Allowance made during the period/year	5,855	-	2,658	-
Amount Recovered	-	(72)	-	-
Amount Written-Off	-	(172)	-	-
<b>Closing Balance</b>	<b>29,592</b>	<b>340</b>	<b>7,629</b>	<b>-</b>

- RHBIB (RHB Investment Bank)
- OSKIB (OSK Investment Bank)

## 7.0 SECURITISATION EXPOSURES

The Bank has exposures to securitised assets in its banking book as a result of previous securitisation exercises (prior to the year ended 31 December 2010). In general, the Bank's strategy is to use securitisations for customer facilitation.

The Bank's role in securitisation activities includes:

- Securitisation of third-party assets

The Bank acted as Principal Advisor/Lead Arranger ("PA/LA") and Facility Agent of the securitisation exercise, for which it assisted in the execution of the transactions for a third-party. The Bank's main responsibilities included the incorporation of the Special Purpose Vehicle ("SPV") for the transaction, coordinating the conduct of all necessary due diligence, submissions to Securities Commission Malaysia and BNM (where applicable) and overseeing the documentation and issuance process.

The Bank can also have a secondary role as investor (whereby the Bank has taken onto its portfolio positions in the securitised instrument issued by the SPV), and as such the Bank is subject to the normal market and credit risk that it would face in holding on to a Private Debt Security ("PDS") instrument, and therefore would be covered by the overall Investment Bank Credit Risk Policy detailed in Section 6.0 and the overall Market Risk Policy detailed in Section 8.0.

The accounting policies governing initial recognition, valuation and recognition of gains and losses are also as those governing financial assets in the form of PDS as detailed in Note A 4 (Summary of Significant Accounting Policies/Financial Assets) and A 17 (Summary of Significant Accounting Policies /Impairment of Financial Assets) of the Statutory Financial Statements of the Bank.

Local Rating Agencies such as MARC and RAM were the External Credit Assessment Institution ("ECAI") used in determining the initial rating of the securitised asset.

- Securitisation of own assets

The Bank can act as Originator, whereby it transfers/sells assets originated from its own balance sheet to a SPV which funds the purchase with an issue of asset-backed securities. The specific objective in this case would be to create a Collateralised Loan Obligation ("CLO") whereby the underlying assets (loans/financing) were created specifically to be then assigned to the SPV to be issued as a debt instrument to the market, and not as per traditional originated securitisation, where the intention is to transfer the credit risk of the existing underlying assets away from the Bank. The CLO structure allows a pool of borrowers to access the debt capital market which individually they would not have been able to.

The accounting policies governing the accounting treatment of the securitisation exercise are detailed in Note A 4 (Summary of Significant Accounting Policies/Financial Assets) of the Statutory Financial Statements of the Bank, specifically Section (d) which relates to the de-recognition of assets.

The Bank can have a secondary role as investor whereby the Bank has taken onto its portfolio positions in the securitised instrument issued by the SPV and as such the Bank is subject to the normal market risk that it would face in holding on to a Private Debt Security ("PDS") instrument. This is covered by the overall Investment Bank Credit Risk Policy detailed in Section 6.0 and the overall Market Risk Policy detailed in Section 8.0.

The accounting policies governing the initial recognition, valuation and recognition of gains and losses are similar to those governing financial assets in the form of PDS as detailed in Note A 4 (Summary of Significant Accounting Policies/Financial Assets) and A 17 (Summary of Significant Accounting Policies /Impairment of Financial Assets) of the Financial Statements of the Bank.

Local Rating Agencies such as Malaysian Rating Corporation Berhad ("MARC") and RAM were the ECAI used in determining the initial rating of the securitised asset.

**7.0 SECURITISATION EXPOSURES (CONTINUED)**

The definition of the roles mentioned is included in 'The Asset-Backed Securities Policy' issued by the Bank, which governs the asset-backed securities activities, and covers all material risks of the Bank inherent in securitisation activities. This Policy incorporates the key requirements by the Securities Commission ("SC") and BNM, as included in "Guideline on The Offering of Asset-Backed Securities" (SC) and "Prudential Standards on Asset-Backed Securitisation Transactions by Licensed Institutions" (BNM).

In both instances detailed above, SPVs were created which are isolated from the originator (either the Bank or the third-party), to which then all rights and obligations of the underlying assets are then transferred to. The guidelines on the criteria of the SPV, as well as the requirements to affect a "true sale" are detailed in "The Asset-Backed Securities Policy".

For regulatory purposes, SPVs are not consolidated where significant risk has been transferred to third-parties.

The Bank has no remaining exposure to the SPVs created or the previous securitisation exercises in general, apart from the risks it faces as an investor.

**Table 17: Disclosure on Securitisation Exposure in the Banking Book**

Underlying Assets	Total Exposures under Securitisation (RM'000)		Impaired (RM'000)	
	2013	2012	2013	2012
<b>Traditional Securitisation Exposures : Originated by the Bank</b>				
Collateralised Loan Obligation (Corporate Loans/Financing)	1,744	4,879	57,440	55,800
<b>Securitisation of Third-Party Exposures where the Bank acts only as a Sponsor</b>				
Assets-Backed Securities	-	-	-	-
<b>Total</b>	<b>1,744</b>	<b>4,879</b>	<b>57,440</b>	<b>55,800</b>

The totals above relate to the carrying balance sheet value of the investment in the securitised instruments, including accrued interest for the period, as noted above (i.e., as investor). Please note that the CLO has been impaired to reflect the downgrading of the instrument rating by RAM Rating.

The Bank did not engage in securitisation activities during the financial years 2012 and 2013.

**7.0 SECURITISATION EXPOSURES (CONTINUED)**

**Capital Treatment for Securitisation Exposures**

The Bank applies the Standardised Approach to calculate the credit risk capital requirements in accordance with BNM's Guideline. The Bank's credit risk-weighted securitisation exposures are shown below:

**Table 18a: Securitisation under the Standardised Approach for Banking Book Exposures as at 31 December 2013**

Type of Securitisation Exposures	Net Exposure after CRM (RM'000)	Deduction from Capital (RM'000)		Risk weights of the Securitisation Exposures		Risk-Weighted Assets (RM'000)
		Rated	Unrated	20%	50%	
<b>Traditional Securitisation:</b>						
<b>Non-Originated Banking Institution</b>						
Most Senior	-	-	-	-	-	-
<b>Originating Banking Institution</b>						
Most Senior	1,744	1,744	-	-	-	-
Mezzanine	-	-	-	-	-	-
<b>Total</b>	<b>1,744</b>	<b>1,744</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

**Table 18b: Securitisation under the Standardised Approach for Banking Book Exposures as at 31 December 2012**

Type of Securitisation Exposures	Net Exposure after CRM (RM'000)	Deduction from Capital (RM'000)		Risk weights of the Securitisation Exposures		Risk-Weighted Assets (RM'000)
		Rated	Unrated	20%	50%	
<b>Traditional Securitisation:</b>						
<b>Non-Originated Banking Institution</b>						
Most Senior	-	-	-	-	-	-
<b>Originating Banking Institution</b>						
Most Senior	4,879	4,879	-	-	-	-
Mezzanine	-	-	-	-	-	-
<b>Total</b>	<b>4,879</b>	<b>4,879</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>

The Bank did not have any exposure to synthetic securitisation during the financial years 2013 and 2012. The Bank also did not have any securitisation exposure in its Trading Book.

## 8.0 MARKET RISK

Market risk is the risk of loss arising from adverse movements in market variables, such as interest rates, credit spreads, prices of bonds and equities, and currency exchange rates.

Market risk is segregated into trading and non-trading market risk. Trading market risk arises from changes in interest rates, foreign exchange rates, equity prices and credit spreads on the value of assets held for trading while non-trading market risk arises from changes in interest rates, foreign exchange rates and equity prices, of which the main non-trading market risk is interest rate risk arising from re-pricing mismatches of its assets and liabilities from banking activities.

The Bank transacts in money market, foreign exchange markets and capital markets which give rise to market risk exposures. Financial instruments transacted include debt, equity and other securities and certain financial derivative instruments. Derivative instruments are contracts whose characteristics and value are derived from underlying financial instruments, interest rates, exchange rates, or indices. They include futures, forwards, swaps and options transactions in the foreign exchange and interest rate markets. Derivative contracts entered into by the Bank are primarily over the counter derivatives.

The Bank has established a Trading Book Policy as guidance for market risk management. These are reviewed regularly at least once a year, and/or upon change in strategy or significant event that has a material impact on policy compliance.

The RHB Investment Bank has established its Asset and Liability Committee (“ALCO”) to assist the Group Asset and Liability Committee (“Group ALCO”) in the managing of the market risk and supports the GRMC in the overall market risk management. Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of market risk; including the development of the Bank’s market risk strategy, market risk management structure and the policies as well as measurement techniques to be put in place.

The Market Risk Management Department is the working level in RHB Investment Bank that forms a centralised function to support Senior Management to operationalise the processes and methods to ensure adequate risk control and oversight are in place.

### Market Risk Assessment

The Bank applies risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk (“VaR”), sensitivity analysis and stress testing.

The Bank adopts a systematic approach in managing these risks by types of instruments and nature of exposure. Market risk is primarily monitored and controlled via a structure of limits and triggers, i.e., cut loss, VaR, trading and notional limit set in accordance with the size of positions and risk tolerance appetites.

In addition, the Bank conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

### Market Risk Monitoring and Reporting

For effective control of market risk, defined management action triggers and risk limits are established and actively monitored. Only authorised trading activities may be undertaken by the various business units within the allocated limits. All trading positions are monitored on a daily basis by independent support units. Should exposures or transactions set off pre-established triggers, management will deliberate and determine course of actions required on a timely basis.

### Hedging Activities

Hedging activities designated for hedge accounting are governed by the Bank’s Hedging Policy that prescribes the overall hedge activities that can be executed by the Bank and the subsequent control procedures such as effectiveness measurement and reporting to Group ALCO.

A hedge is defined as a position that materially or entirely offsets the component risk elements of another position or portfolio.

Hedging instruments used to mitigate these risks include derivatives such as options, futures, forwards and swaps that are approved by the Board. Execution of the hedging is carried out by the relevant division through the Bank’s treasury functions with the approval of Group ALCO.

### Capital Treatment for Market Risk

**8.0 MARKET RISK (CONTINUED)****Capital Treatment for Market Risk (Continued)**

The Bank applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding market risk capital charge for the Bank as at 31 December 2013 and 31 December 2012 are shown in the tables below:

**Table 19a: Market Risk-Weighted Assets and Capital Requirement as at 31 December 2013**

Market Risk	Long Position (RM'000)	Short Position (RM'000)	RWA (RM'000)	Capital Charge (RM'000)
Interest Rate Risk	8,210,448	6,155,233	677,798	54,224
Equity Position Risk	5,187,548	5,067,956	77,493	6,199
Foreign Currency Risk	145,674	28,103	145,674	11,655
Options Risk	271,170	-	399,529	31,962
<b>Total</b>			<b>1,300,494</b>	<b>104,040</b>

**Table 19b: Market Risk-Weighted Assets and Capital Requirement as at 31 December 2012**

Market Risk	Long Position (RM'000)	Short Position (RM'000)	RWA (RM'000)	Capital Charge (RM'000)
Interest Rate Risk	2,189,639	1,870,000	199,635	15,971
Equity Position Risk	-	-	-	-
Foreign Currency Risk	5,290	-	5,290	423
Options Risk	-	-	-	-
<b>Total</b>			<b>204,925</b>	<b>16,394</b>

As at 31st December 2013 and 31st December 2012, the Bank did not have any exposures under Commodity or Inventory Risk.

**9.0 EQUITY EXPOSURES IN THE BANKING BOOK**

Equity risk is the risk of decline in the net realisable value of investment assets arising from adverse movements in market prices or factors specific to the investment itself. The Bank holds positions as a result of debt-equity conversions, exposures arising from equity underwriting commitments and for both socio-economic and non socio-economic purposes, which are deemed as non-trading instruments.

Holding of publicly traded equity investments comprise quoted shares which are traded actively in the stock exchange. All publicly traded equity exposures are stated at fair value. Privately held equities are unquoted investments and stated at cost-adjusted for impairment loss, if any.

The Bank has established a policy that governs the management of such exposures to ensure that these exposures are effectively managed and accounted for in the Bank's books.

## 9.0 EQUITY EXPOSURES IN THE BANKING BOOK (CONTINUED)

For regulatory capital purpose, the Bank adopts the Standardised Approach to calculate the risk-weighted exposures.

Risk-weighted exposures of equity investments are shown below:

**Table 20: Equity Exposures in the Banking Book**

Equity Type	Gross Credit Exposures (RM'000)		RWA (RM'000)	
	2013	2012	2013	2012
Publicly traded				
- Holdings of equity Investments	2,268	775	2,268	775
Privately Held				
- For socio-economic purposes	21,679	18,016	21,679	18,016
- For non socio-economic purposes	84,795	460	84,795	460
<b>Total</b>	<b>108,742</b>	<b>19,251</b>	<b>108,742</b>	<b>19,251</b>

The Bank did not make any material gain or loss from the sale or liquidation of the equity exposures during the financial years 2013 and 2012.

## 10.0 LIQUIDITY RISK

There are two types of liquidity risk, namely funding and market liquidity risk. Funding liquidity risk is the risk that the Bank is not able to meet its payment obligations as they fall due. These payment obligations could emanate from depositor withdrawals and/or the inability to roll over maturing debt or meet contractual commitments to lend. Market liquidity risk is the risk that the Bank will be unable to sell assets, without incurring an acceptable loss in order to generate cash required to meet payment obligations under a stress liquidity event.

The primary role of a bank in terms of financial intermediation is the transformation of short term deposits into longer term financing. By fulfilling the role of maturity transformation, banks are inherently susceptible to liquidity mismatches, and consequently funding and market liquidity risk.

Through the Group's Liquidity Practices Guide, the Bank manages the funding and market liquidity risk to ensure that banking operations continue uninterrupted under normal and stressed conditions. The key objective that underpins the Group's Liquidity Practices Guide includes maintaining financial market confidence at all times, protecting key stakeholder interests and meeting regulatory liquidity requirements.

The Group ALCO supports the GRMC by performing the critical role in the management of liquidity risks, and is responsible in establishing strategies that assist in controlling and reducing any potential exposure to liquidity risk. The Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of liquidity risk and the Bank's balance sheet profile. Global and domestic economic data, information and events are deliberated at the Group ALCO which enables the Bank to determine its actions and reactions in the capital markets. The Group ALCO is also the governance body which sets interest/profit rates for liabilities products as well as reference rates for lending and financing products and services.

The Bank has adopted the BNM's New Liquidity Framework as one of the liquidity measurement methods. In addition to ensuring compliance with the New Liquidity Framework, the Bank also maintains a liquidity compliance buffer to meet any unexpected cash outflow.

The liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

Some of the key liquidity risk management tools are top depositors' mixture, funding source mixture, maturity profile of funding sources and contingency funding lines.

The Bank has commenced the Basel III observation period reporting to BNM on the 2 key liquidity ratios, namely the Liquidity Coverage Ratio ("LCR") and the Net Stable Funding Ratio ("NSFR").

The Group's Liquidity Incident Management Master Plan establishes guidelines for managing a liquidity crisis, identifying early warning signs of a possible liquidity event and the need for heightened liquidity risk monitoring and reduced liquidity risk exposure. In addition, the Group Liquidity Incident Management Master Plan identifies the individuals responsible for formulating and executing the Bank's response to a liquidity event.

### 11.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk or rate of return risk in the banking book refers to any opportunity loss to the Bank's income and/or economic value due to changes in interest/profit rate, which may arise from both on- and off-balance sheet positions in the banking book. Interest/profit rate risk occurs whenever there is a mismatch in the re-pricing period of assets and liabilities. Excessive interest/profit risk can pose a significant threat to the Bank's earnings and capital. Changes in interest/profit rates may affect the Bank's earnings in terms of the net interest/profit income and economic value of equity.

Interest/profit rate risk in the banking book comprises:

- Re-pricing risk (mismatch risk) – timing difference in the maturity (for fixed rate) and re-pricing (for floating rate) of bank's assets, liabilities and off-balance sheet positions;
- Basis risk – imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics;
- Yield curve risk – changes in the shape and slope of the yield curve; and
- Embedded optionality – the risk pertaining to interest/profit-related options embedded in the Bank's products.

Earnings-at-Risk ("EaR") and Economic Value of Equity ("EVE") are used to assess interest rate risk/rate of return risk of the banking book. They are computed based on the re-pricing gap profile of the banking book. Assets and liabilities are bucketed based on their remaining tenor to maturity or next re-price dates. For indefinite maturity products, the re-pricing behaviour will be reflected in the gapping profile. The measurement of EaR and EVE are conducted on a monthly basis.

The Group ALCO supports GRMC in establishing policies, strategies and limits for the management of balance sheet risk exposure. GRM supports the ALCO in the monthly monitoring of the interest rate/rate of return risk profile of the banking book. The primary objective in managing balance sheet risk is to manage the net interest/profit income, as well as to ensure that interest/profit rate exposures are maintained within defined risk tolerances.

In addition, the Bank has established the Interest Rate Risk/Rate of Return Risk Policy which provides for the governance of interest rate/rate of return. Interest rate/profit rate sensitivity triggers are applied on earnings for the respective profit centres within the Bank. The Bank regularly considers the economics and necessity of increasing or reducing its interest rate/profit rate risk hedges.

In line with the Bank's Interest Rate Risk/Rate of Return Risk Policy to achieve a balance between profitability from banking activities and minimizing risk to earnings and capital from changes in interest/profit rates, interest/profit rate risk to earnings is controlled using Management Action Triggers ("MATs") and identified escalation procedures.

Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating proactive management of interest/profit rate risk in an environment of rapid financial market changes.



**11.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)**

The impact of changes in interest rate/rate of return to net earnings and economic value for the Bank as at 31 December 2013 and 31 December 2012 are shown in the tables below:

**Table 21a: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2013**

Currency	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings (RM'000)		Increase/(Decline) in Economic Value (RM'000)	
	Impact based on +100 basis points	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
MYR	(32,363)	32,363	(130,249)	130,249
USD	(2,425)	2,425	(4,204)	4,204
Others*	18	(18)	3,702	(3,702)
<b>Total</b>	<b>(34,770)</b>	<b>34,770</b>	<b>(130,751)</b>	<b>130,751</b>

**Table 21b: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2012**

Currency	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings (RM'000)		Increase/(Decline) in Economic Value (RM'000)	
	Impact based on +100 basis points	Impact based on -100 basis points	Impact based on +100 basis points	Impact based on -100 basis points
MYR	(11,437)	11,437	(54,831)	54,831
USD	120	(120)	(5)	5
Others*	-	-	-	-
<b>Total</b>	<b>(11,317)</b>	<b>11,317</b>	<b>(54,836)</b>	<b>54,836</b>

Note\* Inclusive of GBP, EUR, SGD, etc.

The material variation between 2013 and 2012 positions is primarily due to the merger with OSK Investment Bank in 2013.

The impact to net earnings above represents financial assets and liabilities that have been prepared on the following basis:

- Interest/profit rate sensitive assets and liabilities with residual maturity or re-pricing tenure of up to one year that is not captured in the trading portfolio are slotted into time bands based on the maturity or re-pricing tenure whichever is earlier.
- A set of risk weights with its respective time band is used to project the applicable basis point interest rate change impact.
- For assets and liabilities with non-fix maturity, certain assumptions are made to reflect the actual sensitivity behaviour of interest bearing items.

Economic value is characterised by the impact of interest/profit rate changes on the value of all net cash flows, i.e., the effect on the economic value of the Bank's assets, liabilities and off-balance sheet positions. This provides a more comprehensive view of the potential long term effects of changes in interest/profit rates than is offered by the earnings perspective.

However, the computation of net cash flows is derived taking into consideration a series of assumptions, for instance, assets and liabilities with non-fix maturity. Assumptions are made to reflect the behavioural changes against interest/profit rate movements. The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables.

## 12.0 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems and from external events, which also includes IT and legal risks. Operational risk is inherent in the Bank's operations and can never be eliminated entirely. The impact can be in the form of actual financial loss as well as non-financial loss such as loss of reputation, non-compliance and unsatisfactory service level to customers.

One of the Bank's primary safeguards against operational risks is the existence of a sound internal control system based on the principle of dual control checks and balance, segregation of duties, independent checks and verification processes, segmented system access control and authorisation process. These controls are documented through a set of policies and procedures at the respective business level.

The Group's Operational Risk Management Framework comprises a wide range of activities and elements, broadly classified into:

- **Analysis and Enhancement** – The Group has implemented a Basel II compliant operational risk management system to support its workflow and analytical capabilities.
- **Education and Awareness** – The Group undertakes change management activities to improve the risk management knowledge, culture and policies of the Bank personnel. This is aligned with the principle and requirement that the front-line business and support units of the Group, are by nature of their direct involvement in interfacing with customers and in operating the business, responsible for managing operational risk and acting as the first line of defence against operational losses.
- **Monitoring and Intervention** – This is where the principal head office risk control units, including the operations management function, compliance function and the internal audit function, actively manage operational non-compliances and incidences, as well as undertake recovery actions, including business continuity measures in cases of incidences causing disruption to business activities.

### Operational Risk Management Function and Organisation

The Operational Risk Management Department reporting directly to the Director of Group Risk Management has the functional responsibility for the development of operational risk policy, framework and methodologies, and providing guidance and information to the business units on operational risk areas. Its function also includes generating a broader understanding and awareness of operational risk issues at all levels in the Group. It also ensures that operational risk from new products, processes and systems is adequately managed and mitigated. The respective business units are primarily responsible for managing operational risk on a day-to-day basis.

Regular operational risk reporting is made to the Senior Management, the Bank's RMC, GRMC and the Board. These reports include various operational risk aspects such as reporting of significant operational loss events. Such reporting allows Senior Management to identify adverse operational lapses, take corrective actions promptly, and ensure appropriate risk mitigation decision-making and action plans.

### Risk Management Process and Methodologies

The Bank has defined an operational risk management process, comprising risk identification, assessment, monitoring, and reporting. These are outlined as follows:

- **Risk and Control Self Assessment ("RCSA")**

Each business unit is required to identify and assess their own operational risks. RCSA is a risk profiling tool which facilitates effective operational risk management for the Bank, and focuses on future risk assessment by using past records of loss or near misses, key risk indicators and related issues such as audit findings. The RCSA process is facilitated by the business units themselves who together with personnel from Operational Risk Management would identify and assess key operational risks that could affect the effectiveness of controls and impact the achievement of business objectives. For identified risks lacking sufficient mitigation, the business units are required to establish action plans to improve the control environment so as to contain the risks to acceptable levels.

- **Key Risk Indicators ("KRIs")**

Business units are required to monitor their risk exposures via KRIs and are required to develop specific and concrete plans to address those where indicators are unfavourable. KRIs are embedded into critical processes to provide early warning signals of increasing risk and /or control failures by flagging up frequencies of events as a mechanism for continuous risk assessment and monitoring.

## 12.0 OPERATIONAL RISK (CONTINUED)

### Risk Management Process and Methodologies (Continued)

- **Incident and Loss Management**

Business and support units are required to report operational losses for further analysis of root cause to avoid further recurrence. This is also useful for reviewing the effectiveness of the RCSA and KRIs.

The Bank uses an operational risk management system. This system has integrated applications for supporting the entire operational risk management process for loss event data collection and management.

### Risk Mitigation and Controls

Risk mitigation tools and techniques are used to minimise risk to an acceptable level and aims to decrease the likelihood of an undesirable event and the impact on the business should it occur.

The control tools and techniques are as follows:

- **Business Continuity Management (“BCM”)**

To mitigate the impact of unforeseen operational risk events, the Bank has ongoing and actively managed Business Continuity Planning (“BCP”) programmes for its major critical business operations and activities at the Head Office, data centre and subsidiaries’ locations. The BCP programmes are subject to regular testing to ensure efficacy, reliability and functionality, and come under the responsibility of the Business Continuity Management (“BCM”) Department.

The Board of Directors has an oversight function through the Group Management Committee (“GMC”), the Bank’s RMC, and GRMC. The Group Business Continuity Management Steering Committee (“GBCMSC”) is the committee that oversees the Group’s business continuity framework, policies, budget and plans. The GBCMSC reports to the GMC.

- **Outsourcing**

With the increasing need to outsource for cost and operational efficiency, the Group’s Policy on Outsourcing of the Bank’s Operations and Services ensures that the risk arising from outsourcing activities is adequately identified, assessed and managed prior to entering into any new arrangements, which is being done on an ongoing basis.

- **Insurance /Takaful Management**

The Bank considers risk transfer by means of insurance/Takaful to mitigate operational risk. The Bank has a programme of insurance designed to reduce its exposure to liability and to protect its assets. The Bank purchases insurance/Takaful from leading insurers in the market covering fraud, theft, property and casualty, business disruption, liability and other risks for which it may be held responsible. These are provided by third-party insurers/Takaful providers and financially mitigate the economic consequences of risks.

### New Product and Services Approval Process

The Group has established a Policy on ‘Introduction of New/Variation of Products & Services Lifecycle’ which governs the risk management of new products, services, or significant changes thereto. The responsible units have a duty to assess the operational risk for new product launches and/or significant changes in product features or related processes and working systems, as well as to ensure that operational risk is at an acceptable level at all times.

### Legal Risk

Legal risk is part of operational risk. It can arise from unenforceable, unfavourable, defective or unintended contracts; lawsuits or claims; developments in laws and regulations, or non-compliance with applicable laws and regulations. Business units work together with the Bank’s legal counsel and external legal counsel to ensure that legal risk is effectively managed.

**12.0 OPERATIONAL RISK (CONTINUED)**

**Treatment for Operational Risk Capital Charge**

Currently, the Bank adopts the Basic Indicator Approach for the calculation of regulatory operational risk capital charge. The operational risk-weighted assets and the corresponding risk capital charge as at 31 December 2013 and 31 December 2012 are shown below:

**Table 22: Operational Risk-Weighted Assets and Capital Requirement**

Operational Risk	RHB Investment Bank Group (RM'000)		RHB Investment Bank (RM'000)	
	2013	2012	2013	2012
Risk-Weighted Assets	922,336	438,993	587,482	386,394
Capital Requirement at 8%	73,787	35,119	46,999	30,912

**13.0 Country Cross-Border Risk**

Country cross-border risk is the risk that the Bank will not be able to obtain payment from its customers or third-parties on their contractual obligations as a result of certain actions taken by foreign governments.

Cross-border assets comprise loans/financing and advances, interest/profit bearing deposits with other banks, trade and other bills, acceptances, derivatives, certificates of deposit and other negotiable instruments, investment securities and other formal commitments where the counterparty is resident in a country other than where the assets are recorded. Cross-border assets also include exposures to local residents denominated in currencies other than the local currency.

The Bank is guided by the Group Guidance on Cross-Border Business, particularly on ethics in business practices, key success factors in managing such business, and the internal control measures which are essential to provide adequate protection to its customers as well as the Bank's interest, thus reducing the risks associated with business activities.

**14.0 REPUTATIONAL RISK**

Reputational risk is the risk that negative publicity regarding the conduct of the Bank or any of the entities within the Group, business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures.

Negative publicity about an institution's business practices may involve any aspect of its operations, but usually relates to questions of business ethics and integrity, or quality of products and services. Reputational risk will arise from failure to effectively mitigate one or more of country, credit, liquidity, market, regulatory, operational, environmental or social risk.

Reputational risk in the Bank is managed and controlled throughout by codes of conduct, governance practices and risk management practices, policies, procedures and training. Towards this end, the Group has developed and implemented a Reputational Risk Management Framework.

The key elements for management of reputational risk include:

- Prompt and effective communication with all stakeholders;
- Strong and consistent enforcement of controls relating to governance, business and legal compliance;
- Continuous monitoring of threats to reputation;
- Ensuring ethical practices throughout the Group; and
- Establishing crisis management plans and ensuring these are continuously updated.

**15.0 FORWARD LOOKING STATEMENTS**

This document could or may contain forward looking statements that are based on current expectations as well as assumptions or anticipation of future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts, and often use words such as anticipate, target, expect, estimate, intend, plan, believe, will, may, should, would, could or other words of similar expressions.

Undue reliance should not be placed on any of such statements. By their nature, forward looking statements are subject to risks and uncertainty because they relate to future events and circumstances, including, but not limited to domestic and global economic and business conditions, the effects of continued volatility in the credit markets, market-related risks such as changes in interest rates and exchange rates, changes in regulation, and future business combinations or dispositions. As a result, the Bank's actual future results may differ materially from the plans, goals, and the expectations contained in the forward looking statements.

The Bank undertakes no obligation to revise or update any forward looking statements contained in this document, regardless of whether these statements are affected as a result of new information, future events or otherwise.

**Table 23****Glossary of Terms**

A- IRB Approach	Advanced Internal Ratings-Based Approach
BIA	Basic Indicator Approach
BCM	Business Continuity Management
BCP	Business Continuity Planning
BNM	Bank Negara Malaysia
Board/BOD	Board of Directors
CCC	Central Credit Committee
CCR	Counterparty Credit Risk
CLO	Collateralised Loan Obligation
CPM	Credit Procedures Manual
CRM	Credit Risk Mitigation
DFIs	Development Financial Institutions
EAD	Exposure at Default
EaR	Earnings-at-Risk
ECAIs	External Credit Assessment Institutions
EVE	Economic Value of Equity
EUR	Euro Dollar
F- IRB Approach	Foundation Internal Ratings-Based Approach
Fitch	Fitch Ratings
GBCMSC	Group Business Continuity Management Steering Committee
GBP	Pound Sterling
Group ALCO	Group Asset and Liability Committee
GCSC	Group Capital & Strategic Risk Management Committee
GMC	Group Management Committee
GRM	Group Risk Management
GRMC	Group Risk Management Committee
IUC	Investment & Underwriting Committee
ISDA	International Swaps and Derivatives Association
KRI	Key Risk Indicators
LCR	Liquidity Coverage Ratio
MARC	Malaysian Rating Corporation Berhad
MATs	Management Action Triggers
MDBs	Multilateral Development Banks
MFRS 139	Malaysia Financial Reporting Standards 139
Moody's	Moody's Investors Service
MYR	Malaysian Ringgit
NIFS	Notes Issuing Facilities
NSFR	Net Stable Funding Ratio
OTC	Over-the-Counter
PDS	Private Debt Security
RAM	Rating Agency Malaysia
RCSA	Risk and Control Self Assessment
R&I	Rating and Investment Information, Inc
RMC	Risk Management Committee
RM'000	Malaysian Ringgit in nearest thousand
RWA	Risk-Weighted Assets
RWCAF	Risk-Weighted Capital Adequacy Framework
SA	Standardised Approach
SBU	Strategic Business Units
SC	Securities Commission
SFUs	Strategic Functional Units
SGD	Singapore Dollar
S&P	Standard & Poor's
VaR	Value-at-Risk

# Branch Network

## MALAYSIA

### CENTRAL REGION

#### KL/FT REGION

##### RHB PO (Jalan Tun Razak) (Supervisory Branch)

Level 3A, Tower One  
RHB Centre, Jalan Tun Razak  
50400 Kuala Lumpur  
Tel : (03) 9280 2374

##### KL Main (Supervisory Branch)

Tingkat 12, 20 (sebahagian)  
8 & 21, Plaza OSK, Jalan Ampang  
50450 Kuala Lumpur  
Tel : (03) 2175 3388

##### Bentong

Tingkat Bawah dan Tingkat Satu  
98 Jalan Pasdec  
28700 Bentong, Pahang  
Tel : (09) 2234 943/948

##### Kepong

No. 62, 62-1 and 64  
Vista Magna, Jalan Prima, Metro Prima  
52100 Kuala Lumpur  
Tel : (03) 6257 5869

##### Pandan Indah

No.5 & 7, Jalan Pandan Indah 4/33  
Pandan Indah  
55100 Kuala Lumpur  
Tel : (03) 4280 4798

##### Seri Petaling

Ground, First, Second & Third Floor  
No. 55, Zone J4, Jalan Radin Anum  
Bandar Baru Seri Petaling  
57000 Kuala Lumpur  
Tel : (03) 9058 7222

## SELANGOR REGION

##### SS2, PJ (Supervisory Branch)

24,24M,24A,26M,28M, 28A  
30,30M & 30A, Jalan SS2/63  
47300 Petaling Jaya, Selangor  
Tel : (03) 7873 6366

##### Kajang

No. 37, Jalan Semenyih  
43000 Kajang, Selangor  
Tel : (03) 8736 3378

##### Klang

Tingkat Bawah & Tingkat Mezanin  
No. 87 & 89, Jalan Susur  
Pusat Perniagaan NBC  
Batu 1 1/2, Jalan Meru  
41050 Klang, Selangor  
Tel : (03) 3343 9180

##### Rawang

Tingkat Bawah & Tingkat 1  
No. 15, Jalan Bandar Rawang 4  
48000 Rawang, Selangor  
Tel : (03) 6092 8916

##### USJ Taipan

Unit 1B & 2B, USJ 10/1J  
47610 UEP Subang Jaya, Selangor  
Tel : (03) 8022 1888

##### Kota Damansara

11-1, 11-2 Jalan PJU 5/12  
Dataran Sunway Kota Damansara  
47810 Petaling Jaya, Selangor  
Tel : (03) 6148 3361

##### Bandar Puchong Jaya

Tingkat Bawah dan Tingkat Satu  
No. 13, Jalan Kenari 3  
Bandar Puchong Jaya  
47100 Puchong, Selangor  
Tel : (03) 8070 6899

## SOUTHERN REGION

### MELAKA REGION

##### Melaka 1 (Supervisory Branch)

No.19, 21 & 23 Jalan Merdeka  
Taman Melaka Raya, 75000 Melaka  
Tel : (06) 2833 622

##### Labis

No.2, Tingkat 1, Jalan Makmur  
Taman Sri Aman, 85300 Labis, Johor  
Tel : (07) 9256 881/884/887/890

##### Segamat

Tingkat Bawah, Tingkat 1 & Tingkat 2  
No. 3, Jalan Susur Utama 2/1  
Taman Utama, 85000 Segamat, Johor  
Tel : (07) 9321 543

##### Tangkak

Tingkat Bawah, Tingkat 1 & Tingkat 2  
No. 343, Jalan Muar  
84900 Tangkak, Johor  
Tel : (06) 9787 180

##### Tampin

Tingkat 1, No. 3601, Jalan Besar  
73000 Tampin, Negeri Sembilan  
Tel : (06) 4421 000/002/003/004

##### Melaka 2 (Supervisory Branch)

579, 580 dan 581  
Taman Melaka Raya, 75000 Melaka  
Tel : (06) 2825 211

##### Seremban

Tingkat Bawah, Tingkat 1 & Tingkat 2  
No 32 & 33, Jalan Dato' Bandar Tunggal  
70000 Seremban, Negeri Sembilan  
Tel : (06) 7641 641

##### Port Dickson

Tingkat Bawah & Tingkat Mezanin  
No. 346 & 347, Batu ½ Jalan Pantai  
71000 Port Dickson, Negeri Sembilan  
Tel : (06) 6461 234

## JOHOR REGION

##### Batu Pahat (Supervisory Branch)

53, 53-A dan 53-B, Jalan Sultanah  
83000 Batu Pahat, Johor  
Tel : (07) 4380 288

##### Kluang

Tingkat Bawah and Tingkat Satu  
No. 40, Jalan Haji Manan  
86000 Kluang, Johor  
Tel : (07) 7769 655

##### Muar

No. 33-1, Tingkat 1 & Tingkat 2 (Unit Penjuru)  
Jalan Ali, 84000 Muar, Johor  
Tel : (06) 9538 262

##### Johor Bahru (Supervisory Branch)

Tingkat 6, Wisma Tiong-Hua  
8 Jalan Keris, Taman Sri Tebrau  
80050 Johor Bharu, Johor  
Tel : (07) 2788 821

##### Taman Molek

Tingkat Bawah, Tingkat 1  
dan Tingkat 2, Nos. 21 dan 23  
Jalan Molek 1/30 Taman Molek  
81100 Johor Bahru, Johor  
Tel : (07) 3522 293

##### Kulai

Tingkat Bawah, Tingkat Satu & Tingkat Dua  
No. 10, Jalan Anggerik 1, Taman Kulai Utama  
81000 Kulai, Johor  
Tel : (07) 6626 288

##### Sutera Utama

Tingkat Bawah dan Tingkat Satu  
No. 119 dan 121, Jalan Sutera Tanjung 8/2  
Taman Sutera Utama  
81300 Skudai, Johor  
Tel : (07) 5577 066

## NORTHERN AND EAST COAST REGION

### PERAK REGION

##### Ipoh (Supervisory Branch)

21-25, Jalan Seenivasagam  
Greentown, 30450 Ipoh, Perak  
Tel : (05) 2415 100



**NORTHERN AND EAST COAST REGION (CONTINUED)****PERAK REGION (CONTINUED)****Cameron Highlands**

Tingkat Bawah dan Tingkat Satu  
No. 76-A, Persiaran Camelia 4, Tanah Rata  
39000 Cameron Highlands, Pahang  
Tel : (05) 4914 913

**Kampar**

Tingkat Bawah and Tingkat Satu  
No. 72, Jalan Idris, 31900 Kampar, Perak  
Tel : (05) 4671 801/802

**Sitiawan**

Tingkat Bawah dan Tingkat Satu  
No. 23 & 25, Jalan Lumut, 32000 Sitiawan, Perak  
Tel : (05) 6921 228

**Taiping**

Tingkat Bawah, No. 40, 42 & 44  
Jalan Berek, 34000 Taiping, Perak  
Tel : (05) 8088 229

**Teluk Intan**

No. 17, Jalan Intan 2, Bandar Baru  
36000 Teluk Intan, Perak  
Tel : (05) 6236 498

**PENANG REGION****Penang (Supervisory Branch)**

No 64 & 64D, Tingkat Bawah - Tingkat 3 &  
Tingkat 5 - Tingkat 8, Lebuhraya  
10200 Pulau Pinang  
Tel : (04) 2634 222

**Alor Setar**

214-A, 214-B, 215-A dan 215-B  
Medan Putra, Jalan Putra  
05150 Alor Setar, Kedah  
Tel : (04) 7209 888

**Bayan Baru**

No.15-G-5, 15-G-6, 15-1-5  
15-1-6, 15-2-5, 15-2-6 & 15-2-24  
Bayan Point Medan Kampung Relau  
11950 Pulau Pinang  
Tel : (04) 6404 888

**Bukit Mertajam**

Tingkat Bawah, Tingkat Satu & Tingkat Dua  
No. 11A, Jalan Keranji, Off Jalan Padang Lallang  
14000 Bukit Mertajam, Pulau Pinang  
Tel : (04) 5402 888

**Butterworth**

Aras Bawah, 1 dan 2, 2677  
Jalan Chain Ferry, Taman Inderawasih  
13600 Prai, Pulau Pinang  
Tel : (04) 3900 022

**Farlim**

41-A, 41-B, and 41-C  
Lintang Angsana, Bandar Baru Air Itam  
11500 Pulau Pinang  
Tel : (04) 8352 988

**Kangar**

Tingkat Bawah & Tingkat Satu  
No.39, Taman Suriani  
Persiaran Jubli Emas  
01000 Kangar, Perlis  
Tel : (04) 9793 888

**Kulim**

Tingkat Bawah dan Tingkat 1  
35, Jalan Suria 1, Jalan Bayu  
09000 Kulim, Kedah  
Tel : (04) 4964 888

**Parit Buntar**

Tingkat Bawah dan Tingkat Satu  
No. 2, Jalan Wawasan 4  
Taman Wawasan  
34200 Parit Buntar, Perak  
Tel : (05) 7170 888

**Sungai Bakap**

834, Tingkat Bawah dan Tingkat Satu  
835, Tingkat Satu Jalan Besar, Sungai Bakap  
14200 Sungai Jawi SPS, Pulau Pinang  
Tel : (04) 5831 888

**Sungai Petani**

No. 112, Jalan Pengkalan  
Taman Pekan Baru  
08000 Sungai Petani, Kedah  
Tel : (04) 4204 888

**EAST COAST REGION****Kuantan**

**(Supervisory Branch)**  
B32 & B34, Lorong Tun Ismail 8  
Seri Dagangan II  
25000 Kuantan, Pahang  
Tel : (09) 5173 811

**Kemaman**

Tingkat Bawah & Tingkat Satu  
9651, Cukai Utama, Jalan Kubang Kurus  
24000 Kemaman, Terengganu  
Tel : (09) 8502 730

**Kota Bharu**

No. 3953-H, Tingkat Bawah & Tingkat Satu  
PT 225, Jalan Kebun Sultan  
15350 Kota Bharu, Kelantan  
Tel : (09) 7430 077/ 7482 277

**Kuala Terengganu**

31A, Tingkat Bawah, 31A & 31B Tingkat 1  
Jalan Sultan Ismail, 20200 Kuala Terengganu  
Terengganu  
Tel : (09) 6261 816

**EAST MALAYSIAN REGION****SABAH REGION****Kota Kinabalu****(Supervisory Branch)**

Tingkat 5, Wisma BSN Sabah  
Jalan Kemajuan, Karamuning  
88000 Kota Kinabalu, Sabah  
Tel : (088) 2697 88

**Sandakan**

Tingkat Bawah, Block 2, Lot 4 & Lot 5  
Bandar Indah, Batu 4, North Road  
91000 Sandakan, Sabah  
Tel : (089) 2292 86/2293 26  
(089) 2222 75/2126 84

**Lintas**

Lot 14-0, Tingkat Bawah  
Lorong Lintas Plaza 2, Lintas Plaza Off  
Jalan Lintas, 88300 Kota Kinabalu, Sabah  
Tel : (088) 256 666

**SARAWAK REGION****Kuching****(Supervisory Branch)**

Yung Kong Abell, Units No. 1-10  
2nd Floor Lot 365, Section 50, Jalan Abell  
93100 Kuching, Sarawak  
Tel : (082) 2508 88

**Bintulu**

Tingkat Bawah dan Tingkat 1  
No. 221, Parkcity Commerce Square  
Phase III, Jalan Tun Ahmad Zaidi  
97000 Bintulu, Sarawak  
Tel : (086) 3117 70

**Miri**

Tingkat Dua, Lot 1268 dan Lot 1269  
Centre Point Commercial Centre, Jalan Melayu  
98000 Miri, Sarawak  
Tel : (085) 4227 88

**Sarikei**

Tingkat Bawah dan Tingkat Satu  
No. 10, Jalan Bersatu  
96100 Sarikei Sarawak  
Tel : (084) 6589 64

**Sibu**

No. 102, Pusat Pedada, Jalan Pedada  
96000 Sibu, Sarawak  
Tel : (084) 3291 00



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 Sudirman Kav.25, Jakarta Selatan  
 12920, Indonesia  
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- Bandung
- Kebon Jeruk
- Kelapa Gading
- Makassar
- Malang
- Mangga Dua
- Medan
- Palembang
- Pontianak
- Puri
- Slipi
- Pekanbaru
- Pluit
- Surabaya Bukit Darmo
- Surabaya Kertajaya
- Yogyakarta
- Mangga Dua Selatan (Eka Jiwa)

**THAILAND****Main Office****RHB OSK Securities (Thailand) Public Company Limited**

10th Floor, Sathorn Square Office  
 Tower, 98 North Sathorn Road, Silom  
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**Branches**

- Hat Yai
- Pakin Building
- Samut Sakhon
- Silom
- Sukhumvit 16
- Yaowaraj
- Pinklao
- Vibhavadi Rangsit

**HONG KONG & CHINA****RHB Holdings Hong Kong Limited**

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 Fax : (852) 2810 0908

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 1168 Nanjing West Road  
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