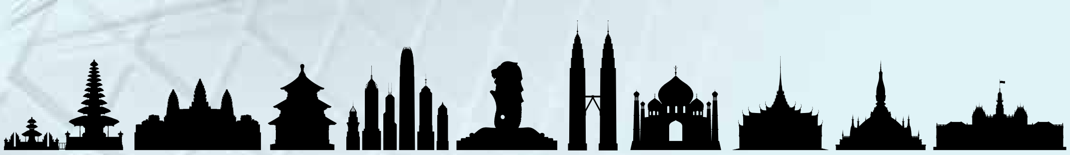
RHB Investment Bank Berhad



TOGETHER WE PROGRESS

ANNUAL REPORT 2014

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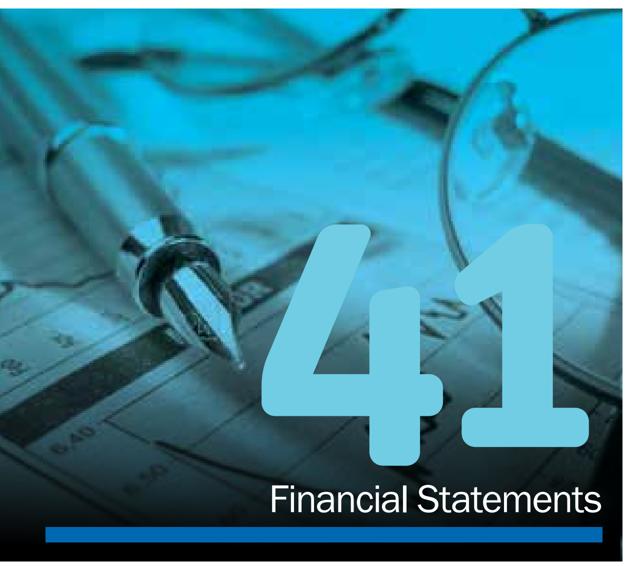

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RHB's Aspirations

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 SUMMARY

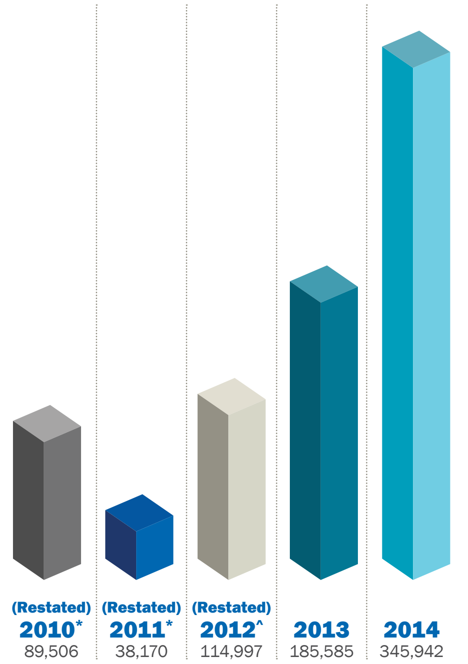
	2014	2013	(Restated) 2012^	(Restated) 2011*	(Restated) 2010*
RESULTS (RM'000)					
Profit before taxation	**345,942**	185,585	114,997	38,170	89,506
Net profit for the financial year	**285,072**	141,067	86,494	23,948	67,235
Net dividend	**14,200**	-	17,005	29,265	69,998
STATEMENTS OF FINANCIAL POSITION (RM'000)					
Share capital	**818,646**	818,646	263,646	263,646	263,646
Shareholder's equity (attributable to owner of the Bank)	**2,951,088**	2,770,363	2,467,283	614,308	653,683
Total assets	**12,388,741**	13,945,383	16,106,158	5,804,345	6,535,482
Loans and advances	**2,285,890**	2,393,747	1,727,602	43,582	50,651
Total deposits	**6,646,316**	7,105,107	9,633,300	4,604,205	5,132,302
RATIOS					
Basic earnings per share (sen)	**32.6**	19.8	32.1	9.1	25.5
Gross dividends per share (sen)	**1.7**	-	8.6	14.8	35.4
Net tangible assets per share (sen)	**199.6**	244.6	504.6	165.3	179.9
Return on shareholder's equity (%)	**9.0**	4.7	3.4	3.8	9.6

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

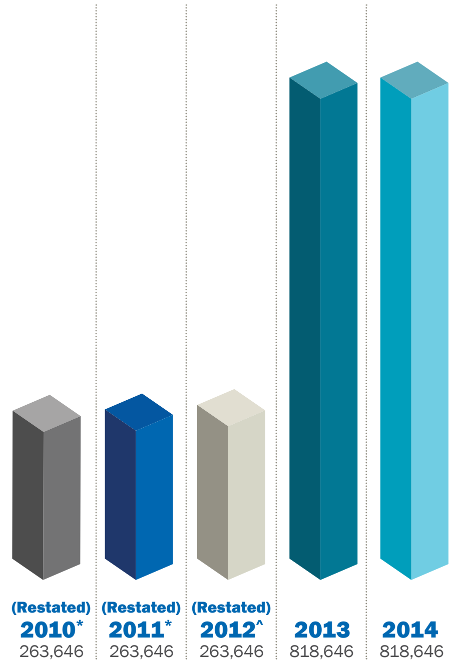
^ Restated to reflect the effect of acquisition of assets and liabilities of OSK Investment Bank Berhad by applying predecessor accounting.

SUMMARY OF FIVE-YEAR GROUP FINANCIAL HIGHLIGHTS

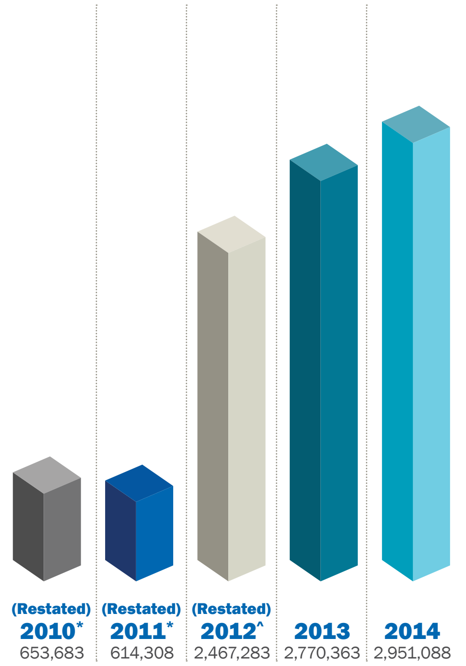
PROFIT BEFORE TAXATION
(RM'000)



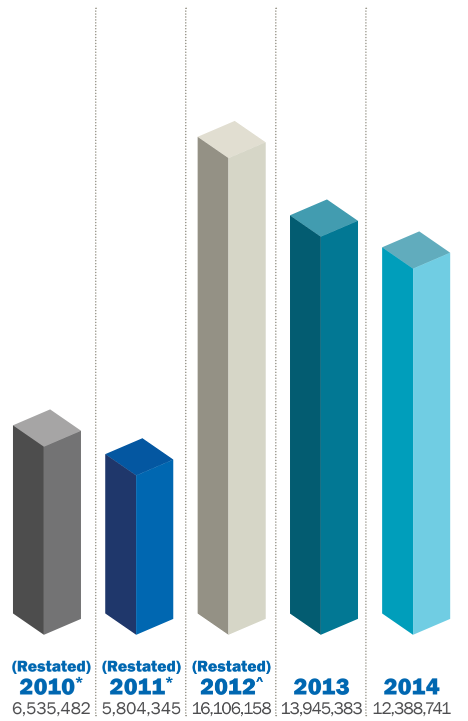
SHARE CAPITAL
(RM'000)



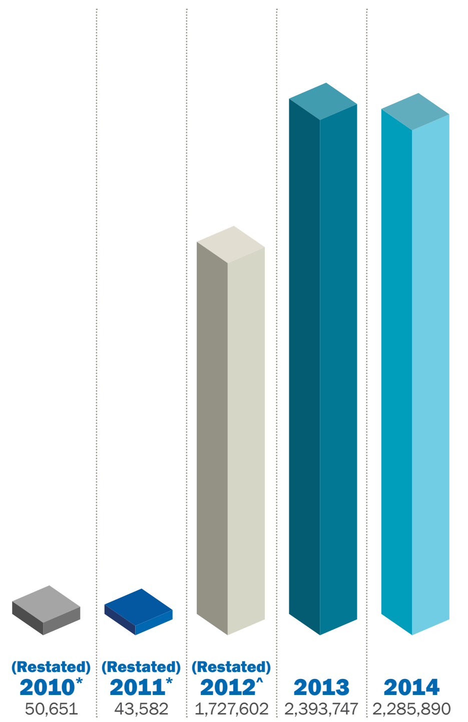
SHAREHOLDER'S EQUITY
(RM'000)



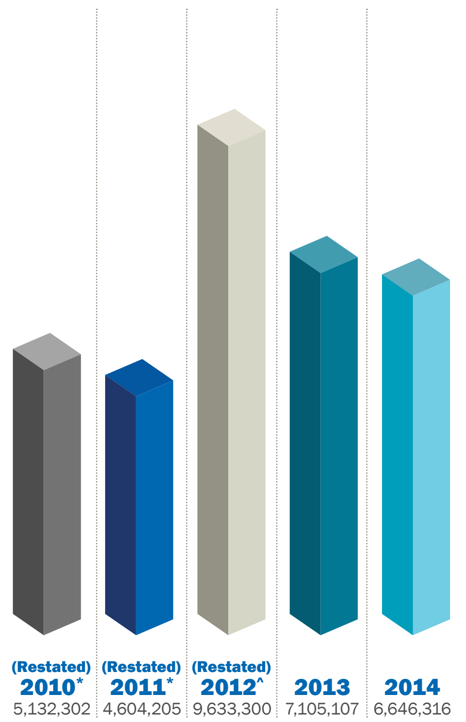
TOTAL ASSETS
(RM'000)



LOANS AND ADVANCES
(RM'000)



TOTAL DEPOSITS
(RM'000)



CORPORATE INFORMATION

AS AT 25 FEBRUARY 2015

BOARD OF DIRECTORS

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

Charles Lew Foon Keong
Senior Independent Non-Executive Director

Dato' Mohamed Khadar Merican
Independent Non-Executive Director

Patrick Chin Yoke Chung
Independent Non-Executive Director

Datuk Seri Saw Choo Boon
Independent Non-Executive Director

Abdul Aziz Peru Mohamed
Independent Non-Executive Director

Mohamed Ali Ismaeil Ali AlFahim
Non-Independent Non-Executive Director

Mike Chan Cheong Yuen
Managing Director/Chief Executive Officer

COMPANY SECRETARY

Azman Shah Md Yaman
(LS 0006901)

BOARD AUDIT COMMITTEE#

Ong Seng Pheow
Independent Non-Executive Director/Chairman

Dato' Othman Jusoh
Independent Non-Executive Director

Datuk Seri Saw Choo Boon
Independent Non-Executive Director

Datuk Haji Faisal Siraj
Independent Non-Executive Director

BOARD NOMINATING & REMUNERATION COMMITTEE*

Datuk Haji Faisal Siraj
Independent Non-Executive Director/Chairman

Datuk Seri Saw Choo Boon
Independent Non-Executive Director

Dato' Teo Chiang Liang
Independent Non-Executive Director

Choong Tuck Oon
Independent Non-Executive Director

Tuan Haji Md Ja'far Abdul Carrim
Non-Independent Non-Executive Director

BOARD RISK COMMITTEE*

Tuan Haji Khairuddin Ahmad
Independent Non-Executive Director/Chairman

Patrick Chin Yoke Chung
Independent Non-Executive Director

Tuan Haji Md Ja'far Abdul Carrim
Non-Independent Non-Executive Director

Choong Tuck Oon
Independent Non-Executive Director

Datuk Seri Saw Choo Boon
Independent Non-Executive Director

BOARD CREDIT COMMITTEE#

Dato' Mohamed Khadar Merican
Independent Non-Executive Director/Chairman

Tuan Haji Khairuddin Ahmad
Independent Non-Executive Director

Abdul Aziz Peru Mohamed
Independent Non-Executive Director

Patrick Chin Yoke Chung
Independent Non-Executive Director

Tuan Haji Md Ja'far Abdul Carrim
Non-Independent Non-Executive Director

BOARD TECHNOLOGY COMMITTEE#

Choong Tuck Oon
Independent Non-Executive Director/Chairman

Ong Seng Pheow
Independent Non-Executive Director

Dato' Mohd Ali Mohd Tahir
Independent Non-Executive Director

Charles Lew Foon Keong
Independent Non-Executive Director

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

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

CORPORATE INFORMATION
AS AT 25 FEBRUARY 2015

GROUP SENIOR MANAGEMENT (CONTINUED)

Mike Chan Cheong Yuen
Managing Director, RHB Investment Bank Berhad

Ibrahim Hassan
Managing Director, RHB Islamic Bank Berhad

U Chen Hock
Head, Group Retail Banking

Yap Choi Foong
Group Chief Financial Officer

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
Eliza Ong Yin Suen
Managing Director

RHB ISLAMIC INTERNATIONAL ASSET MANAGEMENT BERHAD
Tuan Haji Md Noor Hj A Rahman
Chief Executive Officer

RHB TRUSTEES BERHAD
Tony Chieng Siong Ung
Executive Director

MALAYSIAN TRUSTEES BERHAD
Tay Kok Leong
Executive Director

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

RHB OSK INTERNATIONAL INVESTMENTS PTE LTD
Eliza Ong Yin Suen
Executive Director

DMG & PARTNERS SECURITIES PTE LTD
Robert Angelo Hendro Santoso Huray
Chief Executive Officer

MANAGEMENT OF SUBSIDIARIES (CONTINUED)

RHB HOLDINGS HONG KONG LIMITED
Wu Wai Leung, William
Chief Executive Officer

PT RHB OSK SECURITIES INDONESIA
Chan Kong Ming
President Director

RHB OSK SECURITIES (THAILAND) PUBLIC COMPANY LIMITED
Victor Yuen Tuck Choy
Chief Executive Officer

REGISTERED OFFICE

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

Tel : 603 - 9287 3888 Fax : 603 - 9281 9314

COMPANY NO.

19663-P

BUSINESS ADDRESS

HEAD 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

Tel : 603 - 2173 1188 Fax : 603 - 2173 1288

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.

RHB CAPITAL BERHAD GROUP CORPORATE STRUCTURE

AS AT 25 FEBRUARY 2015

RHB Capital Berhad

COMMERCIAL BANKING GROUP

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

INVESTMENT BANKING GROUP

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

RHB CAPITAL BERHAD GROUP CORPORATE STRUCTURE AS AT 25 FEBRUARY 2015

◆ **100%** OSK Investment Bank (Labuan) Limited *

- ◆ **100%** OSK Futures and Options Sdn Bhd *
- ◆ **100%** OSK Research Sdn Bhd *
- ◆ **100%** RHB OSK International Asset Management Sdn Bhd *
- ◆ **100%** OSK Nominees (Tempatan) Sdn Bhd *
- ◆ **100%** OSK Nominees (Asing) Sdn Bhd *
- ◆ **100%** TCL Nominees (Tempatan) Sdn Bhd *
- ◆ **100%** TCL Nominees (Asing) Sdn Bhd *
- ◆ **100%** KE-ZAN Nominees (Tempatan) Sdn Bhd *
- ◆ **100%** KE-ZAN Nominees (Asing) Sdn Bhd *
- ◆ **80%** RHB Trustees Berhad (6) **20%**
- ◆ **80%** Malaysian Trustees Berhad (6) **20%**
- ◆ **100%** OSK Investment Management Berhad *
- ◆ **100%** RHB Asset Management Sdn Bhd
  - ◆ **100%** RHB Islamic International Asset Management Berhad
  - ◆ **100%** RHB Islamic Asset Management Sdn Bhd *
- ◆ **100%** RHB Research Institute Sdn Bhd
- ◆ **100%** RHB Merchant Nominees (Tempatan) Sdn Bhd
  - ◆ **100%** RHB Merchant Nominees (Asing) Sdn Bhd
- ◆ **100%** RHB Nominees Sdn Bhd
- ◆ **100%** RHB Nominees (Tempatan) Sdn Bhd
- ◆ **100%** RHB Nominees (Asing) Sdn Bhd
- ◆ **100%** RHB Excel Sdn Bhd (4)
- ◆ **100%** RHB Progressive Sdn Bhd (4)
- ◆ **100%** RHB Marketing Services Sdn Bhd (3)
- ◆ **100%** RHB Unit Trust Management Bhd (4)
- ◆ **100%** RHB Private Equity Holdings Sdn Bhd
  - ◆ **100%** RHB Private Equity Management Ltd
  - ◆ **100%** RHB Private Equity Fund Ltd (Cayman Islands)

◆ **94.70%** RHB Insurance Berhad

- ◆ **40.05%** RHB Finexasia.Com Sdn Bhd **59.95%**
  - ◆ **100%** RHB OSK Stock 188.Com Sdn Bhd *
- ◆ **49%** Vietnam Securities Corporation (5)

OTHERS

- ◆ **100%** RHB Equities Sdn Bhd (1)
  - ◆ **100%** KYB Sdn Bhd (4) *
- ◆ **100%** RHB Capital (Jersey) Limited
  - ◆ **100%** RHB (Philippines) Inc (2) *
- ◆ **100%** RHB Hartanah Sdn Bhd
  - ◆ **100%** Positive Properties Sdn Bhd *
  - ◆ **100%** RHB Property Management Sdn Bhd
- ◆ **100%** Straits Asset Holdings Sdn Bhd
  - ◆ **100%** SSSB Services (Melaka) Sdn Bhd (4) *
  - ◆ **100%** SFSB Services (Melaka) Sdn Bhd *
- ◆ **100%** RHB Venture Capital Sdn Bhd *
- ◆ **100%** RHB Kawal Sdn Bhd
- ◆ **100%** OSKIB Sdn Bhd *

Notes:

* Dormant Company
# Inactive

(1) With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.
(2) The company has ceased operations from the close of business on 10 December 2001.
(3) The company has commenced members' voluntary winding-up on 16 February 2011.
(4) The company has commenced members' voluntary winding-up on 28 March 2012.
(5) Jointly controlled entity
(6) 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.
(7) The company is incorporated on 30 May 2014 and commenced business on 6 June 2014.

PROFILES OF THE BOARD OF DIRECTORS

TAN SRI ONG LEONG HUAT @ WONG JOO HWA

(70 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 licence 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, Bursa Malaysia Berhad, OSK Holdings Berhad, PJ Development Holdings Berhad (Chairman), OSK Property Holdings Berhad, OSK Ventures International Berhad and KE-ZAN Holdings Berhad.

PROFILES OF THE BOARD OF DIRECTORS

CHARLES LEW FOON KEONG

(57 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. Subsequently, on 1 March 2011, he was appointed as the Senior Independent Non-Executive Director. 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 30 years of investment banking experience. He started his career in 1983 in London with Wardley James Capel (the then merchant banking and stockbroking operations of the HongKong Bank Group) and subsequently worked for a British merchant bank, Robert Fleming prior to joining Credit Commercial de France in 1989. In 1990, he returned to Asia to join Hoare Govett Asia in Singapore, where he was responsible for the regional corporate finance business. In 1997, following the sale of Hoare Govett Asia to ABN AMRO Bank, Mr Charles Lew was appointed as the Managing Director of ABN AMRO's investment banking operations in Singapore. In 1999, Mr Charles Lew founded Equator Capital, an investment management and advisory company primarily active in the trading of US equities options and managed futures. He has also participated in a number of private equity and pre-Initial Public Offerings ("IPOs") investments in the region. Over the years, he has been involved in a wide range of investment banking work, including global IPOs, equity placements, takeovers and mergers, debt/equity restructuring and venture capital and private equity financing.

Mr Charles Lew's other directorships in public companies include RHB Islamic Bank Berhad and Hastings Rare Metals Ltd, a company listed on Australian Securities Exchange.

PROFILES OF THE BOARD OF DIRECTORS

DATO' MOHAMED KHADAR MERICAN

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

Dato' Mohamed Khadar Merican ("Dato' Mohamed Khadar") was appointed as an Independent Non-Executive Director of RHB 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 has been re-designated as an Independent Non-Executive Director of RHB Investment Bank. Dato' Mohamed Khadar serves as a Chairman of the Board Credit Committee.

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

Dato' Mohamed Khadar has 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), RHB OSK Securities (Thailand) Public Company Limited (Chairman), Astro Malaysia Holdings Berhad and Sona Petroleum Berhad.

PROFILES OF THE BOARD OF DIRECTORS

PATRICK CHIN YOKE CHUNG

(69 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 Program at Harvard Business School.

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

PROFILES OF THE BOARD OF DIRECTORS

DATUK SERI SAW CHOO BOON

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

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

Datuk Seri 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 Netherlands. In 1996, Datuk Seri Saw was appointed as Managing Director of Shell MDS (Malaysia) Sdn Bhd. In 1998 to 1999, he assumed the positions of Managing Director for Oil Products (Downstream) Shell Malaysia and Managing Director of Shell Refining Company (Federation of Malaya) Berhad. In 1999, with the globalisation of the Shell Oil Products business, he was appointed the Vice-President of the commercial business in the Asia-Pacific region and in 2004 he became the President of Shell Oil Product East. Since 2005, he assumed the role of Vice-President Global Marine Products.

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

Currently, Datuk Seri Saw's other directorships in public companies are RHB Capital Berhad, Guinness Anchor Berhad (Chairman), Shell Refining Company (Federation of Malaya) Berhad, Digi.Com Berhad, 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) as the Co-Chair, Federation of Malaysian Manufacturers (FMM) Council as the President, and the Socio-Economic Research Centre (SERC) Board of the Associated Chinese Chambers of Commerce and Industry Malaysia.

PROFILES OF THE BOARD OF DIRECTORS

ABDUL AZIZ PERU MOHAMED

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

Abdul Aziz Peru Mohamed ("Encik Aziz Peru") was appointed as an Independent Non-Executive Director of RHB 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 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 Rules Committee of Association of Banks of Malaysia and has held several other key positions including 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, RHB Islamic International Asset Management Berhad, PT RHB OSK Securities Indonesia and As-Salihin Trustee Berhad.

PROFILES OF THE BOARD OF DIRECTORS

MOHAMED ALI ISMAEIL ALI ALFAHIM

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

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

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

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

PROFILES OF THE BOARD OF DIRECTORS

MIKE CHAN CHEONG YUEN

(48 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.

He holds a Master of Science in Finance from Boston College, United States of America (USA) and a Bachelor of Science in Accounting and Finance from California State University, USA.

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.

He 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's other directorships include RHB Private Equity Holdings Sdn Bhd, RHB Private Equity Management Ltd, RHB Bank (L) Ltd, Vietnam Securities Corporation (Chairman) and Financial Park (Labuan) Sdn Bhd.

INVESTMENT BANKING SERVICES

Corporate & Investment Banking Services ("CIBS") has coverage teams that markets the full spectrum of products and services offered by RHB Banking Group ("Group") to corporate clients. Dedicated relationship managers work with the Group'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, lending and fundraising via both equity and debt instruments, from structuring of the schemes to distribution of the securities. Our relationship managers also act as the one-stop point of contract for other products offered within the Group, which includes Treasury Financial Market instruments, cash management services, asset management funds of mandates as well as other banking products. 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, mergers & acquisitions, takeovers, stock exchange listings and public offerings of equity related instruments.

RHBIB has advised on many of the largest transactions and its expertise is rooted in the breadth and deep knowledge of its experienced CF team.

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

Equity Capital Markets ("ECM") provides advice and support in the origination, structuring, 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. Todate, DCM has undertaken many landmark transactions that are noted by the market for innovation and creativity.

Specialty Finance ("SF") delivers customised financing solutions which are uniquely designed to meet the funding requirements of our clients in the form of bridging loans and structured financing.

Retail Securities & Futures ("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 57 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 17 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.

INVESTMENT BANKING 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.

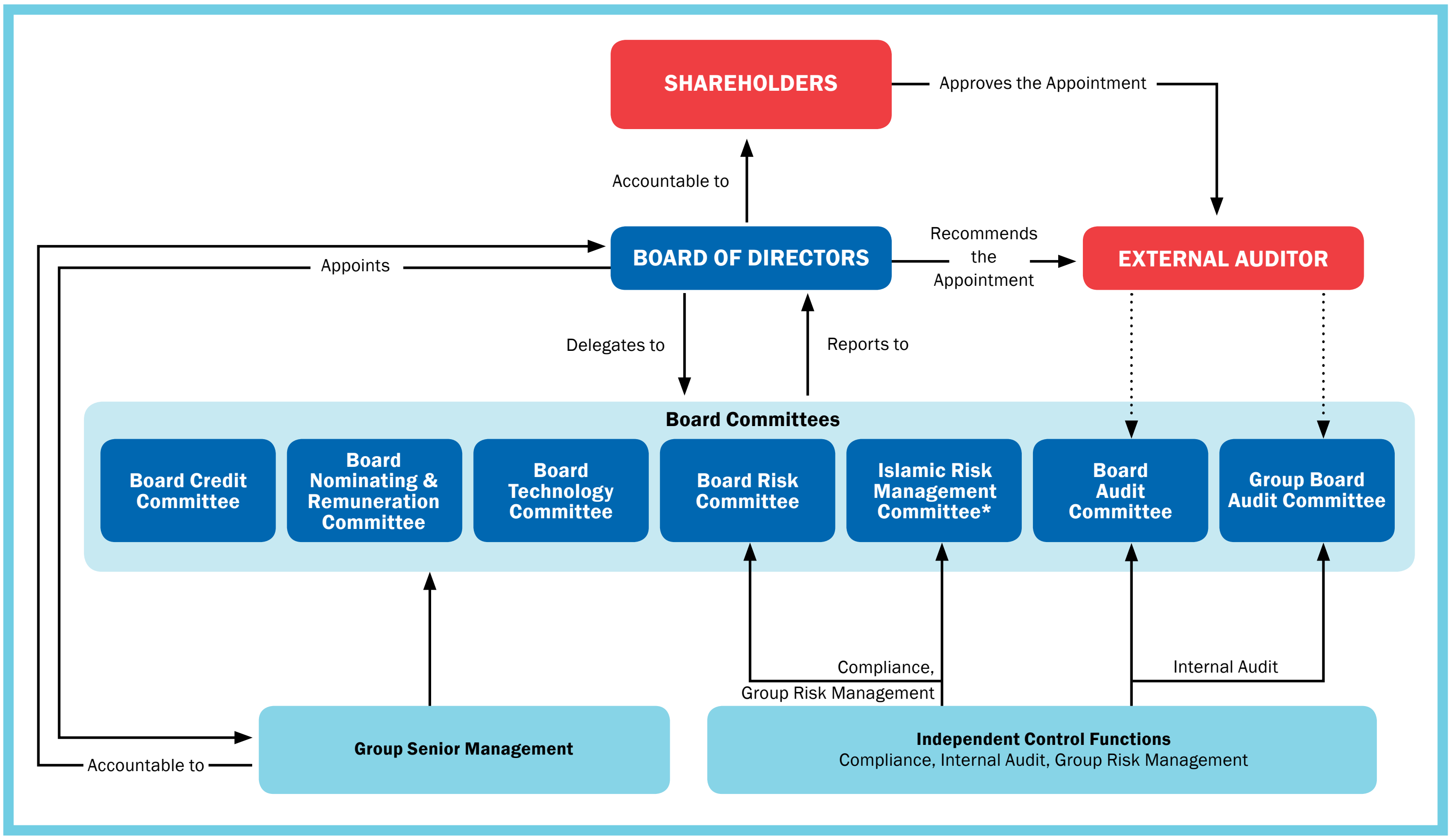
CORPORATE GOVERNANCE STATEMENT

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

Throughout the years, the Board has made concerted efforts to ensure that the Group's position as a whole and its reputation as a leading financial holding company are held in good stead. The Group has thus implemented a corporate governance structure based on stringent corporate governance practices and regulations, a clear organisational structure with well-defined accountabilities and responsibilities, and robust internal control and risk management mechanisms. Hence, these governance processes are also cascaded and adopted by the subsidiaries including the Company.

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

GOVERNANCE MODEL



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

CORPORATE GOVERNANCE STATEMENT

THE BOARD OF DIRECTORS

Board Charter

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

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

The Board Charter is reviewed periodically by the Board to ensure corporate governance principles are in line with changes in regulations and best practices.

Roles and Responsibilities of the Board

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

The Board assumes the following key roles and responsibilities:

(a) Strategy setting

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

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

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

The Board also governs the Company's risk management, internal controls and human resource ("HR") management through the delegation of certain decision making and/or oversight responsibilities to various Board Committees, namely the Board Risk Committee, Board Nominating & Remuneration Committee, Board Audit Committee, Board Credit Committee and Board Technology Committee. At the executive level, the MD assumes the overall responsibilities for the execution of the Investment Bank's strategies and plans in line with the Board's direction, oversees its subsidiaries' operations and drives the Investment Bank's businesses and performance towards achieving the Group's vision and goals. In carrying out his tasks, the MD is supported by various key Senior Management of the Investment Bank.

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

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

(c) Risk Management

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

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

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

CORPORATE GOVERNANCE STATEMENT

The Company maintains and reviews its internal control procedures to ensure, as far as possible, the protection of its assets and liabilities as well as its shareholder's investments. The Board considers that the Company's risk management framework and system of internal control, which are in place throughout the financial year, up to and as of the date of this report, are operating adequately and effectively. An overview of the Company's systems of risk management is contained in the Risk Management Statement set out on pages 30 to 33 of this Annual Report.

(d) Talent Development and Succession Planning

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

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

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

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

(e) Internal Control

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

Board Composition and Balance

The Board of RHB Investment Bank is currently represented by eight Members, comprising a Non-Independent Non-Executive Chairman, four INEDs, two NINEDs and the MD.

The structure and composition of the Board comply with the BNM's Guidelines on Corporate Governance for Licensed Institutions ("BNM's CG Guidelines").

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

Boardroom Diversity Policy

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

Assessment of Independence

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

CORPORATE GOVERNANCE STATEMENT

In addition, Independent Directors are required to attest to their compliance with the criteria and definition of "Independent Director" as stipulated under Clause 2.26 of BNM's CG Guidelines. All Independent Directors are independent from the Company's shareholder, are not shareholder themselves or directly associated with any shareholder.

At every Board Meeting, all Directors are required to disclose their interest or any possible conflicts on any matter put forth in the meeting. When required, the interested Director shall excuse himself/herself and abstain from deliberation and voting to allow unbiased and free discussion and decision-making.

Tenure of Independent Directors

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

YBhg Dato' Mohamed Khadar Merican ("YBhg Dato' Mohamed Khadar") and Mr Charles Lew Foon Keong were first appointed as INEDs for RHB Investment Bank in December 2003 and March 2004, respectively, therefore serving more than nine years. Pursuant to the Internal Guidelines and in line with recommendations of the Malaysian Code on Corporate Governance 2012 which states that the service tenure of an INED should not exceed a consecutive or cumulative term of nine years, the Board is required to justify and seek shareholders' approval to retain YBhg Dato' Mohamed Khadar and Mr Charles Lew Foon Keong as INEDs.

Pursuant to a letter dated 24 March 2015 from Bank Negara Malaysia, YBhg Dato' Mohamed Khadar's status as an INED for RHB Investment Bank is redesignated as a Non-Executive Director with effect from the forthcoming Annual General Meeting of RHB Capital Berhad.

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

Role of the Chairman and Managing Director

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

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

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

The MD, Mr Mike Chan Cheong Yuen ("Mr Mike Chan") who has more than 22 years of experience in the financial services industry, where he has held positions in well-established local and foreign financial institutions, assumes the overall responsibilities for the execution of the Company's strategies in line with the Board and the Group's direction, and drives the Company's businesses and performance towards achieving the vision and goals of the Company and the Group.

Directors' Appointment and Assessment

(a) Appointment of Directors

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

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

NOMINATION FRAMEWORK

CORPORATE GOVERNANCE STATEMENT

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

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

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

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

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

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

(b) Board Effectiveness Evaluation

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

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

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

Part A: Board Evaluation

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

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

CORPORATE GOVERNANCE STATEMENT

Part D: Committee Members' Self and Peer Evaluation

1. Participation levels and contribution
2. Technical competencies

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

MEETINGS AND SUPPLY OF INFORMATION TO THE BOARD

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

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

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

Name of Directors	No. of Meetings Attended	Total Percentage of Attendance (%)
YBhg Tan Sri Ong Leong Huat @ Wong Joo Hwa	14/14	100
YBhg Dato' Mohamed Khadar Merican	13/14	92.9
Mr Charles Lew Foon Keong	14/14	100
Mr Patrick Chin Yoke Chung	12/14	85.7
YBhg Datuk Seri Saw Choo Boon	14/14	100
Encik Abdul Aziz Peru Mohamed	13/14	92.9
Mr Mohamed Ali Ismaeil Ali AlFahim^	9/10	90
Mr Mike Chan Cheong Yuen	14/14	100
YBhg Tan Sri Azlan Zainol#	6/8	75

Note:

^ Appointed with effect from 9 May 2014.

Resigned with effect from 9 July 2014.

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

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

CORPORATE GOVERNANCE STATEMENT

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. This information is used to monitor the number of directorships held by the Directors of RHB Investment Bank, including those on other public listed companies, and to notify the Companies Commission of Malaysia accordingly.

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

Information and Advice

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

Dedicated Company Secretary

The Board acknowledges and is satisfied with the performance and support rendered by the Company Secretary. In addition to acting as the 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 the Company, ensure that Board meetings are properly convened and maintain accurate and proper record of the proceedings and minutes of the meetings.

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

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

Remuneration Strategies

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

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

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

(a) Directors' Fees

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

The shareholder of the Company had, at the last AGM held on 7 May 2014, approved an increase of Directors' fee to RM150,000 per annum for Non-Executive Chairman and RM120,000.00 per annum for NEDs retrospective from 1 January 2013.

(b) Board Committee Allowances

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

(c) Meeting attendance allowance

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

(d) Benefits-in-kind

Benefits are accorded to the Chairmen of the Group, consisting amongst others 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.

CORPORATE GOVERNANCE STATEMENT

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

DIRECTORS' ORIENTATION, CONTINUING EDUCATION AND TRAINING

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

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

A newly appointed NINED, Mr Mohamed Ali Ismaeil Ali AlFahim ("Mr AlFahim"), attended an induction programme organised by the Management of the Group in July 2014 to provide him with in-depth information of the industry as well as an overview of the Group's business operations. During the induction programme, the relevant Management briefed Mr AlFahim on the functions and areas of responsibility of their respective divisions. This enabled him to familiarise himself with the Group's operations and organisational structure. It also helped him to establish effective channels of communication and interaction with Management.

In addition, Mr AlFahim received a comprehensive Director's induction kit to assist him in building a detailed understanding of the Group's operations, its longer-term direction and statutory obligations. Pursuant to the requirement of Bursa Securities, Mr AlFahim also completed the Mandatory Accreditation Programme in August 2014 and received a certificate from the Bursa Securities-approved programme organiser.

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

(a) Corporate Governance

- Financial Institution Directors Education ("FIDE") Forum Event – A Comprehensive Talent based Approach to Board Recruitment
- Corporate Governance Conference – The Challenges of Corporate Governance in the Financial Services Sector

(b) Banking and Finance

- Training Session No. 5 of Internal Capital Adequacy Assessment Process – Supervisory review preparation for Board of Directors
- Briefing on Cross Border Financing between Malaysia and Indonesia
- Breakfast Talk – Singapore National ICT Masterplan

(c) Risk Management and Legal

- Managing risks in Islamic Banks

BOARD COMMITTEES

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

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

BOARD NOMINATING & REMUNERATION COMMITTEE

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

CORPORATE GOVERNANCE STATEMENT

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

Note:
* INED within RHB Banking Group
# NINED within RHB Banking Group
^ YBhg Dato' Mohamed Khadar Merican resigned as a member of BNRC with effect from 18 September 2014.

The salient TOR of the BNRC is as follows:

- Establish a documented procedure for the appointment of Directors, Board Committee members, Group Shariah Committee ("GSC") and key Senior Management officers.
- Establish and recommend for Board approval, minimum requirements for Directors, GSC and key Senior Management officers.
- Establish and recommend for Board approval, the optimal size and mix of skills to ensure efficient operation of the Boards/Board Committees/GSC.
- Assess and recommend for Board approval, new and reappointed nominees for directorship, Board Committee members, GSC and key Senior Management officers.
- Establish and recommend for Board approval, a mechanism for the formal assessment of the performance of Boards as a whole, Board Committees, GSC, each Director and key Senior Management officers.
- Review performance assessment results and recommend to the Board, the removal of any Director, GSC or key Senior Management officer found to be ineffective, errant and negligent in the discharge of responsibilities.
- Ensure Directors, Board Committee members and GSC receive appropriate induction and continuous training programmes for closure of skill gaps and keeping abreast with latest developments.
- Ensure the establishment of formal and transparent procedures for developing remuneration and HR policies, strategies and framework for Directors, GSC and key Senior Management officers.
- Recommend remuneration strategies, policies and framework and specific remuneration packages for Directors, Board Committee members, GSC and key Senior Management officers, which should be (where relevant):
  - Market competitive and in support of the Group's culture, vision, objectives and strategy;
  - Reflective of the responsibilities and commitment required;
  - Sufficient to attract and retain quality people but yet not excessive;
  - Performance driven with sufficient emphasis on long term development of the Group to avoid excessive short-term risk-taking; and

  The framework should cover all aspects of remuneration including directors' fees, salaries, allowances, bonuses, options and benefits-in-kind.
- Ensure HR strategies, policies and frameworks are in place for all the building blocks of a quality HR Management System (e.g. succession planning, talent and leadership development, training, etc.) to support the Group in achieving its objectives.
- Approve changes to Group HR policies, in line with HR strategy and direction set by the Board.

Board Risk Committee

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

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

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

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

CORPORATE GOVERNANCE STATEMENT

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

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

Note:
* INED within RHB Banking Group.
# NINED within RHB Banking Group.

BOARD COMMITTEES THAT RESIDE AT RHB BANK LEVEL

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

Board Audit Committee

The Board Audit Committee ("BAC") comprises four INEDs representing the Group's operating entities including RHB Investment Bank. The BAC provides independent oversight of RHB Banking Group's financial reporting and internal control system, ensuring checks and balances for entities within the Group, excluding RHB Capital [which established its own Group Board Audit Committee ("GBAC") as required under Main Market Listing Requirements]. The BAC continuously reinforces the independence of the external auditors and provides a line of communication between the Board and the external auditors.

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

Board Credit Committee

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

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

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

Notes:
* INED within RHB Banking Group
# NINED within RHB Banking Group

The salient TOR of the BCC is as follows:

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

Board Technology Committee

The Board Technology Committee ("BTC") comprises four INEDs, the Group MD and Deputy Group MD. The BTC guides the Boards of the major operating subsidiaries on the Group's strategic IT programmes and major IT investments. The BTC reviews and recommends to the Boards the Group's overall technology strategies and policies, strategic

CORPORATE GOVERNANCE STATEMENT

and major technology investments and projects above Management's limits set by the Boards or as referred to by the Group Management Committee. It also receives updates from Management on emerging technology trends affecting the Group.

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

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

Note:
* INED within RHB Banking Group

The salient TOR of the BTC is as follows:

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

INVESTOR RELATIONS AND STAKEHOLDER COMMUNICATIONS

Corporate Website

Recognising the importance of a high quality corporate website in promoting the Group's branding and image, the Group revamped and launched its new corporate website in February 2015 to meet the evolving expectations of customers and other stakeholders. Information on RHB Investment Bank's range of products is available and publicly accessible on the corporate website (www.rhbgroup.com) under 'Products & Services'.

UPHOLDING INTEGRITY

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 future prospects through the Annual Audited Financial Statements and quarterly reports.

Relationship with Internal and External Auditors

Internal audit

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

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

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

Assessment of external auditors

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

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

CORPORATE GOVERNANCE STATEMENT

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

Group Whistle Blower Policy

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

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

Code of Ethics

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

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

Group Gifts & Hospitality Guidelines

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

Corporate Responsibility

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

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

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

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

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

ADDITIONAL COMPLIANCE INFORMATION

Related Party Transactions

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

RESPONSIBILITY

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

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

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

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

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.

KEY RISK MANAGEMENT AND INTERNAL CONTROL PROCESSES

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

Risk Management Framework

The risk management process seeks to identify, measure, monitor and control risk. It also seeks to ensure that risk exposures are adequately managed and that the expected returns compensate the risks taken, given that the risks within the industry we operate in are continuously changing and evolving. This process is regularly reviewed by the Board through its 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 Investment Bank. In discharging its overall duties and responsibilities, the BRC is supported by the Group Capital and Risk Committee and Group Risk & Credit Management function which monitor and evaluate the effectiveness of the Group's risk management system and operations on an ongoing basis.

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

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

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

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Internal Audit Function

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

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

The BAC holds regular meetings to deliberate on the findings and recommendations for improvement highlighted by both the internal and external auditors as well as the regulatory authorities on the state of the Investment Bank's internal control system. The minutes of the meetings of the BAC are subsequently tabled to the Board for notation while the highlights of the BAC meetings are presented to the Board by the independent non-executive director who is also a member of the BAC.

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

Group Compliance Framework

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

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

The Group's state of compliance with laws, regulations and internal policies and procedures 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 and negligence (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.

Shariah Compliance

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

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

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

Board Committees

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

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Group Management Committee

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

Corporate and Investment Banking Business Council

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

Information Technology (IT) Security

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

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

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

Authority Limits

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

Budgeting Process

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

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

Performance Review

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

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

Internal Policies and Procedures

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

STATEMENT ON RISK MANAGEMENT & INTERNAL CONTROL

Human Capital Management

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

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

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

Group Code of Ethics and Conduct

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

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

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

Group Whistle Blower Policy

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

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

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

Incident Management Reporting

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

BOARD AUDIT COMMITTEE REPORT

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

Activities of the Board Audit Committee

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

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

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

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

- Reviewed the quarterly unaudited financial results and the annual audited financial statements of RHB Investment Bank Berhad and the key operating entities within the Group before recommending them for approval by the Board;
- Reviewed the audit plan of the external auditors, the audit strategy, risk assessment and areas of audit emphasis for the year;
- Reviewed with the external auditors, the results of their annual audit and Board Audit Committee report together with the Management's response to their findings and recommendations;
- Met twice with the external auditors without the presence of the Management to discuss issues of concern to the auditors arising from the annual statutory audit;
- Reviewed the non-audit services rendered by the external auditors and the related fees taking into consideration the fees threshold established under the Group policy;
- Evaluated the performance of the external auditors and made the necessary recommendations to the Board for consideration in relation to their appointment and audit fees;
- Reviewed and approved the annual internal audit plan to ensure adequacy of scope and coverage of the identified auditable areas including staffing requirements;
- Reviewed the internal audit reports, audit recommendations and Management's responses to these recommendations as well as the timely actions taken to improve the system of internal controls and procedures, and completion of the internal audit plan;
- Reviewed the related party transactions entered into by RHB Investment Bank Berhad and its subsidiaries;
- Reviewed the proposed changes to the Group Internal Audit Charter ("Audit Charter") prior to recommending the updated Audit Charter for approval by the Board;
- Reviewed the proposed changes to the Terms of Reference ("TOR") of the BAC for approval by the Board;
- Reviewed the inspection and examination reports issued by the regulatory authorities and the appropriate remedial actions taken in respect of any findings to satisfy itself that all matters highlighted in these reports had been adequately and promptly addressed by management; and
- Tabled the minutes of each BAC meeting to the Board for notation, and for further direction by the Board, where necessary.

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

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

BOARD AUDIT COMMITTEE REPORT

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

Internal Audit Function

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

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

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

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

TERMS OF REFERENCE OF THE BOARD AUDIT COMMITTEE

Objective

1. Provide independent oversight of RHB Banking Group ("the Group")'s financial reporting and internal control system, and ensuring checks and balances for entities within the Group.

2. Review the quality of the audits conducted by internal and external auditors.

3. Provide a line of communication between Board and external auditors.

4. Reinforce the independence of the external auditors and thereby help assure that they will have free rein in the audit activities.

5. Provide emphasis on the internal audit function by increasing the objectivity and independence of the internal auditors and provide a forum for discussion that is, among others, independent of the management.

6. Enhance the perceptions held by stakeholders (including shareholders, regulators, creditors and employees) of the credibility and objectivity of financial reports.

Authority

The BAC shall, within its terms of reference:

1. The Chairman of the BAC should engage on a continuous basis with senior management, such as the Managing Director/Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, the head of internal audit and the external auditors in order to be kept informed of matters affecting the Group.

2. The BAC is authorised by the respective Boards to investigate any matter within its terms of reference, to obtain the resources which it needs, and to have full and unrestricted access to relevant information. It is also authorised to seek any information it requires from any employee of the Group and all employees are directed to co-operate with any request made by the BAC.

3. The BAC shall have direct communication channels with the external and internal auditors.

4. The BAC is authorised by the respective Boards to obtain independent professional or other advice and to invite outsiders with relevant experience and expertise to attend meetings, if it considers this necessary.

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

BOARD AUDIT COMMITTEE REPORT

DUTIES AND RESPONSIBILITIES

The duties and responsibilities of the BAC are as follows:

1. **The BAC is directly accountable to the Boards of the respective entities and the Boards will continue to be accountable for all matters relating to their respective entities.**

2. **Internal Audit**

   - To ensure that the internal audit department is distinct and has the appropriate status within the overall organisational structure for the internal auditors to effectively accomplish their audit objectives.

   - To review the effectiveness of internal controls and risk management processes, including the scope of the internal audit programme and the appropriateness of the risk assessment methodology employed to determine the frequency and scope of audits.

   - To review the adequacy of the scope, functions and resources of the internal audit function, Internal Audit Charter and that it has the necessary authority to carry out its work.

   - To review and approve the internal audit plan and to review the results of the internal audit programme or investigation undertaken and whether appropriate action is taken by Management on the recommendations of the internal auditors.

   - To ensure that the reporting relationships of the internal audit staff do not impede the exercise of independent judgment by the internal auditors. In particular, the reports of internal auditors should not be subject to the clearance of the managing director/chief executive officer or any executive directors.

   - To ensure that all findings and recommendations are resolved effectively and in a timely manner.

   - To ensure that internal audit staff receives necessary training to perform audit work. There shall be a programme of continuing education and training to enable the internal auditors to keep abreast of business trends and latest developments at both the institution and industry levels, as well as to enhance technical skills required to effectively support the audit function.

   - To appraise the performance of the head of internal audit and to review the appraisals of senior staff members of the internal audit function.

   - To approve any appointment or termination of the head of internal audit and senior staff members of the internal audit function and to review any resignations of internal audit staff members and provide resigning staff members an opportunity to submit reasons for resigning, where necessary.

3. **External Audit**

   - To review with the external auditors whether the employees of the Group have given them appropriate assistance in discharging their duties.

   - To review with the external auditors, the nature and scope of their audit plan, their evaluation of the system of internal controls and their management letter and discuss any matter that the external auditors may wish to raise in the absence of management, where necessary.

   - To recommend to the respective Boards on the appointment and the annual reappointment of the external auditors and assessing their audit fee, after taking into consideration the independence and objectivity of the external auditors and the cost effectiveness of their audit.

   - To discuss and review with the external auditors any proposal from them to resign as auditors.

   - To review the non-audit services rendered by the external auditors together with the related fees for recommendation to the respective Boards for approval in accordance with the Group Policy on Non-Audit Fees payable to the external auditors.

   - To review the co-ordination of audit approach where more than one audit firm of external auditors is involved.

4. **Financial Reporting**

   - To review the quarterly results and year-end financial statements of the respective entities for recommendation to the respective Boards for approval, focusing particularly on:

     (i) Changes in or implementation of new accounting policies and practices;

BOARD AUDIT COMMITTEE REPORT

(ii) Significant and unusual events; and

(iii) Compliance with applicable financial reporting standards and other legal and regulatory requirements.

5. Related Party Transactions

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

6. Other Matters

- To ensure independent review of risk management and capital management processes relating to the Internal Capital Adequacy Assessment Process (ICAAP) for their integrity, objectivity and consistent application, is conducted.
- To review the Group's Islamic-based business and operations comply with the Shariah Governance Framework for Islamic Financial Institutions.
- To review the following pertaining to RHB Insurance Berhad:

  (i) The Chairman's statement, interim financial reports and preliminary announcements;

  (ii) Corporate governance disclosures made in the Directors' Report pursuant to the requirement in BNM/RH/GL/003-2: Prudential Framework of Corporate Governance for Insurers; and

  (iii) All representation letters signed by management, and be satisfied that the information provided is complete and appropriate.
- To review inspection and examination reports issued by any regulatory authority and to ensure prompt and appropriate actions are taken in respect of any findings.
- To review the minutes of meetings of other board audit committees within the Group to the extent permitted by the relevant regulatory authorities and be satisfied that all matters arising therefrom are being appropriately addressed by these other board audit committees.
- To perform any other functions as authorised by the respective Boards.

REPORTING

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

COMPOSITION OF BAC

1. The membership of the BAC, including the position of Chairman shall be approved by the respective Boards based on the recommendation made by the Board Nominating and Remuneration Committee.
2. The BAC shall comprise at least three (3) members and there should be a fair representation on the BAC, from each entity within the Group. All members of the BAC should be non-executive directors with majority of whom are independent.
3. The Chairman of the BAC shall be an independent non-executive director.
4. No BAC member shall be employed in an executive position in the Group, or otherwise have a relationship which in the opinion of the respective Boards will interfere with the exercise of independent judgement in carrying out the functions of the BAC. In addition, members of the BAC shall not be directly responsible for, or part of any committee involved in, the management functions within the Group.
5. No alternate director shall be appointed as a member of the BAC.
6. Collectively, the BAC shall have a wide range of necessary skills to undertake its duties and responsibilities and are expected to be familiar with the areas included in the scope of internal audit, including the area of risk management.
7. All members of the BAC shall be financially literate and at least one member shall be a member of an accounting association or body.
8. The term of office and performance of the BAC and each of its members must be reviewed by the respective Boards annually.
9. If a member of the BAC resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the respective Board shall within three (3) months of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

BOARD AUDIT COMMITTEE REPORT

FREQUENCY OF MEETINGS

1. The BAC shall meet at least once a month or when necessary.

2. Quorum: Two-thirds of the members (majority of the members present shall be independent non-executive directors).

3. Permanent Invitees: Group Chief Financial Officer, Chairman, Board Audit Committee and the Group Chief Internal Auditor. Other invitees:

   (i) The BAC should not convene any meeting to discuss specific issues of a particular entity without the presence of the representative of the said entity.

   (ii) The BAC may invite the external auditors, the Managing Director/Chief Executive Officer, the Chief Operating Officer, the Chief Financial Officer, any other directors or members of the Management and employees of the Group to be in attendance during meetings to assist in its deliberations.

   (iii) At least twice a year, the BAC shall meet with the external auditors without the presence of the Management or any executive Board members and upon the request of the external auditors, the Chairman of the BAC shall convene a meeting to consider any matter which the external auditors believe should be brought to the attention of the respective Boards or shareholders.

SECRETARIAT

1. Company Secretary or representative from Group Secretariat.

2. Minutes of each meeting shall be kept and distributed to all members of the BAC and shall be tabled to the Board.

3. Details of the activities of the BAC, the number of audit meetings held in a year, details of attendance of each member in respect of meetings, and the details of relevant training attended by each member should be documented in an informative way.

DISCLOSURE

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

1. Membership of the BAC.

2. Responsibilities and terms of reference of the BAC.

3. Number of the BAC meetings as well as attendance of meetings by BAC members.

AWARDS & RECOGNITION

RHB INVESTMENT BANK BERHAD

1. **8th ANNUAL ALPHA SOUTHEAST ASIA DEAL & SOLUTION AWARDS 2014**
    - **Best Equity Research in ASEAN**
        - **Press Metal Berhad**

2. **THE EDGE MALAYSIA'S BEST DEALS OF THE YEAR 2014**
    - **Best Share Placement**
        - Berjaya Group Berhad's placement of 14% Stake in Berjaya Auto Berhad for RM230 million
          Joint Bookrunner
    - **Best Fundraising (non-IPO)**
        - Public Bank's Rights Issue
          Joint Global Coordinator & Joint Lead Underwriter
    - **Best Initial Public Offering (Notable Mentions)**
        - IOI Properties Group Berhad
          Joint Principal Adviser & Joint Global Coordinator
        - Econpile Holdings Bhd
          Sole Principal Adviser, Sole Underwriter & Sole Placement Agent

3. **IFR ASIA AWARDS 2014**
    - **Regional Award – Best Islamic Issue**
      Malaysia Building Society Berhad's RM495 million Structured Covered Sukuk

4. **ASIAMONEY BROKERS POLL 2014**
    - **Malaysia – firm level**
        - #1 Most Improved Brokerage Over the Last 12 Months
        - #3 Best Overall Country Research
        - #3 Best Local Brokerage
        - #2 Best Sales Trading
        - #3 Best for Events and/or Conference
        - #3 Best Roadshows and Company Visits
        - #3 Best Overall Sales Services
    - **Malaysia – individuals**
        - #3 Best Analyst For Energy – Jason Saw
    - **Malaysia – Research Coverage – individuals**
        - Best in Macroeconomics – Lim Chee Sing
        - Best in Semiconductors & Semiconductor Equipment – Chan Jit Hoong
    - **Singapore – firm level**
        - #1 Most Improved Brokerage Over the Last 12 Months
        - #2 Most Independent Research Brokerage
        - # Best Local Brokerage
        - #3 Best Execution
    - **Singapore – individuals**
        - #1 Best Sales Person – Nicole Chan
        - #3 Best Sales Trader – Kenneth Low
    - **Singapore – Research Coverage – individuals**
        - Best in Small Caps – Terence Wong
        - Best in Energy – Lee Yue-Jer
        - Best in Industrials – Lee Yue-Jer
        - Best in Software and Internet Services – Edisen Chen
        - Best in Technology Hardware & Equipment – Edisen Chen

5. **BURSA MALAYSIA BROKERS' AWARDS 2013**
    - **Best Retail Participating Organisation** - 2nd Place
    - **Most CDS Accounts Opened** - 2nd Place
    - **Best Participating Organisation (Investment Bank)** - 3rd Place
    - **Best Online Participating Organisation** - 3rd Place

6. **THE ASSET 2014 ASIAN CURRENCY BOND BENCHMARK REVIEW**
    - **Malaysian Ringgit Bonds – Sales**
        - **Joanne Gan** – Commended
        - **Shahrulniza Ramli** – Commended
        - **Soh Chin Yong** – Commended
        - **Syed Badli Faisal bin Syed Baijuri** – Commended

7. **8th ALPHA SOUTHEAST ASIA BEST FINANCIAL INSTITUTION AWARDS**
    - **Marquee Award**
        - **Best Mid-Cap Corporate Finance House in Southeast Asia**
          RHB Investment Bank

8. **11th RAM LEAGUE AWARDS – RAM AWARDS OF DISTINCTION 2013**
    - **Blueprint Award 2013**
        - **Outstanding Deal of the Year**
          RM3 billion Structured Covered Sukuk Commodity Murabahah Programme by Malaysia Building Society Berhad
          Sole Principal Adviser and Structuring Adviser, Sole Lead Arranger and Sole Lead Manager

AWARDS & RECOGNITION

- **New Structured-Finance Benchmark Deal**
  RM3 billion Structured Covered Sukuk Commodity Murabahah Programme by Malaysia Building Society Berhad
  Sole Principal Adviser and Structuring Adviser, Sole Lead Arranger and Sole Lead Manager

- **Lead Manager Award 2013**
  - Lead Manager Award Islamic – By Programme Value – 3rd

9. **THE ASSET TRIPLE A ISLAMIC FINANCE AWARDS 2014**

- **Regional House Award**
  - **Rising Star Sukuk House of the Year, Asia-Pacific**
    RHB Investment Bank

- **Best Deal by Country**
  - **Best Deal in Malaysia**
    Malaysia Building Society Berhad RM495 million Structured Covered Sukuk Murabahah (first issuance)
    Sole Principal Adviser and Structuring Adviser, Sole Lead Arranger and Sole Lead Manager

- **Best Deal in Malaysia**
  - **Highly Commended**
    - *DanaInfra Nasional RM300 million Exchange-Traded Sukuk (Out of RM8 billion programme)*
      Joint Lead Arranger and Joint Lead Manager
    - Cagamas Berhad RM3.8 billion Multi-Tenor Sukuk
      Joint Lead Manager

- **Best Islamic Finance Deal**
  - **Best Islamic Structured Financing**
  - **Best Local Currency Sukuk**
    Malaysia Building Society Berhad RM495 million Structured Covered Sukuk Murabahah (first issuance)
    Sole Principal Adviser and Structuring Adviser, Sole Lead Arranger and Sole Lead Manager

- **Most Innovative Deal**
  - **Highly Commended**
    SP Setia Berhad RM700 million Islamic Perpetual Notes
    Joint Lead Arranger and Lead Manager

RHB RESEARCH INSTITUTE SDN BHD

1. **THE ASSET 2014 ASIAN CURRENCY BOND BENCHMARK REVIEW**

- **Malaysian Ringgit Bonds – Research**
  - Research - Top Rank – **Ray Choy** – The Best Individual in Research in Asian Local Currency Bonds 2014
  - Research - Highly Commended – **Lim Chee Sing**

2. **STARMINE ANALYST AWARDS 2014**

- **StarMine Overall Analyst Awards: Asia**
  - **Chaw Sook Ting** – Overall Top Stock Picker: #1

- **StarMine Industry Analyst Awards**
  - **Jerry Lee** – Top Stock Picker for Transportation: #1
  - **Loong Kok Wen** – #2 Top Stock Picker for Real Estate (including REITs): #2

- **StarMine Overall Analyst Awards 2014: Singapore**
  - **Lynette Tan** – Top Stock Picker for Retail & Consumer Products; Industrials; Resources & Infrastructure: #2
  - **Lee Yue Jer** – Top Stock Picker for Industrials: #4
  - **Edison Chen** – Top Stock Picker for Technology; Resources & Infrastructure; Industrials: #5

- **StarMine Broker Awards 2014: Singapore**
  - RHB Research Institute – Top Most Winning Brokers: #1

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RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

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

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

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

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

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 196 of the financial statements.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

The principal activities of the Bank 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	266,746	255,991
- Non-controlling interests	18,326	-
Net profit for the financial year	285,072	255,991

DIVIDENDS

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

	RM'000
In respect of the financial year ended 31 December 2014:	
- Single-tier interim dividend of 1.7346 sen per share paid on 24 September 2014	14,200

The Directors did not propose any final dividend for the financial year ended 31 December 2014.

RESERVES AND PROVISIONS

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

ISSUE OF SHARES

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

DIRECTORS' REPORT

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

DIRECTORS' REPORT

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

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

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	
Mr Charles Lew Foon Keong	
Mr Patrick Chin Yoke Chung	
Datuk Seri Saw Choo Boon	
Encik Abdul Aziz Peru Mohamed	
Mr Mohamed Ali Ismaeil Ali AlFahim	(Appointed wef 9 May 2014)
Mr Mike Chan Cheong Yuen	
Tan Sri Azlan Zainol	(Resigned on 9 July 2014)

Pursuant to Article 93 of the Bank's Articles of Association, Mr Patrick Chin Yoke Chung and Datuk Seri Saw Choo Boon shall 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 Mohamed Ali Ismaeil Ali AlFahim shall retire 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 shall 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 1.1.2014	Bought	Sold	As at 31.12.2014
Holding Company **RHB Capital Berhad**				
Dato' Mohamed Khadar Merican				
- Direct	64,486	826	-	65,312
Tan Sri Ong Leong Huat @ Wong Joo Hwa				
- Indirect	1,100^	-	-	1,100^
	252,304,688*	3,492,900	-	255,797,588*

Note:

^ The interest is held through family member.

* Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholdings, via OSK Equity Holdings Sdn Bhd, 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' REPORT

DIRECTORS' BENEFITS

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

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

IMMEDIATE AND ULTIMATE HOLDING COMPANY

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

AUDITORS

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

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

TAN SRI ONG LEONG HUAT @ WONG JOO HWA
CHAIRMAN

MIKE CHAN CHEONG YUEN
MANAGING DIRECTOR

Kuala Lumpur
5 March 2015

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
ASSETS					
Cash and short-term funds	2	**1,496,220**	1,065,190	**1,235,690**	793,935
Deposits and placements with banks and other financial institutions	3	**-**	100,715	**-**	100,715
Financial assets held-for-trading ("HFT")	4	**311,196**	1,226,494	**91,869**	1,061,869
Financial investments available-for-sale ("AFS")	5	**3,817,807**	3,668,358	**3,636,679**	3,574,627
Financial investments held-to-maturity ("HTM")	6	**761,347**	954,587	**761,347**	954,587
Loans and advances	7	**2,285,890**	2,393,747	**1,762,286**	1,848,325
Clients' and brokers' balances	8	**1,525,147**	2,573,583	**616,847**	543,766
Other assets	9	**479,579**	223,446	**341,410**	119,229
Derivative assets	10	**31,468**	48,760	**26,554**	48,760
Statutory deposits	11	**219,837**	216,643	**219,837**	216,643
Tax recoverable		**8,100**	32,701	**-**	28,881
Deferred tax assets	12	**30,276**	17,345	**23,891**	11,121
Investment in subsidiaries	13	**-**	-	**1,395,418**	1,077,291
Investment in associates and joint ventures	14	**30,028**	29,044	**20,391**	29,464
Property, plant and equipment	15	**67,899**	56,075	**33,684**	29,213
Goodwill and other intangible assets	16	**1,323,947**	1,338,695	**1,148,137**	1,161,646
TOTAL ASSETS		**12,388,741**	13,945,383	**11,314,040**	11,600,072

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

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2014

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	17	**2,678,520**	2,484,429	**2,692,879**	2,559,248
Deposits and placements of banks and other financial institutions	18	**3,967,796**	4,620,678	**4,027,322**	4,620,678
Obligation on securities sold under repurchase agreements	19	**18,910**	401,522	**-**	401,522
Obligation on securities borrowed		**113,781**	31,734	**113,781**	31,734
Bills and acceptances payable		**137,709**	-	**-**	-
Clients' and brokers' balances	20	**1,210,841**	2,314,971	**583,785**	419,269
Other liabilities	21	**416,231**	315,172	**249,448**	170,093
Derivative liabilities	10	**61,568**	82,463	**60,280**	82,284
Taxation		**31,105**	10,384	**18,592**	-
Deferred tax liabilities	12	**5,755**	11,028	**-**	-
Borrowings	22	**239,213**	152,192	**-**	-
Subordinated obligations	23	**549,440**	559,099	**549,440**	559,099
TOTAL LIABILITIES		**9,430,869**	10,983,672	**8,295,527**	8,843,927
Share capital	24	**818,646**	818,646	**818,646**	818,646
Reserves	25	**2,132,442**	1,951,717	**2,199,867**	1,937,499
		2,951,088	2,770,363	**3,018,513**	2,756,145
Non-controlling interests	26	**6,784**	191,348	**-**	-
TOTAL EQUITY		**2,957,872**	2,961,711	**3,018,513**	2,756,145
TOTAL LIABILITIES AND EQUITY		**12,388,741**	13,945,383	**11,314,040**	11,600,072
COMMITMENTS AND CONTINGENCIES	39	**6,546,581**	7,907,009	**5,630,222**	6,961,691

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

INCOME STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group 2014 RM'000	Group 2013 RM'000	Bank 2014 RM'000	Bank 2013 RM'000
Interest income	27	**431,760**	448,164	**360,692**	386,558
Interest expense	28	**(272,288)**	(284,935)	**(259,082)**	(278,305)
Net interest income		**159,472**	163,229	**101,610**	108,253
Other operating income	29	**1,116,637**	901,036	**724,494**	475,115
		1,276,109	1,064,265	**826,104**	583,368
Other operating expenses	30	**(968,554)**	(850,102)	**(543,753)**	(422,768)
Operating profit before allowances		**307,555**	214,163	**282,351**	160,600
Write back/(allowance) for impairment on loans, advances and other losses	32	**45,494**	(38,155)	**44,797**	(7,199)
Impairment losses (made)/written back on other assets	33	**(8,294)**	7,633	**(18,267)**	1,090
		344,755	183,641	**308,881**	154,491
Share of results of associates		**807**	1,517	**-**	-
Share of results of joint ventures		**380**	427	**-**	-
Profit before taxation		**345,942**	185,585	**308,881**	154,491
Taxation	34	**(60,870)**	(44,518)	**(52,890)**	(37,964)
Net profit for the financial year		**285,072**	141,067	**255,991**	116,527
Attributable to:					
- Equity holder of the Bank		**266,746**	131,363	**255,991**	116,527
- Non-controlling interests		**18,326**	9,704	**-**	-
		285,072	141,067	**255,991**	116,527
Earnings per share (sen)					
- Basic/diluted	35	**32.58**	19.80	**31.27**	17.56

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

STATEMENTS OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net profit for the financial year		**285,072**	141,067	**255,991**	116,527
Other comprehensive income/(loss):					
Items that will not be reclassified subsequently to profit or loss					
- Actuarial gain on defined benefit plan in subsidiary companies		**1,290**	-	**-**	-
Items that will be reclassified subsequently to profit or loss					
- Currency translation differences		**36,712**	(10,367)	**-**	-
- Unrealised net gain/(loss) on revaluation of financial investments available-for-sale ("AFS")		**37,903**	(32,013)	**16,432**	(43,900)
- Net transfer to income statements on disposal or impairment of financial investments AFS		**(23,272)**	(14,107)	**7,123**	(14,108)
Income tax relating to components of other comprehensive loss/(income)	36	**1,866**	12,657	**(2,978)**	14,501
Other comprehensive income/(loss), net of tax		**54,499**	(43,830)	**20,577**	(43,507)
Total comprehensive income for the financial year		**339,571**	97,237	**276,568**	73,020
Total comprehensive income attributable to:					
- Equity holder of the Bank		**333,534**	75,725	**276,568**	73,020
- Non-controlling interests		**6,037**	21,512	**-**	-
		339,571	97,237	**276,568**	73,020

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Group	Note	Attributable to equity holder of the Bank								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	Total RM'000		
Balance as at 1 January 2014		818,646	1,515,150	278,549	(25,948)	(22,768)	-	206,734	2,770,363	191,348	2,961,711
Net profit for the financial year		-	-	-	-	-	-	266,746	266,746	18,326	285,072
Currency translation differences		-	-	-	(36)	36,582	-	(7)	36,539	173	36,712
Financial investments AFS:											
- Unrealised net gain/(loss) on revaluation		-	-	-	38,013	-	-	-	38,013	(110)	37,903
- Net transfer to income statements on disposal or impairment		-	-	-	(8,378)	-	-	-	(8,378)	(14,894)	(23,272)
Actuarial gain on defined benefit plan in subsidiaries		-	-	-	-	-	-	1,276	1,276	14	1,290
Income tax relating to components of other comprehensive (income)/loss	36	-	-	-	(343)	-	-	(319)	(662)	2,528	1,866
Other comprehensive income/(loss), net of tax, for the financial year		-	-	-	29,256	36,582	-	950	66,788	(12,289)	54,499
Total comprehensive income for the financial year		-	-	-	29,256	36,582	-	267,696	333,534	6,037	339,571
Transfer to statutory reserves	25(c)	-	-	127,996	-	-	-	(127,996)	-	-	-
Dividend paid	37	-	-	-	-	-	-	(14,200)	(14,200)	-	(14,200)
Disposal of a subsidiary		-	-	-	-	1,708	-	(1,708)	-	-	-
Accretion of interest in a subsidiary		-	-	-	-	-	-	54	54	(54)	-
Acquisition of additional interest from non-controlling interests	47(d)	-	-	-	-	19,450	-	(158,113)	(138,663)	(190,547)	(329,210)
Total transactions with owner		-	-	127,996	-	21,158	-	(301,963)	(152,809)	(190,601)	(343,410)
Balance as at 31 December 2014		818,646	1,515,150	406,545	3,308	34,972	-	172,467	2,951,088	6,784	2,957,872

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

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

Group	Note	Attributable to equity holder of the Bank								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	Total RM'000		
Balance as at 1 January 2013		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 OSK Investment Bank Berhad ("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 interests		-	-	-	-	-	-	-	-	(9,448)	(9,448)
Accretion on deemed disposal of interest in associates		-	-	-	-	-	-	(748)	(748)	-	(748)
Acquisition of additional interest by non-controlling interest		-	-	-	-	-	-	-	-	431	431
Acquisition of additional interest from non-controlling interest		-	-	-	-	-	-	(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
Balance as at 31 December 2013		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.

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

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

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

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

		Attributable to equity holder of the Bank						
			Non-distributable				Distributable	
Bank	**Note**	**Share capital 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**	**Total RM'000**
Balance as at 1 January 2013		263,646	-	278,549	10,997	1,802,808	76,788	2,432,788
Net profit for the financial year		-	-	-	-	-	116,527	116,527
Financial investments AFS:								
- Unrealised net loss on revaluation		-	-	-	(43,900)	-	-	(43,900)
- Net transfer to income statements on disposal or impairment		-	-	-	(14,108)	-	-	(14,108)
Income tax relating to components of other comprehensive loss	36	-	-	-	14,501	-	-	14,501
Other comprehensive loss, net of tax, for the financial year		-	-	-	(43,507)	-	-	(43,507)
Total comprehensive income/(loss) for the financial year		-	-	-	(43,507)	-	116,527	73,020
Issuance of shares for the acquisition of OSK Investment Bank Berhad ("OSKIB")		555,000	1,515,150	-	-	(1,802,808)	-	267,342
Dividend paid	37	-	-	-	-	-	(17,005)	(17,005)
Total transactions with owner		555,000	1,515,150	-	-	(1,802,808)	(17,005)	250,337
Balance as at 31 December 2013		818,646	1,515,150	278,549	(32,510)	-	176,310	2,756,145

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

	Group	
	2014 RM'000	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**345,942**	185,585
Adjustments for:		
Allowance for impairment on loans, advances and other losses	**(45,376)**	38,164
Property, plant and equipment:		
- Depreciation	**21,518**	22,680
- Gain on disposal	**(7)**	(205)
- Written off	**384**	418
- Impairment charge for the year	**169**	-
Intangible assets:		
- Amortisation	**22,459**	20,134
- Written off	**100**	219
- Impairment charge for the year	**2,122**	-
Accretion of discount less amortisation of premium - net	**22,252**	(10,230)
Impairment losses charge/(write back) on financial investments AFS and HTM	**6,003**	(7,633)
Interest income from financial assets HFT, AFS and HTM	**(206,103)**	(199,936)
Net gain from sale/redemption of financial assets HFT, AFS and HTM	**(61,318)**	(17,395)
Net unrealised gain on revaluation of financial assets HFT and derivatives	**(25,441)**	(13,136)
Net loss/(gain) from sale of derivatives	**4,791**	(13,026)
Gross dividend income from HFT, AFS and HTM	**(8,455)**	(3,103)
Share of results of associates	**(807)**	(1,517)
Share of results of jointly controlled entities	**(380)**	(427)
Loss on disposal of a subsidiary	**247**	-
Unrealised foreign exchange gain - net	**(23,879)**	(11,191)
Gain on disposal of an associate	**(8,202)**	(8,737)
Operating profit/(loss) before working capital changes	**46,019**	(19,336)
Decrease/(Increase) in operating assets:		
Deposits and placements with banks and other financial institutions	**100,715**	604,983
Financial assets HFT	**945,814**	(55,012)
Loans and advances	**164,506**	(674,620)
Clients' and brokers' balances	**1,046,934**	(99,313)
Derivative financial assets	**17,292**	(33,667)
Other assets	**(256,760)**	56,644
Statutory deposits	**(3,194)**	29,597
	2,015,307	(171,388)

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

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

	Group	
	2014 RM'000	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)		
Decrease in operating liabilities:		
Deposits from customers	**194,091**	(1,265,021)
Deposits and placements of banks and other financial institutions	**(652,882)**	(1,263,172)
Obligation on securities sold under repurchase agreements	**(382,612)**	161,513
Obligation on securities borrowed	**82,047**	(88,171)
Bills and acceptables payable	**137,709**	-
Clients' and brokers' balances	**(1,104,130)**	73,978
Derivative financial liabilities	**13,310**	65,288
Other liabilities	**101,059**	25,333
	(1,611,408)	(2,290,252)
Cash generated from/(used in) operations	**449,918**	(2,480,976)
Net tax paid	**(31,787)**	(47,991)
Net cash generated from/(used in) operating activities	**418,131**	(2,528,967)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from sale of investments AFS and HTM	**96,668**	1,465,421
Financial investments AFS and HTM:		
- Interest received	**199,193**	183,693
- Dividend income received	**8,455**	1,436
Property, plant and equipment:		
- Purchase	**(32,463)**	(14,997)
- Proceeds from disposal	**119**	630
Purchase of software license	**(10,143)**	(5,451)
Net cash inflow from disposal of a subsidiary	**265**	-
Net cash inflow from disposal of an associate	**9,070**	-
Net cash generated from investing activities	**271,164**	1,630,732

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

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

	Note	Group 2014 RM'000	Group 2013 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Net redemption of subordinated obligations		**-**	(160,485)
Net drawdown of borrowings		**87,021**	39,807
Net proceeds from issuance of shares		**-**	267,342
Dividends paid to equity holder of the Bank		**(14,200)**	(17,005)
Dividends paid to non-controlling interests		**-**	(9,448)
Acquisition of additional shares in subsidiaries		**-**	(59,956)
Acquisition of shares from non-controlling interests	47(d)	**(329,210)**	431
Net cash (used in)/generated from financing activities		**(256,389)**	60,686
Net increase/(decrease) in cash and cash equivalents		**432,906**	(837,549)
Effects of exchange rate differences		**(1,876)**	(9,076)
Cash and cash equivalents:			
- at the beginning of the financial year		**1,065,190**	1,911,815
- at the end of the financial year		**1,496,220**	1,065,190
Cash and cash equivalents comprise the following:			
Cash and short-term funds	2	**1,496,220**	1,065,190

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

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

	Bank	
	2014 RM'000	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**308,881**	154,491
Adjustments for:		
Allowance for impairment on loans, advances and other losses	**(44,721)**	7,208
Property, plant and equipment:		
- Depreciation	**9,439**	12,484
- (Gain)/loss on disposal	**(2)**	1
- Written off	**12**	167
Intangible assets:		
- Amortisation	**18,442**	16,823
Accretion of discount less amortisation of premium - net	**2,934**	(10,230)
Impairment losses made/(write back) on financial investments AFS and HTM	**6,003**	(7,633)
Net impairment loss on investment in subsidiaries	**12,264**	6,543
Interest income from financial assets HFT, AFS and HTM	**(199,280)**	(193,976)
Net gain from sale/redemption of financial assets HFT, AFS and HTM	**(18,578)**	(15,277)
Net unrealised gain on revaluation of financial assets HFT and derivatives	**(20,209)**	(13,109)
Net loss/(gain) from sale of derivatives	**10,268**	(9,997)
Gross dividend income from HFT, AFS and HTM	**(1,285)**	(1,415)
Gross dividend income from subsidiaries	**(105,102)**	(15,870)
Loss on disposal of a subsidiary	**2,696**	-
Loss/(gain) on disposal of an associate	**3**	(18,424)
Unrealised foreign exchange gain - net	**(25,680)**	(12,134)
Operating loss before working capital changes	**(43,915)**	(100,348)
Decrease in operating assets:		
Deposits and placements with banks and other financial institutions	**100,715**	604,983
Financial assets HFT	**985,302**	11,167
Loans and advances	**146,656**	(439,424)
Clients' and brokers' balances	**(78,872)**	133,528
Derivative financial assets	**22,206**	(33,667)
Other assets	**(222,410)**	91,308
Statutory deposits	**(3,194)**	29,597
	950,403	397,492

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

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

	Note	Bank 2014 RM'000	Bank 2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Decrease in operating liabilities:			
Deposits from customers		**133,631**	(1,276,706)
Deposits and placements of banks and other financial institutions		**(593,356)**	(1,263,172)
Obligation on securities sold under repurchase agreements		**(401,522)**	161,512
Obligation on securities borrowed		**82,047**	(88,171)
Clients' and brokers' balances		**164,516**	(201,346)
Derivative financial liabilities		**1,048**	59,264
Other liabilities		**79,355**	12,299
		(534,281)	(2,596,320)
Cash generated from/(used in) operations		**372,207**	(2,299,176)
Net tax paid		**(21,166)**	(34,079)
Net cash generated/(used) in operating activities		**351,041**	(2,333,255)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net proceeds from sale of investments AFS and HTM		**148,461**	1,487,726
Financial investments AFS and HTM:			
- Interest received		**192,935**	183,693
- Dividend income received		**1,285**	1,368
Property, plant and equipment:			
- Purchase		**(13,334)**	(6,605)
- Proceeds from disposal		**2**	7
Purchase of software license		**(5,519)**	(3,057)
Dividend income received from subsidiaries		**105,102**	11,295
Additional investment in subsidiaries		**(339,620)**	(173,062)
Proceeds from disposal of an associate		**-**	26,201
Net cash inflow from disposal of a subsidiary		**6,532**	-
Net cash inflow from disposal of an associate		**9,070**	-
Net cash generated from investing activities		**104,914**	1,527,566
CASH FLOWS FROM FINANCING ACTIVITIES			
Net redemption of subordinated obligations		**-**	(160,485)
Net proceeds from issuance of shares		**-**	267,342
Dividends paid to equity holder of the Bank		**(14,200)**	(17,005)
Net cash (used in)/generated from financing activities		**(14,200)**	89,852
Net increase/(decrease) in cash and cash equivalents		**441,755**	(715,837)
Cash and cash equivalents:			
- at the beginning of the financial year		**793,935**	1,509,772
- at the end of the financial year		**1,235,690**	793,935
Cash and cash equivalents comprise the following:			
Cash and short-term funds	2	**1,235,690**	793,935

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

(1) Basis of Preparation of the Financial Statements

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

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

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

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

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

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

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

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

(2) Basis of Consolidation

(a) Subsidiaries

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

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

<u>Acquisition accounting</u>

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.

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Basis of Consolidation (Continued)

(a) Subsidiaries (Continued)

Acquisition accounting (Continued)

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

Acquisition-related costs are expensed as incurred.

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

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

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in income statements. Refer to accounting policy 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 attributed to non-controlling interest for prior years is not restated.

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

Predecessor accounting

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Basis of Consolidation (Continued)

(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.

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.

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Basis of Consolidation (Continued)

(e) Associates (Continued)

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

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

(3) Investment in Subsidiaries, Associates and Joint Ventures

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

On disposal of investment in subsidiaries, associates and joint ventures, the difference between disposal proceeds and the carrying amount of the investment 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, financial investments AFS and HTM. The classification depends on the purpose for which the financial assets were required. Management determines the classification at initial recognition.

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

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

(ii) Loans and receivables

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

(iii) Financial investments HTM

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

(iv) Financial investments AFS

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) Financial Assets (Continued)

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

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

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

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

(d) De-recognition

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

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

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

(e) Offsetting financial instruments

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

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

(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 on-going basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

(a) Fair value hedge

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

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statements over the period to maturity. The adjustment to the carrying amount of a hedged equity security remains in retained 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 and the Bank have a definite useful life. At each date of the statement of financial positions, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exist, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired. Refer to accounting policy 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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) Goodwill and Other Intangible Assets (Continued)

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 derecognition 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 derecognised.

(7) Property, Plant and Equipment and Depreciation

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

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

Renovations	10% to 11%
Office equipment and furniture	20%
Computer equipment	10% to 33 $^{1}/_{3}$%
Motor vehicles	20%

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 derecognised when extinguished.

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(8) Financial Liabilities (Continued)

(b) Other liabilities measured at amortised cost

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

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

(c) Borrowings measured at amortised cost

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

All other borrowing costs are recognised in 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 income statements on a straight-line basis over the period of the lease.

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

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

(b) Finance lease

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(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.

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

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

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

(12) Financial Guarantee Contracts

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

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) Contingent Liabilities and Contingent Assets

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

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

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

(14) Share Capital

(a) Classification

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

(b) Share issue cost

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

(c) Dividend distribution

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

(15) Cash and Cash Equivalents

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

(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.

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(16) Revenue Recognition (Continued)

(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.

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(17) Impairment of Financial Assets (Continued)

(a) Assets carried at amortised cost (Continued)

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

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

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

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

(i) Individual impairment allowance

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

(ii) Collective impairment allowance

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(17) Impairment Of Financial Assets (Continued)

(b) Assets classified as AFS

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

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

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

(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.

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) Impairment of 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 or CGU. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

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

(20) Current and Deferred Income Taxes

The tax expense for the period comprises current and deferred tax. Tax is recognised in 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.

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(21) Currency Conversion and Translation (Continued)

(b) Transactions and balances

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

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

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

(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 income statements as part of the gain or loss on sale.

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

(22) Segment Reporting

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(23) Repurchase Agreements

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

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

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

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Allowance for impairment of financial assets

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

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

(b) Goodwill impairment

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

1 GENERAL INFORMATION

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

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

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

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

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

2 CASH AND SHORT-TERM FUNDS

	Group		Bank	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Cash and balances with banks and other financial institutions	**583,909**	509,865	**345,219**	273,414
Money at call and deposit placements maturing within one month	**912,311**	555,325	**890,471**	520,521
	1,496,220	1,065,190	**1,235,690**	793,935

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Licensed banks	**-**	100,715	**-**	100,715

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

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At fair value				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	-	128,150	-	128,150
Malaysian Government Investment Issues	-	121,510	-	121,510
QUOTED SECURITIES:				
In Malaysia				
Shares, exchange traded funds and warrants	**43,501**	59,044	**43,501**	59,044
Unit trusts	**56,483**	1,486	-	-
Outside Malaysia				
Shares, exchange traded funds and warrants	**144,106**	52,962	**8,367**	4,879
Unit trusts	**9,517**	34,008	-	14,207
UNQUOTED SECURITIES:				
In Malaysia				
Private debt securities	**40,001**	475,529	**40,001**	475,529
Outside Malaysia				
Private debt securities	**17,588**	353,805	-	258,550
	311,196	1,226,494	**91,869**	1,061,869

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

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 RM Nil (2013: RM200,295,800).

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 2014 were as follows:

	Group and Bank			
	Carrying amount		Fair value	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Reclassified from financial assets HFT to financial investments AFS				
- Debt securities	**29,823**	31,214	**29,450**	30,798

	Group and Bank	
	2014 RM'000	2013 RM'000
Fair value loss that would have been recognised if the financial assets HFT had not been reclassified	**(373)**	(416)

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

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
At fair value				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	**428,546**	407,032	**428,546**	407,032
Malaysian Government Investment Issue	**553,952**	520,724	**553,952**	520,724
Cagamas bonds	**75,168**	45,119	**75,168**	45,119
Khazanah bonds	**49,838**	47,725	**49,838**	47,725
Negotiable instruments of deposits	**649,516**	403,558	**649,516**	403,558
Bankers' acceptance and Islamic accepted bills	**73,627**	378,121	**73,627**	378,121
Sukuk Perumahan Kerajaan ("SPK")	**67,394**	66,613	**67,394**	66,613
QUOTED SECURITIES:				
In Malaysia				
Shares and warrants	**47**	828	**9**	789
Loan stocks	**-**	1,495	**-**	1,495
Unit trusts	**12,976**	5,571	**-**	-
Outside Malaysia				
Shares and warrants	**1,588**	1,300	**-**	-
Unit trusts	**29,663**	4,081	**24,640**	-
UNQUOTED SECURITIES:				
In Malaysia				
Private and Islamic debt securities	**1,447,870**	1,443,564	**1,447,870**	1,443,564
Shares	**97,491**	72,237	**25,903**	24,369
Loan stocks	**14,418**	39,543	**14,418**	39,543
Prasarana bonds	**35,185**	19,816	**35,185**	19,816
Outside Malaysia				
Private and Islamic debt securities	**440,952**	356,111	**351,742**	355,970
Shares	**251**	34,237	**-**	-
Loan stocks	**2,151**	2,093	**-**	-
	3,980,633	3,849,768	**3,797,808**	3,754,438
Accumulated impairment losses	**(162,826)**	(181,410)	**(161,129)**	(179,811)
	3,817,807	3,668,358	**3,636,679**	3,574,627

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 RM20,484,000 and RM Nil (2013: Group: RM260,231,000 and Bank: RM260,231,000).

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

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

Movement in allowance for impairment losses:

		Group		Bank	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Balance as at the beginning of the financial year		**181,410**	195,813	**179,811**	194,325
Allowance made	33	**15,600**	13,161	**15,600**	13,161
Amount written back	33	**(4,616)**	(628)	**(4,616)**	(628)
Allowance written off		**-**	(27,047)	**-**	(27,047)
Transfer to loans and advances		**(29,666)**	-	**(29,666)**	-
Exchange difference		**98**	111	**-**	-
Balance as at the end of the financial year		**162,826**	181,410	**161,129**	179,811

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

	Group and Bank	
	2014 RM'000	2013 RM'000
At amortised cost		
MONEY MARKET INSTRUMENTS:		
Malaysian Government Securities	**20,445**	20,516
Malaysian Government Investment Issue	**455,786**	508,053
Cagamas bonds	**-**	50,426
Khazanah bonds	**10,281**	9,887
Wakala Global Sukuk	**7,502**	7,078
UNQUOTED SECURITIES:		
In Malaysia		
Private and Islamic debt securities	**277,281**	343,292
Credit link notes	**45,058**	45,070
Bonds	**23**	23
Loan stocks	**31,837**	35,708
Prasarana bonds	**40,473**	50,551
Outside Malaysia		
Private and Islamic debt securities	**16,082**	16,695
Credit link notes	**17,891**	33,581
	922,659	1,120,880
Accumulated impairment losses	**(161,312)**	(166,293)
	761,347	954,587

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

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

Movement in allowance for impairment losses:

	Note	Group and Bank 2014 RM'000	Group and Bank 2013 RM'000
Balance as at the beginning of the financial year		**166,293**	186,409
Allowance made	33	**2,585**	-
Amount written back	33	**(7,566)**	(20,116)
Balance as at the end of the financial year		**161,312**	166,293

7 LOANS AND ADVANCES

	Group 2014 RM'000	Group 2013 RM'000	Bank 2014 RM'000	Bank 2013 RM'000
(i) By type				
At amortised cost				
Term loans:				
- syndicated term loans	**44,767**	26,388	**44,767**	26,388
- other term loans	**887,670**	1,314,912	**826,106**	1,302,200
Share margin financing	**1,370,319**	1,087,387	**835,697**	512,846
Staff loans	**1,579**	2,281	**1,579**	2,281
Revolving credit	**-**	-	**69,949**	41,831
Gross loans and advances	**2,304,335**	2,430,968	**1,778,098**	1,885,546
Allowance for impaired loans and advances:				
- individual impairment allowance	**(7,557)**	(29,592)	**(4,924)**	(29,592)
- collective impairment allowance	**(10,888)**	(7,629)	**(10,888)**	(7,629)
Net loans and advances	**2,285,890**	2,393,747	**1,762,286**	1,848,325
(ii) By type of customer				
Domestic business enterprises:				
- Small medium enterprises	**25,083**	35,702	**25,083**	35,702
- Others	**882,429**	1,268,327	**882,429**	1,268,327
Individuals	**553,437**	273,049	**553,437**	273,049
Other domestic entities	**-**	4,014	**-**	4,014
Foreign entities:				
- Malaysian operations	**247,200**	262,622	**317,149**	304,454
- Singapore operations	**281,384**	275,148	**-**	-
- Hong Kong operations	**143,844**	148,102	**-**	-
- Indonesia operations	**7,209**	20,639	**-**	-
- Thailand operations	**163,749**	143,365	**-**	-
	2,304,335	2,430,968	**1,778,098**	1,885,546

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

7 LOANS AND ADVANCES (CONTINUED)

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(iii) By geographical distribution				
In Malaysia	**1,708,149**	1,843,714	**1,778,098**	1,885,546
Outside Malaysia:				
- Singapore operations	**281,384**	275,148	**-**	-
- Hong Kong operations	**143,844**	148,102	**-**	-
- Indonesia operations	**7,209**	20,639	**-**	-
- Thailand operations	**163,749**	143,365	**-**	-
	2,304,335	2,430,968	**1,778,098**	1,885,546
(iv) By interest rate sensitivity				
Fixed rate:				
- Other fixed rate loans	**1,797,324**	1,567,122	**1,498,107**	1,313,166
Variable rate:				
- Cost plus	**170,496**	720,479	**240,445**	572,377
- BLR/BFR plus	**336,515**	143,367	**39,546**	3
	2,304,335	2,430,968	**1,778,098**	1,885,546
(v) By purpose				
Purchase of securities	**2,074,889**	2,013,238	**1,478,703**	1,425,985
Purchase of transport vehicles	**128**	242	**128**	242
Purchase of landed property:				
- Residential	**1,454**	2,042	**1,454**	2,042
- Non-residential	**162,999**	81,324	**162,999**	81,324
Construction	**15,047**	6,878	**15,047**	6,878
Working capital	**-**	245,000	**69,949**	286,831
Other purposes	**49,818**	82,244	**49,818**	82,244
	2,304,335	2,430,968	**1,778,098**	1,885,546
(vi) By remaining contractual maturities				
Maturity within one year	**1,902,086**	1,557,308	**1,375,849**	1,011,913
One year to three years	**354,590**	845,260	**354,590**	845,233
Three years to five years	**16,777**	20	**16,777**	20
Over five years	**30,882**	28,380	**30,882**	28,380
	2,304,335	2,430,968	**1,778,098**	1,885,546

7 LOANS AND ADVANCES (CONTINUED)

	Note	Group 2014 RM'000	Group 2013 RM'000	Bank 2014 RM'000	Bank 2013 RM'000
(vii) Impaired loans and advances					
(a) Movement in impaired loans and advances					
Balance as at the beginning of the financial year		**78,915**	247,539	**78,915**	247,539
Classified as impaired during the financial year		**203,144**	69,227	**199,175**	69,227
Transfer from financial investments AFS		**39,543**	-	**39,543**	-
Reclassified as non-impaired during the financial year		**(46,421)**	(186,062)	**(46,421)**	(186,062)
Amount recovered		**(110,187)**	(51,789)	**(110,187)**	(51,789)
Amount written off		**(2,210)**	-	**(874)**	-
Exchange difference		**1**	-	**-**	-
Balance as at the end of the financial year		**162,785**	78,915	**160,151**	78,915
(b) By purpose					
Purchase of securities		**88,863**	48,666	**86,229**	48,666
Purchase of landed property:					
- Non-residential		**68,999**	-	**68,999**	-
Construction		**-**	6,878	**-**	6,878
Other purposes		**4,923**	23,371	**4,923**	23,371
		162,785	78,915	**160,151**	78,915
(c) By geographical distribution					
In Malaysia		**160,151**	78,915	**160,151**	78,915
Outside Malaysia:					
- Singapore		**2,634**	-	**-**	-
		162,785	78,915	**160,151**	78,915
(d) Movement in allowance for impaired loans and advances					
Individual impairment allowance					
Balance as at the beginning of the financial year		**29,592**	23,737	**29,592**	23,737
Transfer from financial investments AFS		**29,666**	-	**29,666**	-
Net allowance (written back)/made during the financial year	32	**(50,031)**	5,855	**(54,000)**	5,855
Amount written off		**(1,671)**	-	**(334)**	-
Exchange difference		**1**	-	**-**	-
Balance as at the end of the financial year		**7,557**	29,592	**4,924**	29,592

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

7 LOANS AND ADVANCES (CONTINUED)

	Note	Group 2014 RM'000	Group 2013 RM'000	Bank 2014 RM'000	Bank 2013 RM'000
(vii) Impaired loans and advances (Continued)					
(d) Movement in allowance for impaired loans and advances (Continued)					
Collective impairment allowance					
Balance as at the beginning of the financial year		**7,629**	4,971	**7,629**	4,971
Net allowance made during the financial year	32	**3,259**	2,658	**3,259**	2,658
Balance as at the end of the financial year		**10,888**	7,629	**10,888**	7,629

8 CLIENTS' AND BROKERS' BALANCES

	Group 2014 RM'000	Group 2013 RM'000	Bank 2014 RM'000	Bank 2013 RM'000
Amounts owing by clients	**828,187**	732,340	**330,040**	376,004
Allowance for impaired balances:				
- individual impairment allowance	**(35,505)**	(37,301)	**(6,518)**	(1,547)
- collective impairment allowance	**(6,142)**	(4,175)	**(4,700)**	(4,175)
	786,540	690,864	**318,822**	370,282
Amounts owing by brokers	**522,266**	202,262	**232,261**	87,270
Allowance for impaired balances:				
- individual impairment allowance	**(1,309)**	(1,014)	**(1,309)**	(1,014)
	1,307,497	892,112	**549,774**	456,538
Amounts owing by clearing houses and stock exchanges	**217,650**	1,681,471	**67,073**	87,228
	1,525,147	2,573,583	**616,847**	543,766
Individual impairment allowance				
Balance as at the beginning of the financial year	**38,315**	10,369	**2,561**	3,947
Allowance (written back)/made	**(1,198)**	30,157	**5,266**	1,155
Amount written back	**-**	(1,995)	**-**	(1,995)
Amount written off	**(1,036)**	(660)	**-**	(546)
Exchange difference	**733**	444	**-**	-
Balance as at the end of the financial year	**36,814**	38,315	**7,827**	2,561
Collective impairment allowance				
Balance as at the beginning of the financial year	**4,175**	6,088	**4,175**	6,088
Net allowance made	**1,967**	-	**525**	-
Amount written back	**-**	(1,913)	**-**	(1,913)
Balance as at the end of the financial year	**6,142**	4,175	**4,700**	4,175

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

9 OTHER ASSETS

	Note	Group 2014 RM'000	Group 2013 RM'000	Bank 2014 RM'000	Bank 2013 RM'000
Other receivables	(i)	**205,807**	86,616	**140,595**	44,709
Collateral pledged for derivative transactions		**58,679**	15,213	**58,679**	15,213
Deposits		**37,372**	44,086	**6,998**	8,840
Prepayments		**18,635**	18,404	**8,662**	10,375
Amount receivable for release of units from funds		**39,312**	22,287	**-**	-
Amount due from reverse repo transactions		**115,092**	32,915	**115,092**	32,915
Transferable memberships		**330**	334	**262**	271
Amount due from holding company	(ii)	**1,731**	7	**1,698**	-
Amounts due from subsidiaries	(ii)	**-**	-	**9,312**	6,800
Amounts due from related companies	(ii)	**2,621**	3,584	**112**	106
		479,579	223,446	**341,410**	119,229

(i) Other receivables of the Group and the Bank are stated net of allowance for impairment losses of RM5,808,000 and RM3,114,000 respectively (2013: Group: RM5,470,000 and Bank: RM3,230,000).

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

10 DERIVATIVES 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 2014 RM'000	Group 2013 RM'000	Bank 2014 RM'000	Bank 2013 RM'000
Derivative assets				
- trading derivatives	**31,468**	48,760	**26,554**	48,760
Derivative liabilities				
- trading derivatives	**(61,568)**	(82,463)	**(60,280)**	(82,284)
	(30,100)	(33,703)	**(33,726)**	(33,524)

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

10 DERIVATIVES ASSETS/(LIABILITIES) (CONTINUED)

	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Group			
2014			
Trading derivatives:			
Foreign exchange related contracts:			
- forwards/swaps	1,027,366	19,512	19,074
- options	281,352	1,041	1,791
- cross currency interest rate swaps	142,222	-	22,530
	1,450,940		
Equity related contracts			
- options	15,508	4,914	-
Interest rate related contracts:			
- swaps	2,295,000	6,001	5,060
Structured warrants	50,412	-	13,113
		31,468	61,568
Bank			
2014			
Trading derivatives:			
Foreign exchange related contracts:			
- forwards/swaps	957,429	19,512	19,062
- options	281,352	1,041	1,791
- cross currency interest rate swaps	142,222	-	22,530
	1,381,003		
Interest rate related contracts:			
- swaps	2,295,000	6,001	5,060
Structured warrants	40,997	-	11,837
		26,554	60,280

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

10 DERIVATIVES ASSETS/(LIABILITIES) (CONTINUED)

	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
Group			
2013			
Trading derivatives:			
Foreign exchange related contracts:			
- forwards/swaps	1,065,319	5,257	8,400
- cross currency interest rate swaps	1,243,835	36,756	50,820
	2,309,154		
Interest rate related contracts:			
- swaps	3,543,680	6,747	6,602
Structured warrants	13,099	-	16,641
		48,760	82,463
Bank			
2013			
Trading derivatives:			
Foreign exchange related contracts:			
- forwards/swaps	1,065,319	5,257	8,400
- cross currency interest rate swaps	1,243,835	36,756	50,820
	2,309,154		
Interest rate related contracts:			
- swaps	3,543,680	6,747	6,602
Structured warrants	12,831	-	16,462
		48,760	82,284

11 STATUTORY DEPOSITS

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Statutory deposits with BNM	**219,837**	216,643	**219,837**	216,643

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

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

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax assets	**30,276**	17,345	**23,891**	11,121
Deferred tax liabilities	**(5,755)**	(11,028)	**-**	-
	24,521	6,317	**23,891**	11,121
Deferred tax assets				
- settled within 12 months	**30,811**	21,500	**28,430**	20,830
Deferred tax liabilities				
- settled more than 12 months	**(4,403)**	(12,146)	**(3,177)**	(7,767)
- settled within 12 months	**(1,887)**	(3,037)	**(1,362)**	(1,942)
	24,521	6,317	**23,891**	11,121

The deferred tax assets and liabilities have been adjusted to take into account the reduction in tax rate to 24% in Year of Assessment 2016 and thereafter, where adjustments are made based on amounts of temporary differences expected to be reversed in the prospective years.

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	Other liabilities RM'000	Other temporary differences RM'000	Total RM'000
2014						
Balance as at the beginning of the financial year		**(15,183)**	**1,687**	**19,461**	**352**	**6,317**
Transfer from/(to) income statements	34	**1,047**	**(935)**	**15,304**	**824**	**16,240**
Transfer from/(to) equity	36	**-**	**2,188**	**-**	**(322)**	**1,866**
Exchange difference		**(32)**	**22**	**98**	**10**	**98**
Balance as at the end of the financial year		**(14,168)**	**2,962**	**34,863**	**864**	**24,521**
2013						
Balance as at the beginning of the financial year		(18,504)	(11,458)	18,810	2,645	(8,507)
Transfer from/(to) income statements	34	3,370	591	1,005	(2,254)	2,712
Transfer to equity	36	-	12,657	-	-	12,657
Exchange difference		(49)	(103)	(354)	(39)	(545)
Balance as at the end of the financial year		(15,183)	1,687	19,461	352	6,317

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

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	Other liabilities RM'000	Total RM'000
2014					
Balance as at the beginning of the financial year		**(9,709)**	**6,722**	**14,108**	**11,121**
Transfer from income statements	34	**570**	**-**	**15,178**	**15,748**
Transfer to equity	36	**-**	**(2,978)**	**-**	**(2,978)**
Balance as at the end of the financial year		**(9,139)**	**3,744**	**29,286**	**23,891**
2013					
Balance as at the beginning of the financial year		(12,308)	(7,779)	16,116	(3,971)
Transfer from/(to) income statements	34	2,599	-	(2,008)	591
Transfer from equity	36	-	14,501	-	14,501
Balance as at the end of the financial year		(9,709)	6,722	14,108	11,121

13 INVESTMENT IN SUBSIDIARIES

	Bank	
	2014 RM'000	**2013 RM'000**
Unquoted shares, at cost		
- in Malaysia	**307,202**	307,202
- outside Malaysia	**1,235,310**	904,919
	1,542,512	1,212,121
Accumulated impairment losses	**(147,094)**	(134,830)
	1,395,418	1,077,291

The Bank recognised an impairment charge of RM15.6 million to reduce the carrying amount of its investment in subsidiaries. The impairment charge has been recognised due to the carrying amount of the investments in the separate financial statements exceeding the carrying amount of the subsidiary companies' net assets in their financial statements. Management has assessed the recoverable amount of the investments based on net assets of the subsidiaries which approximates fair value as at year end.

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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 2014 %	Effective equity interest held by the Group 2013 %	Effective equity interest held by the Non-controlling interest 2014 %	Effective equity interest held by the Non-controlling interest 2013 %	Principal activities
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Nominee services for foreign beneficial shareholders
RHB Nominees Sdn Bhd	Malaysia	25,000	**100**	100	**-**	-	Nominee and custodian services
RHB Nominees (Asing) Sdn Bhd	Malaysia	25,000	**100**	100	**-**	-	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	25,000	**100**	100	**-**	-	Nominee and custodian services for Malaysian beneficial shareholders
RHB Asset Management Sdn Bhd	Malaysia	10,000,000	**100**	100	**-**	-	Rendering of investment management services, management of unit trust funds and private retirement schemes and provision of investment advisory services
RHB Islamic International Asset Management Berhad	Malaysia	13,000,000	**100**	100	**-**	-	Rendering of Islamic fund management services and management of Islamic unit trust funds
RHB Research Institute Sdn Bhd	Malaysia	500,000	**100**	100	**-**	-	Research services
RHB Private Equity Holdings Sdn Bhd	Malaysia	55,000,002	**100**	100	**-**	-	Investment holding
RHB Private Equity Management Ltd	Malaysia	USD 1	**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[1,7]	Singapore	SGD9,000,000	**100**	100	**-**	-	Investment holding

NOTES TO THE FINANCIAL STATEMENTS
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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 2014 %	Effective equity interest held by the Group 2013 %	Effective equity interest held by the Non-controlling interest 2014 %	Effective equity interest held by the Non-controlling interest 2013 %	Principal activities
RHB OSK Asset Management Pte Ltd[1]	Singapore	SGD9,100,000	**100**	100	**-**	-	Fund management
RHB Holdings Hong Kong Limited[2]	Hong Kong	HKD300,000,000	**100**	100	**-**	-	Investment holding
RHB OSK Securities Hong Kong Limited[2]	Hong Kong	HKD340,000,000	**100**	100	**-**	-	Securities dealing and provision of securities margin financing
RHB OSK Nominees Hong Kong Limited[2]	Hong Kong	HKD1	**100**	100	**-**	-	Provision of nominees services
RHB OSK Futures Hong Kong Limited[2]	Hong Kong	HKD35,000,000	**100**	100	**-**	-	Dealing in futures and options contracts
RHB OSK Finance Hong Kong Limited[2]	Hong Kong	HKD1	**100**	100	**-**	-	Money lending
RHB OSK Capital Hong Kong Limited[2]	Hong Kong	HKD10,000,000	**100**	100	**-**	-	Provision of corporate finance advisory services
RHB OSK Fundamental Capital Hong Kong Limited[2] *(formerly known as RHB OSK Precious Metals Hong Kong Limited)*	Hong Kong	HKD10,000,000	**100**	100	**-**	-	Investment holding
RHB OSK Asset Management Limited[2]	Hong Kong	HKD14,000,000	**100**	100	**-**	-	Dealing in securities, advising on securities and provision of asset management services
RHB OSK Wealth Management Hong Kong Limited[2]	Hong Kong	HKD5,000,000	**100**	100	**-**	-	Negotiating or arranging contracts of insurance
RHB OSK (China) Investment Advisory Co Ltd[2] *(formerly known as OSK (China) Investment Advisory Co Ltd)*	People's Republic of China	USD 2,000,000	**100**	100	**-**	-	Provision of investment and business advisory and related services
PT RHB OSK Securities Indonesia[1]	Indonesia	IDR204,082 million	**99**	99	**1**	1	Securities brokerage and underwriting
PT RHB OSK Asset Management[1]	Indonesia	IDR50,000 million	**98.62**	98.62	**1.38**	1.38	Investment manager
DMG & Partners Securities Pte Ltd[1,6] ("DMG & Partners")	Singapore	SGD75,000,000	**100**	51	**-**	49	Provision of stock and share broking services and corporate finance advisory 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 the Non-controlling interest		Principal activities
			2014 %	2013 %	2014 %	2013 %	
DMG & Partners Nominees Pte Ltd[1,6]	Singapore	SGD2	**100**	51	**-**	49	Inactive
Summit Nominees Pte Ltd[1,6]	Singapore	SGD2,000	**100**	51	**-**	49	Inactive
DMG & Partners Research Pte Ltd[1,6]	Singapore	SGD175,000	**100**	51	**-**	49	Financial advisory services
RHB OSK Securities (Thailand) Public Company Limited[1]	Thailand	THB819,171,600	**99.95**	99.95	**0.05**	0.05	Provision of stock and derivatives broking services
RD RHB OSK Indonesia Dynamic Resources Plus Fund[2,3,^]	Indonesia	-	**-**	100	**-**	-	Invest in equity securities of entities operating in diversified industries
RHB OSK Resources Fund[2,^]	Hong Kong	-	**94.4**	93.7	**5.6**	6.3	Invest in equity and equity related securities of entities operating in substantially related to natural resources industries
RHB Trustees Berhad	Malaysia	6,000,000	**80**	80	**20**	20	Professional retail trustee services (will writing, estate planning and private trust) and corporate trustee services (collective investment schemes)
Malaysian Trustees Berhad	Malaysia	550,000	**80**	80	**20**	20	Engage in the business of trustee agents, executors and administrators pursuant to the Trust Companies Act, 1949
Dormant subsidiaries							
RHB Excel Sdn Bhd[4]	Malaysia	200,000,000	**100**	100	**-**	-	Dormant
RHB Progressive Sdn Bhd[4]	Malaysia	13,500,000	**100**	100	**-**	-	Dormant
RHB Marketing Services Sdn Bhd[5]	Malaysia	100,000	**100**	100	**-**	-	Dormant
RHB Unit Trust Management Berhad[4]	Malaysia	5,000,000	**100**	100	**-**	-	Dormant
OSK Futures and Options Sdn Bhd	Malaysia	10,000,000	**100**	100	**-**	-	Dormant
OSK Research Sdn Bhd	Malaysia	500,000	**100**	100	**-**	-	Dormant

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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 2014 %	Effective equity interest held by the Group 2013 %	Effective equity interest held by the Non-controlling interest 2014 %	Effective equity interest held by the Non-controlling interest 2013 %	Principal activities
RHB OSK International Asset Management Sdn Bhd	Malaysia	7,000,000	**100**	100	**-**	-	Dormant
OSK Nominees (Tempatan) Sdn Berhad	Malaysia	3,670,000	**100**	100	**-**	-	Dormant
OSK Nominees (Asing) Sdn Berhad	Malaysia	2,670,000	**100**	100	**-**	-	Dormant
RHB Islamic Asset Management Sdn Bhd	Malaysia	4,000,000	**100**	100	**-**	-	Dormant
TCL Nominees (Tempatan) Sdn Bhd	Malaysia	644,000	**100**	100	**-**	-	Dormant
TCL Nominees (Asing) Sdn Bhd	Malaysia	4,000	**100**	100	**-**	-	Dormant
KE-ZAN Nominees (Tempatan) Sdn Bhd	Malaysia	650,000	**100**	100	**-**	-	Dormant
KE-ZAN Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Dormant
OSK Investment Management Berhad *(formerly known as OSK-UOB Investment Management Berhad)*	Malaysia	10,000,000	**100**	100	**-**	-	Dormant

Notes:

1 Subsidiaries audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia.
2 Subsidiaries audited by a firm other than member firms of PricewaterhouseCoopers International Limited.
3 As set out in Note 47(a), the Group has disposed of the fund in February 2014.
4 The companies have commenced member's voluntary winding up on 28 March 2012.
5 The companies have commenced member's voluntary winding up on 16 February 2011.
6 As set out in Note 47(d) to the financial statements, the Bank acquired the remaining 49% equity interest in DMG & Partners Securities Pte Ltd ("DMG") from non-controlling interest on 15 December 2014. The difference between fair value of the consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity.
7 As set out in Note 47(f) to the financial statements, the Bank increased its subscription of SGD4,000,000 ordinary shares in RHB OSK International Investments Pte Ltd ("ROII").

^ The funds are subsidiaries consolidated in the Group as the Bank controls the funds in accordance with MFRS 10 "Consolidated financial statements".

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14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES

	Note	Group		Bank	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Share of net assets of associates	(a)	**11,657**	11,719	**5,028**	14,101
Less: Allowance for impairment loss		**(2,650)**	(2,650)	**-**	-
		9,007	9,069	**5,028**	14,101
Share of net assets of joint ventures	(b)	**26,957**	25,911	**27,399**	27,399
Less: Allowance for impairment loss		**(5,936)**	(5,936)	**(12,036)**	(12,036)
		21,021	19,975	**15,363**	15,363
		30,028	29,044	**20,391**	29,464

(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 2014 %	Effective equity interest 2013 %	Principal activities
RHB Finexasia.Com Sdn Bhd	Malaysia	11,361,111	**40.05**	40.05	Development and provision of internet financial solution and related activities
iFast-OSK Sdn Bhd^ ("iFast-OSK")	Malaysia	26,000,000	**-**	34.88	Investment holding

Note:
^ The Bank had on 7 March 2014, entered into a sale and purchase agreement to dispose its entire 34.88% equity interest in iFast-OSK and the disposal was completed on 18 July 2014 as disclosed in Note 47(b).

There are no capital commitments or contingent liabilities relating to the Group's interest in the associates as at 31 December 2014.

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

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

Summaried 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Assets						
Cash and cash equivalents	**22,687**	20,045	**-**	534	**22,687**	20,579
Other assets	**282**	639	**-**	3,396	**282**	4,035
Total assets	**22,969**	20,684	**-**	3,930	**22,969**	24,614
Liabilities						
Financial liabilities	**(480)**	(474)	**-**	(1,138)	**(480)**	(1,612)
Other liabilities	**-**	-	**-**	-	**-**	-
Total liabilities	**(480)**	(474)	**-**	(1,138)	**(480)**	(1,612)
Net Assets	**22,489**	20,210	**-**	2,792	**22,489**	23,002

(ii) Summarised statements of comprehensive income

	Finexasia		iFast-OSK		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income	**639**	586	**-**	33	**639**	619
Interest expense	**-**	-	**-**	-	**-**	-
Net interest income	**639**	586	**-**	33	**639**	619
Other operating income	**5,576**	5,346	**-**	5,079	**5,576**	10,425
Net operating income	**6,215**	5,932	**-**	5,112	**6,215**	11,044
Other operating expenses	**(3,139)**	(3,337)	**-**	(6,447)	**(3,139)**	(9,784)
Including:						
Depreciation and amortisation	**(63)**	(100)	**-**	(116)	**(63)**	(216)
Profit/(loss) before taxation	**3,076**	2,595	**-**	(1,335)	**3,076**	1,260
Taxation	**(797)**	(793)	**-**	-	**(797)**	(793)
Net profit/(loss) for the financial year	**2,279**	1,802	**-**	(1,335)	**2,279**	467

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

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

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

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

	Finexasia		iFast-OSK		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Balance as at the beginning of the financial year	**20,210**	18,408	**-**	4,127	**20,210**	22,535
Net profit/(loss) for the financial year	**2,279**	1,802	**-**	(1,335)	**2,279**	467
Balance as at the end of the financial year	**22,489**	20,210	**-**	2,792	**22,489**	23,002
Equity interest attributable to net assets	**9,007**	8,095	**-**	974	**9,007**	9,069
Goodwill	**2,650**	2,650	**-**	-	**2,650**	2,650
Accumulated impairment loss	**(2,650)**	(2,650)	**-**	-	**(2,650)**	(2,650)
Carrying value	**9,007**	8,095	**-**	974	**9,007**	9,069

(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 2014 %	Effective equity interest 2013 %	Principal activities
Vietnam Securities Corporation ("VSEC")	Vietnam	VND135 billion	**49**	49	Securities brokerage and deposits and securities financial and investment consultancy
RHB 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 2014.

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

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

Summaried 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Assets						
Cash and cash equivalents	**26,493**	24,029	**26**	24	**26,519**	24,053
Other current assets	**1,223**	1,397	**32**	2	**1,255**	1,399
Total assets	**27,716**	25,426	**58**	26	**27,774**	25,452
Liabilities						
Financial liabilities	**(200)**	(137)	**(30)**	(27)	**(230)**	(164)
Other current liabilities	**(117)**	(6)	**-**	-	**(117)**	(6)
Total liabilities	**(317)**	(143)	**(30)**	(27)	**(347)**	(170)
Net Assets/(Liabilities)	**27,399**	25,283	**28**	(1)	**27,427**	25,282

(ii) Summarised statements of comprehensive income

	VSEC		RHB OSK GC		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income	**2,063**	2,148	**31**	-	**2,094**	2,148
Interest expense	**(1)**	(2)	**(1)**	-	**(2)**	(2)
Net interest income	**2,062**	2,146	**30**	-	**2,092**	2,146
Other operating income	**84**	250	**(30)**	-	**54**	250
Net operating income	**2,146**	2,396	**-**	-	**2,146**	2,396
Other operating expenses	**(1,163)**	(1,249)	**-**	-	**(1,163)**	(1,249)
Including:						
Depreciation and amortisation	**(141)**	(161)	**-**	-	**(141)**	(161)
Profit before taxation	**983**	1,147	**-**	-	**983**	1,147
Taxation	**(208)**	(275)	**-**	-	**(208)**	(275)
Net profit for the financial year	**775**	872	**-**	-	**775**	872

14 INVESTMENT IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

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

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

	VSEC		RHB OSK GC		Total	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Balance as at the beginning of the financial year	**25,283**	23,009	**(1)**	(1)	**25,282**	23,008
Profit for the financial year	**775**	872	**-**	-	**775**	872
Translation reserves	**1,341**	1,402	**29**	-	**1,370**	1,402
Balance as at the end of the financial year	**27,399**	25,283	**28**	(1)	**27,427**	25,282
Equity interest attributable to net assets	**13,425**	12,389	**11**	-	**13,436**	12,389
Goodwill	**14,204**	14,204	**-**	-	**14,204**	14,204
Accumulated impairment losses	**(5,936)**	(5,936)	**-**	-	**(5,936)**	(5,936)
Exchange differences	**(683)**	(682)	**-**	-	**(683)**	(682)
Carrying value	**21,010**	19,975	**11**	-	**21,021**	19,975

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

15 PROPERTY, PLANT AND EQUIPMENT

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

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

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
2013						
Cost						
Balance as at the beginning of the financial year		77,922	121,695	59,746	11,095	270,458
Additions		2,005	3,011	7,516	2,465	14,997
Disposals		-	(531)	(319)	(897)	(1,747)
Written off		(1,400)	(1,306)	(485)	-	(3,191)
Reclassifications		-	1,974	(1,974)	-	-
Exchange difference		(292)	166	(190)	(168)	(484)
Balance as at the end of the financial year		78,235	125,009	64,294	12,495	280,033
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		49,081	105,363	43,822	7,579	205,845
Charge for the financial year	30	4,442	6,822	10,130	1,286	22,680
Disposals		-	(530)	(303)	(489)	(1,322)
Written off		(1,017)	(1,303)	(453)	-	(2,773)
Reclassifications		-	1,191	(1,191)	-	-
Exchange difference		(225)	(8)	(107)	(132)	(472)
Balance as at the end of the financial year		52,281	111,535	51,898	8,244	223,958
Net book value as at the end of the financial year		25,954	13,474	12,396	4,251	56,075

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

15 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Note	Renovations RM'000	Office equipment and furniture RM'000	Computer equipment RM'000	Motor vehicles RM'000	Total RM'000
2014						
Cost						
Balance as at the beginning of the financial year		**63,029**	**102,488**	**30,961**	**6,193**	**202,671**
Additions		**4,950**	**618**	**7,766**	**-**	**13,334**
Disposals		**-**	**-**	**-**	**(16)**	**(16)**
Written off		**(531)**	**(195)**	**(888)**	**-**	**(1,614)**
Reclassifications		**11,440**	**(47,984)**	**37,288**	**-**	**744**
Balance as at the end of the financial year		**78,888**	**54,927**	**75,127**	**6,177**	**215,119**
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		**42,426**	**98,337**	**27,726**	**4,969**	**173,458**
Charge for the financial year	30	**3,687**	**589**	**4,748**	**415**	**9,439**
Disposals		**-**	**-**	**-**	**(16)**	**(16)**
Written off		**(523)**	**(191)**	**(888)**	**-**	**(1,602)**
Reclassifications		**9,745**	**(45,934)**	**36,345**	**-**	**156**
Balance as at the end of the financial year		**55,335**	**52,801**	**67,931**	**5,368**	**181,435**
Net book value as at the end of the financial year		**23,553**	**2,126**	**7,196**	**809**	**33,684**
2013						
Cost						
Balance as at the beginning of the financial year		62,926	102,213	28,472	5,352	198,963
Additions		1,008	2,016	2,740	841	6,605
Disposals		-	(484)	(6)	-	(490)
Written off		(905)	(1,257)	(245)	-	(2,407)
Balance as at the end of the financial year		63,029	102,488	30,961	6,193	202,671
Less: Accumulated depreciation						
Balance as at the beginning of the financial year		40,253	95,984	22,793	4,666	163,696
Charge for the financial year	30	2,912	4,091	5,178	303	12,484
Disposals		-	(482)	-	-	(482)
Written off		(739)	(1,256)	(245)	-	(2,240)
Balance as at the end of the financial year		42,426	98,337	27,726	4,969	173,458
Net book value as at the end of the financial year		20,603	4,151	3,235	1,224	29,213

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16 GOODWILL AND OTHER INTANGIBLE ASSETS

		Group		Bank	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Goodwill on consolidation	(a)	**1,269,934**	1,269,934	**1,118,418**	1,118,418
Other intangible assets	(b)				
Customer relationship		**17,495**	19,728	**4,433**	4,999
Brand		**9,472**	16,684	**5,598**	12,315
Trading rights and memberships		**1,195**	1,123	**-**	-
Computer software license		**25,851**	31,226	**19,688**	25,914
		1,323,947	1,338,695	**1,148,137**	1,161,646

(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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
CGUs				
Investment Banking	**374,438**	374,438	**360,875**	360,875
Treasury	**614,176**	614,176	**614,176**	614,176
Asset Management	**143,367**	143,367	**143,367**	143,367
Subsidiaries				
- DMG & Partners	**63,948**	63,948	**-**	-
- PT RHB OSK Securities Indonesia	**74,005**	74,005	**-**	-
	1,269,934	1,269,934	**1,118,418**	1,118,418

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets or forecasts approved by Directors covering a three-year period, except for PT RHB OSK Securities Indonesia CGU, of which the value in use calculations apply discounted cash flow projections approved by Directors covering a ten-year period (2013: three-year period). Cash flows beyond the three-year or ten-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.

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

	Discount Rate		Growth Rate	
	2014 %	2013 %	2014 %	2013 %
Investment Banking	**9.7**	8.7	**3.0**	3.0
Treasury	**9.7**	8.7	**3.0**	3.0
Asset Management	**9.7**	8.7	**3.0**	3.0
DMG & Partners	**6.1**	4.7	**2.0**	2.0
PT RHB OSK Securities Indonesia	**10.6**	11.3	**5.8**	5.0

16 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill on consolidation (Continued)

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

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16 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets (Continued)

Group	Note	Customer relationship RM'000	Brand RM'000	Trading rights and memberships RM'000	Computer software license RM'000	Total RM'000
2013						
Cost						
Balance as at the beginning of the financial year		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
Less: Accumulated amortisation						
Balance as at the beginning of the financial year		372	1,202	1,032	41,738	44,344
Charge for the financial year	30	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
Less: Accumulated impairment loss						
Balance as at the beginning/ end of the financial year		-	-	-	2,925	2,925
Net book value as at the end of the financial year		19,728	16,684	1,123	31,226	68,761

16 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangible assets (Continued)

Bank	Note	Customer relationship RM'000	Brand RM'000	Computer software license RM'000	Total RM'000
2014					
Cost					
Balance as at the beginning of the financial year		**5,659**	**20,153**	**75,477**	**101,289**
Additions		**-**	**-**	**5,519**	**5,519**
Written off		**-**	**-**	**(6)**	**(6)**
Reclassifications		**-**	**-**	**(744)**	**(744)**
Balance as at the end of the financial year		**5,659**	**20,153**	**80,246**	**106,058**
Less: Accumulated amortisation					
Balance as at the beginning of the financial year		**660**	**7,838**	**46,638**	**55,136**
Charge for the financial year	30	**566**	**6,717**	**11,159**	**18,442**
Written off		**-**	**-**	**(6)**	**(6)**
Reclassifications		**-**	**-**	**(158)**	**(158)**
Balance as at the end of the financial year		**1,226**	**14,555**	**57,633**	**73,414**
Less: Accumulated impairment loss					
Balance as at the beginning/ end of the financial year		**-**	**-**	**2,925**	**2,925**
Net book value as at the end of the financial year		**4,433**	**5,598**	**19,688**	**29,719**
2013					
Cost					
Balance as at the beginning of the financial year		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
Less: Accumulated amortisation					
Balance as at the beginning of the financial year		94	1,120	37,101	38,315
Charge for the financial year	30	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
Less: Accumulated impairment loss					
Balance as at the beginning/ end of the financial year		-	-	2,925	2,925
Net book value as at the end of the financial year		4,999	12,315	25,914	43,228

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

17 DEPOSITS FROM CUSTOMERS

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
(i) By type of deposits				
Short term deposits	**499,956**	574,847	**501,909**	625,652
Fixed/investment deposits	**2,148,809**	1,876,315	**2,161,215**	1,900,329
Negotiable instruments of deposits	**29,755**	33,267	**29,755**	33,267
	2,678,520	2,484,429	**2,692,879**	2,559,248
(ii) By type of customer				
Government and statutory bodies	**547,059**	490,266	**547,059**	490,266
Business enterprises	**2,033,055**	1,870,841	**2,047,414**	1,945,660
Individuals	**98,406**	121,428	**98,406**	121,428
Foreign customers	**-**	1,894	**-**	1,894
	2,678,520	2,484,429	**2,692,879**	2,559,248
(iii) By maturity structure of the fixed/investment deposits and negotiable instrument of deposits				
Due within six months	**2,633,323**	2,430,022	**2,647,682**	2,504,841
Six months to one year	**38,816**	47,946	**38,816**	47,946
One year to three years	**6,381**	6,359	**6,381**	6,359
Three years to five years	**-**	102	**-**	102
	2,678,520	2,484,429	**2,692,879**	2,559,248

18 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Licensed banks	**675,629**	463,834	**675,629**	463,834
Licensed investments banks	**120,142**	210,772	**120,142**	210,772
Bank Negara Malaysia	**-**	25,425	**-**	25,425
Other financial institutions	**3,172,025**	3,920,647	**3,231,551**	3,920,647
	3,967,796	4,620,678	**4,027,322**	4,620,678

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

19 OBLIGATION ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Financial assets held-for-trading	-	180,003	-	180,003
Financial investment available-for-sale	18,910	221,519	-	221,519
	18,910	401,522	-	401,522

20 CLIENTS' AND BROKERS' BALANCES

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amounts due to:				
- Clients	985,151	643,402	573,587	413,618
- Brokers	163,925	1,653,584	9,993	5,446
- Clearing houses and stock exchange	61,765	17,985	205	205
	1,210,841	2,314,971	583,785	419,269

21 OTHER LIABILITIES

		Group		Bank	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Amount due to holding company	(i)	-	490	-	488
Amounts due to subsidiaries	(i)	-	-	6,044	3,978
Amounts due to related companies	(i)	10,459	17,263	5,867	15,763
Other creditors and accruals		123,605	119,320	77,711	45,190
Remisiers' trust deposits		59,480	55,674	59,480	55,674
Amount payable for creation of units due to funds		44,268	25,898	-	-
Amount payable for redemption units		20,660	18,048	-	-
Short term employee benefits		157,759	78,479	100,346	49,000
		416,231	315,172	249,448	170,093

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

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

22 BORROWINGS

	Note	Group 2014 RM'000	Group 2013 RM'000
Secured:			
Revolving credits:			
- Hong Kong Dollar ("HKD")	(a(i))	**13,524**	66,805
Unsecured:			
Revolving credits:			
- United States Dollar ("USD")	(a(ii))	**54,201**	-
- Thai Baht ("THB")	(a(iii))	**36,169**	14,999
Term loans:			
- Singapore Dollar ("SGD")	(b)	**119,089**	25,937
- Japanese Yen ("JPY")	(c)	**2,115**	-
- Indonesia Rupiah ("IDR")	(d)	**14,115**	44,451
		239,213	152,192

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 rates ranging from 1.55%-1.65% (2013: 1.54%) per annum.

(ii) USD revolving credits (unsecured)

The unsecured USD revolving credit facilities of the Group bears interest at rates 2.23% (2013: NIL) per annum and repayable on demand. The facilities are provided by RHB Bank (L) Ltd, a related company of the Bank.

(iii) THB revolving credits (unsecured)

The unsecured THB revolving credit facilities of the Group bears interest at rates ranging from 2.98%-3.03% (2013: 2.85%-3.50%) per annum. The facilities are provided by RHB Bank Berhad (Thailand Branch), a related company of the Bank.

(b) Term loans (unsecured)

The unsecured SGD term loans of the Group which bears interest at rates ranging from 1.20%-1.40% (2013: 0.97%) per annum.

(c) Term loans (unsecured)

The unsecured JPY term loans of the Group which bears interest at rates 1.36% (2013: NIL) per annum.

(d) Term loans (unsecured)

The unsecured IDR term loans of the Group bears interest at rates 10.65% (2013: 10.60%-11.50%) per annum.

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

23 SUBORDINATED OBLIGATIONS

	Note	Group and Bank	
		2014 RM'000	2013 RM'000
4.40% RM245 million Tier II Subordinated Notes 2012/2022	(a)	**245,650**	245,659
7.25% RM125 million Tier II Subordinated Notes 2010/2020	(b)	**127,135**	131,536
7.15% RM75 million Tier II Subordinated Notes 2010/2020	(c)	**75,543**	78,342
5.20% RM100 million Tier II Subordinated Notes 2011/2021	(d)	**101,112**	103,562
		549,440	559,099

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

On 10 December 2012, the Bank issued RM245 million nominal value of Subordinated Notes. 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 2022	Accrued and payable semi-annually in arrears

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

On 5 April 2010, RHB 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.

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

On 24 May 2010, RHB 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.

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

On 15 April 2011, RHB 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.

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

24 SHARE CAPITAL

	Group and Bank	
	2014 RM'000	2013 RM'000
Ordinary shares of RM1.00 each		
Authorised:		
Balance as at the beginning/end of the financial year	**1,000,000**	1,000,000
Issued and fully paid:		
Balance as at the beginning of the financial year	**818,646**	263,646
Issue of shares:		
- Acquisition of OSK Investment Bank Berhad	**-**	555,000
Balance as at the end of the financial year	**818,646**	818,646

During the preceding 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.

25 RESERVES

		Group		Bank	
	Note	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Retained profits	(a)	**172,467**	206,734	**290,106**	176,310
Share premium	(b)	**1,515,150**	1,515,150	**1,515,150**	1,515,150
Statutory reserves	(c)	**406,545**	278,549	**406,544**	278,549
AFS reserves	(d)	**3,308**	(25,948)	**(11,933)**	(32,510)
Translation reserves	(e)	**34,972**	(22,768)	**-**	-
		2,132,442	1,951,717	**2,199,867**	1,937,499

(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 2014, under Section 108 of the Income Tax Act, 1967, will be disregarded with effect from 1 January 2014. As at 31 December 2014, the Bank has tax exempt account balances to pay tax exempt dividends of approximately RM57,944,914.

(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.

(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, derecognition 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.

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

26 NON-CONTROLLING INTERESTS ("NCI")

	Group	
	2014 RM'000	2013 RM'000
Balance as at the beginning of the financial year	**191,348**	216,576
Share of the profit for the financial year	**18,326**	9,704
Share of other comprehensive income for the financial year	**(12,289)**	11,808
Amount arising from acquisition of additional equity interest in subsidiary	**-**	431
Accretion of interest in a subsidiary	**(54)**	-
Acquisition of shares from non-controlling interests	**(190,547)**	(37,723)
Dividends paid	**-**	(9,448)
Balance as at the end of the financial year	**6,784**	191,348

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	
	2014 RM'000	2013 RM'000
Assets		
Cash and cash equivalents	**-**	8,136
Clients' and brokers' balance	**-**	1,858,579
Other assets	**-**	346,994
Total assets	**-**	2,213,709
Liabilities		
Clients' and brokers' balance	**-**	1,766,232
Other liabilities	**-**	69,564
Total liabilities	**-**	1,835,796
Net Assets	**-**	377,913
Accumulated NCI	**-**	185,177

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

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)

(ii) Summarised statement of comprehensive income

	DMG & Partners	
	2014 RM'000	2013 RM'000
Interest income	-	20,586
Interest expense	-	(1,984)
Net interest income	-	18,602
Other operating income	-	144,039
Net operating income	-	162,641
Other operating expenses	-	(123,051)
Including:		
Depreciation and amortisation	-	(3,707)
Allowance for impairment on loans, advances and other losses	-	(30,452)
Profit before taxation	-	9,138
Taxation	-	1,409
Net profit for the financial year	-	10,547
Other comprehensive income	-	10,878
Total comprehensive income	-	21,425

(iii) Summarised cash flows

	DMG & Partners	
	2014 RM'000	2013 RM'000
Cash flows from operating activities		
Cash generated from operations	-	17,132
Interest received	-	20,691
Dividend received	-	932
Interest paid	-	(2,090)
Income tax (paid)/refund	-	(3,636)
Net cash generated from operating activities	-	33,029
Net cash used in investing activities	-	(2,057)
Net cash used in financing activities	-	(33,525)
Net decrease in cash and cash equivalents	-	(2,553)
Effects of exchange rate differences	-	352
Cash and cash equivalents:		
- at the beginning of the financial year	-	10,337
- at the end of the financial year	-	8,136

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

27 INTEREST INCOME

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Loans and advances	**184,075**	156,160	**135,672**	117,352
Money at call and deposit placements with banks and other financial institutions	**38,372**	67,271	**33,138**	59,956
Financial assets held-for-trading	**14,169**	30,478	**13,606**	24,518
Financial investments available-for-sale	**147,001**	142,756	**140,742**	142,756
Financial investments held-to-maturity	**32,340**	36,932	**32,340**	36,932
Others	**15,803**	14,567	**5,194**	5,044
	431,760	448,164	**360,692**	386,558
Of which:				
Interest income accrued on impaired financial assets	**7,357**	20,564	**7,180**	20,564

28 INTEREST EXPENSE

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits and placements of banks and other financial institutions	**145,216**	156,235	**145,216**	155,637
Deposits from customers	**90,991**	96,629	**93,134**	99,111
Subordinated obligations	**20,732**	23,557	**20,732**	23,557
Borrowings	**13,466**	7,135	**-**	-
Others	**1,883**	1,379	**-**	-
	272,288	284,935	**259,082**	278,305

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

29 OTHER OPERATING INCOME

	Group		Bank	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Fee Income				
Arrangement fees and underwriting	**79,454**	83,342	**63,765**	44,677
Service charges and fees	**5,735**	3,988	**1,705**	69
Commission	**376**	4,578	**2,160**	4,211
Net brokerage income	**362,874**	371,695	**233,975**	210,205
Unit trust fee income	**45,849**	80,834	**-**	-
Corporate advisory fees	**164,191**	41,221	**123,399**	35,831
Fund management fees	**115,685**	98,863	**-**	-
Placement fees	**28,249**	47,707	**14,962**	28,735
Rollover fees	**8,985**	9,580	**6,240**	6,442
Other fee income	**150,637**	65,820	**114,154**	41,259
	962,035	807,628	**560,360**	371,429
Net gain/(loss) arising from financial assets HFT				
- Net gain/(loss) on disposal	**28,430**	(3,513)	**14,807**	(5,631)
- Unrealised (loss)/gain on revaluation	**(13,555)**	5,645	**(13,111)**	8,434
- Gross dividend income	**5,204**	2,648	**1,127**	1,029
Net gain/(loss) arising from derivatives				
- Net gain/(loss) on disposal	**(4,791)**	13,026	**(10,268)**	9,997
- Net gain on revaluation	**38,996**	7,491	**33,320**	4,675
Net gain arising from financial investments AFS				
- Net gain/(loss) on disposal	**32,614**	20,816	**(12,026)**	20,816
- Gross dividend income	**3,251**	455	**158**	386
	90,149	46,568	**14,007**	39,706

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

29 OTHER OPERATING INCOME (CONTINUED)

	Note	Group 2014 RM'000	Group 2013 RM'000	Bank 2014 RM'000	Bank 2013 RM'000
Net gain arising from financial investment HTM					
- Net gain on redemption		**274**	92	**274**	92
Gross dividend income from subsidiaries					
- In Malaysia		**-**	-	**12,500**	6,300
- Outside Malaysia		**-**	-	**92,602**	9,570
Other income					
Foreign exchange gain					
- Realised		**22,694**	16,423	**20,257**	12,243
- Unrealised		**23,879**	11,191	**25,680**	12,134
Net gain/(loss) on disposal of property, plant and equipment		**7**	205	**2**	(1)
Rental income		**-**	-	**195**	263
Other operating income		**7,516**	6,238	**1,316**	4,020
Other non-operating income		**2,128**	3,954	**-**	935
Gain/(loss) arising from disposal of an associate company	47(b),(h)	**8,202**	8,737	**(3)**	18,424
Loss arising from disposal of a subsidiary company		**(247)**	-	**(2,696)**	-
		64,179	46,748	**44,751**	48,018
		1,116,637	901,036	**724,494**	475,115

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

30 OTHER OPERATING EXPENSES

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Personnel costs				
Salaries, bonus, wages and allowances	**439,824**	341,550	**244,379**	195,461
Defined contribution plan	**46,021**	34,082	**33,584**	22,875
Other staff related costs	**53,549**	54,890	**37,583**	28,004
	539,394	430,522	**315,546**	246,340
Establishment costs				
Property, plant and equipment:				
- Depreciation	**21,518**	22,680	**9,439**	12,484
- Written off	**384**	418	**12**	167
Intangible assets				
- Amortisation	**22,459**	20,134	**18,442**	16,823
- Written off	**100**	219	**-**	-
Information technology expenses	**27,973**	21,349	**18,442**	15,662
Security and escorting charges	**739**	832	**423**	601
Repair and maintenance	**8,486**	14,193	**5,355**	10,919
Rental of premises	**43,303**	40,683	**20,123**	20,081
Water and electricity	**7,447**	6,025	**5,486**	4,736
Rental of equipment	**4,787**	5,378	**1,681**	2,478
Insurance	**5,761**	3,702	**3,900**	2,723
Others	**14,855**	13,368	**8,114**	7,727
	157,812	148,981	**91,417**	94,401
Marketing expenses				
Advertisement and publicity	**12,482**	12,145	**8,369**	6,922
Sales commission	**88,209**	76,588	**56,338**	925
Others	**55,954**	63,395	**10,329**	12,522
	156,645	152,128	**75,036**	20,369
Administration and general expenses				
Communication expenses	**50,744**	54,148	**23,288**	27,121
Auditors' remuneration (Note (i))	**1,703**	1,834	**461**	629
Legal and professional fee	**7,628**	5,352	**3,549**	2,384
Others	**54,628**	57,137	**34,456**	31,524
	114,703	118,471	**61,754**	61,658
	968,554	850,102	**543,753**	422,768

Included in the personnel cost is the Managing Director/CEO remuneration totalling (excluding benefits-in-kind) RM2,966,000 (2013: RM1,987,000) for the Group and the Bank, as disclosed in Note 31.

Included in administration and general expenses of the Group and the Bank are non-executive directors' remuneration (excluding benefits-in-kind) totalling RM2,106,000 (2013: RM1,938,000) and RM1,335,000 (2013: RM1,315,000) respectively, as disclosed in Note 31.

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

	Group		Bank	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
(i) Auditors' remuneration				
(a) Audit				
Statutory audit				
- Malaysia	**614**	736	**370**	463
- Overseas	**934**	849	**-**	-
Limited review	**75**	100	**75**	100
Other audit related	**-**	50	**-**	50
	1,623	1,735	**445**	613
(b) Non-audit				
- Malaysia	**80**	99	**16**	16
	80	99	**16**	16
	1,703	1,834	**461**	629

31 DIRECTORS' REMUNERATION

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

	Group and Bank			
	Salary and other remuneration RM'000	**Benefits-in-kind (based on an estimated monetary value) RM'000**	**Bonus RM'000**	**Total RM'000**
2014				
Managing Director/Chief Executive Officer				
Mike Chan Cheong Yuen*	**1,436**	**86**	**1,530**	**3,052**
2013				
Managing Director/Chief Executive Officer				
Mike Chan Cheong Yuen*	637	10	1,350	1,997

* Appointed on 15 August 2013.

NOTES TO THE FINANCIAL STATEMENTS
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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
2014								
Non-Executive Directors								
Tan Sri Ong Leong Huat @ Wong Joo Hwa (Chairman)	**258**	**31**	**25**	**314**	**150**	**31**	**21**	**202**
Dato' Mohamed Khadar Merican	**165**	**-**	**100**	**265**	**120**	**-**	**77**	**197**
Charles Lew Foon Keong	**120**	**-**	**41**	**161**	**120**	**-**	**41**	**161**
Patrick Chin Yoke Chung	**358**	**24**	**139**	**521**	**120**	**-**	**91**	**211**
Datuk Seri Saw Choo Boon	**170**	**-**	**127**	**297**	**120**	**-**	**125**	**245**
Abdul Aziz Peru Mohamed	**315**	**-**	**96**	**411**	**120**	**-**	**67**	**187**
Mohamed Ali Ismaeil Ali AlFahim	**78**	**-**	**14**	**92**	**78**	**-**	**14**	**92**
Tan Sri Azlan Zainol	**90**	**-**	**10**	**100**	**62**	**-**	**9**	**71**
	1,554	**55**	**552**	**2,161**	**890**	**31**	**445**	**1,366**
2013								
Non-Executive Directors								
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
Datuk Seri Saw Choo Boon	123	-	137	260	120	-	137	257
Abdul Aziz Peru Mohamed	243	-	88	331	120	-	68	188
	1,406	42	532	1,980	870	18	445	1,333

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

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Allowance for impaired loans and advances:				
- Individual impairment allowance (write back)/made	**(50,031)**	5,855	**(54,000)**	5,855
- Collective impairment allowance made	**3,259**	2,658	**3,259**	2,658
Impaired loans written off	**(118)**	(9)	**(76)**	(9)
Allowance made/(write back) for impairment on other assets	**1,396**	29,651	**6,020**	(1,305)
	(45,494)	38,155	**(44,797)**	7,199

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Charge for the financial year:				
- Financial investments AFS	**15,600**	13,161	**15,600**	13,161
- Financial investments HTM	**2,585**	-	**2,585**	-
- Investment in subsidiaries	**-**	-	**15,556**	6,543
- Property, plant and equipment	**169**	-	**-**	-
- Other intangible assets	**2,122**	-	**-**	-
Reversal for the financial year:				
- Financial investments AFS	**(4,616)**	(628)	**(4,616)**	(628)
- Financial investments HTM	**(7,566)**	(20,166)	**(7,566)**	(20,166)
- Investment in subsidiaries	**-**	-	**(3,292)**	-
	8,294	(7,633)	**18,267**	(1,090)

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

34 TAXATION

	Note	Group 2014 RM'000	Group 2013 RM'000	Bank 2014 RM'000	Bank 2013 RM'000
Income tax based on profit for the financial year:					
- Malaysian income tax		**80,598**	53,094	**72,075**	44,474
- Overseas tax		**8,096**	2,957	**271**	116
Deferred taxation	12	**(16,240)**	(2,712)	**(15,748)**	(591)
Over provision in respect of prior years		**(11,584)**	(8,821)	**(3,708)**	(6,035)
		60,870	44,518	**52,890**	37,964
Current tax					
Current year		**88,694**	56,051	**72,346**	44,590
Over provision in respect of prior years		**(11,584)**	(8,821)	**(3,708)**	(6,035)
		77,110	47,230	**68,638**	38,555
Deferred tax					
Origination and reversal of temporary differences	12	**(16,240)**	(2,712)	**(15,748)**	(591)
		(16,240)	(2,712)	**(15,748)**	(591)
		60,870	44,518	**52,890**	37,964

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

	Group 2014 %	Group 2013 %	Bank 2014 %	Bank 2013 %
Tax at Malaysian statutory applicable tax rate	**25.0**	25.0	**25.0**	25.0
Tax effect in respect of:				
Effect of different tax rates in other countries	**(2.0)**	(0.4)	**-**	-
Income not subject to tax	**(6.1)**	(0.9)	**(9.6)**	(1.8)
Expenses not deductible for tax purposes	**4.0**	4.2	**3.0**	3.6
Utilisation of deferred tax assets not previously recognised	**-**	(0.7)	**-**	-
Utilisation of previously unrecognised tax losses	**(0.4)**	-	**-**	-
Current year loss not recognised as deferred tax assets during the year	**0.5**	-	**-**	-
Other temporary differences not recognised in prior year	**-**	1.6	**-**	1.7
Over provision in respect of prior years	**(3.4)**	(4.8)	**(1.2)**	(3.9)
Effective tax rate	**17.6**	24.0	**17.2**	24.6

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

	Group 2014 RM'000	Group 2013 RM'000
Unabsorbed tax losses carried forward	**84,860**	80,349
Unabsorbed capital allowances carried forward	**654**	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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net profit attributable to equity holder	**266,746**	131,363	**255,991**	116,527
Weighted average number of ordinary shares in issue ('000)	**818,646**	663,550	**818,646**	663,550
Basic earnings per share (sen)	**32.58**	19.80	**31.27**	17.56

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2014 and 31 December 2013.

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

	Before tax RM'000	Tax expense RM'000	Net of tax RM'000
Group			
2014			
Financial investments available-for-sale			
- net fair value gain and amount transfer to income statements	**14,631**	**2,188**	**16,819**
Actuarial gain on defined benefit plan in subsidiary companies			
- net fair value gain and amount transfer to income statements	**1,290**	**(322)**	**968**
	15,921	**1,866**	**17,787**
2013			
Financial investments available-for-sale			
- net fair value loss and amount transfer to income statements	(46,120)	12,657	(33,463)
Bank			
2014			
Financial investments available-for-sale			
- net fair value gain and amount transfer to income statements	**23,555**	**(2,978)**	**20,577**
2013			
Financial investments available-for-sale			
- net fair value loss and amount transfer to income statements	(58,008)	14,501	(43,507)

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37 ORDINARY DIVIDENDS

Dividend declared or proposed are as follows:

	Group and Bank			
	2014		2013	
	Gross dividend per share sen	Amount of dividend RM'000	Gross dividend per share sen	Amount of dividend RM'000
Ordinary shares:				
Proposed final dividend - 2014/2013	**-**	**-**	-	-

The Bank does not propose any final dividend for the financial year ended 31 December 2014.

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

	Group and Bank			
	2014		2013	
	Gross dividend per share sen	Amount of dividend RM'000	Gross dividend per share sen	Amount of dividend RM'000
Ordinary shares				
Interim dividend - 2014	**1.73**	**14,200**	-	-
Final dividend - 2013/2012	**-**	**-**	8.60	17,005
	1.73	**14,200**	8.60	17,005

NOTES TO THE FINANCIAL STATEMENTS
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38 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

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

Related parties	Relationships
RHB Capital Berhad	Holding company
Subsidiaries of RHB Capital Berhad as disclosed in its financial statements	Subsidiaries of the holding company
Employee Provident Fund ("EPF")	Substantial shareholder of the holding company, a fund body that is significantly influenced by the government
Subsidiaries 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; and - members of the Group Management Committee ("GMC") In line with the Group's re-alignment of the Group's structure, the authority and responsibility for planning, directing and controlling the activities of the Group is now under the purview of the Bank's Directors and members of the GMC. In the past, same purview resided in the Bank's Management Committee members. Hence, the Group now considers the Directors and the members of GMC of the Bank as key management personnel.
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

NOTES TO THE FINANCIAL STATEMENTS
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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.

Group	Holding company RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	Other related companies RM'000
2014				
Income				
Interest on loans and advances	-	-	-	2,984
Interest income on financial investments available-for-sale	-	-	-	4,417
Fee income	2,688	11,598	-	34,355
Brokerage fees	-	18,024	38	-
Fund management fees	-	-	-	1,153
Revaluation of interest rate swap	-	-	-	(21,389)
Other operating income	-	14,962	-	119
	2,688	44,584	38	21,639
Expenditure				
Insurance premium	-	-	-	2,981
Interest expense on deposits and placements	-	7,984	928	4,700
Rental of premises	-	-	11,038	7,526
Personnel expenses	-	-	-	467
Establishment expenses	-	-	-	137
Marketing expenses	-	-	-	6,084
Administration and general expenses	-	-	-	13,269
	-	7,984	11,966	35,164
Amounts due from				
Cash and short-term funds	-	-	-	238,016
Financial investments AFS	-	145,631	-	4,597
Loans and advances	-	-	-	-
Clients' and brokers' balances	-	54,400	-	-
Derivative assets	-	-	-	-
Other assets	1,731	1,142	-	2,621
	1,731	201,173	-	245,234
Amounts due to				
Deposits from customers	-	265,790	22,489	21,006
Deposits and placements of bank and other financial institutions	-	-	-	570,747
Clients' and brokers' balances	-	103,825	9,073	-
Derivative liabilities	-	-	-	25,464
Borrowings	-	-	-	90,369
Other liabilities	-	-	-	10,459
	-	369,615	31,562	718,045

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group	Holding company RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	Other related companies RM'000
2013				
Income				
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
	5,631	34,624	7	25,232
Expenditure				
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	-	-	-	178
Marketing expenses	-	-	-	10,148
Administration and general expenses	-	-	-	6,406
	-	3,346	11,147	27,896
Amounts due from				
Cash and short-term funds	-	-	-	320,772
Financial assets HFT	-	140,345	-	-
Financial investment AFS	-	35,800	-	-
Loans and advances	-	245,000	312	-
Derivative assets	-	-	-	4,201
Other assets	7	4,754	3,088	3,584
	7	425,899	3,400	328,557
Amounts due to				
Deposits from customers	-	105,420	31,119	33,829
Clients' and brokers' balances	-	4,238	-	-
Derivative liabilities	-	-	-	17,879
Other liabilities	490	-	-	17,263
	490	109,658	31,119	68,971

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38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank	Holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
2014					
Income					
Interest on deposits	-	-	-	-	1,939
Interest on loans and advances	-	-	1,276	-	-
Interest income on financial investments available-for-sale	-	-	-	-	4,417
Fee income	2,688	11,518	4,620	-	29,570
Brokerage fees	-	17,477	1,119	38	-
Revaluation on interest rate swap	-	-	-	-	(21,389)
Rental income	-	-	226	-	-
Other operating income	-	14,962	1,701	-	119
	2,688	43,957	8,942	38	14,656
Expenditure					
Insurance premium	-	-	-	-	2,599
Interest expense on deposits and placements	-	7,984	2,156	928	2,506
Rental of premises	-	-	-	8,872	7,346
Personnel expenses	-	-	-	-	457
Establishment expenses	-	-	-	-	136
Marketing expenses	-	-	8,364	-	-
Administration and general expenses	-	-	21,688	-	5,618
	-	7,984	32,208	9,800	18,662
Amounts due from					
Cash and short-term funds	-	-	-	-	154,418
Financial assets HFT	-	-	-	-	-
Financial investments AFS	-	145,631	-	-	-
Loans and advances	-	-	69,937	-	-
Clients' and brokers' balances	-	54,400	-	-	-
Derivative assets	-	-	-	-	4,597
Other assets	1,698	1,142	9,312	-	112
	1,698	201,173	79,249	-	159,127
Amounts due to					
Deposit from customers	-	265,790	73,885	22,489	21,006
Deposits and placements of bank and other financial institutions	-	-	-	-	570,747
Cilents' and brokers' balance	-	103,825	-	9,073	-
Derivative liabilities	-	-	-	-	25,464
Other liabilities	-	-	6,044	-	5,867
	-	369,615	79,929	31,562	623,084

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

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank	Holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
2013					
Income					
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
	5,631	34,624	23,975	7	19,493
Expenditure					
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	-	-	-	-	173
Administration and general expenses	-	-	17,249	-	6,299
	-	3,346	19,774	9,554	16,368
Amounts due from					
Cash and short-term funds	-	-	-	-	193,604
Financial assets HFT	-	140,345	-	-	-
Financial investments AFS	-	35,800	-	-	-
Loans and advances	-	245,000	41,831	312	-
Derivative assets	-	-	-	-	4,201
Other assets	-	4,754	6,800	-	106
	-	425,899	48,631	312	197,911
Amounts due to					
Deposits from customers	-	105,420	74,819	31,119	18,823
Clients' and brokers' balances	-	4,238	-	-	-
Derivative liabilities	-	-	-	-	17,879
Other liabilities	488	-	3,978	-	15,763
	488	109,658	78,797	31,119	52,465

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38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(c) Key management personnel

The remuneration of key management personnel are as follows:

	Group		Bank	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Short-term employee benefits				
- Fees	**1,311**	1,912	**890**	870
- Salary and other remuneration	**4,409**	17,981	**4,339**	6,451
- Contribution to EPF	**562**	1,047	**562**	856
- Benefits-in-kind	**141**	826	**117**	106
	6,423	21,766	**5,908**	8,283

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	
	2014	**2013**	**2014**	**2013**
Outstanding credit exposure with connected parties (RM'000)	**109,914**	391,728	**109,914**	391,728
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	**2.62%**	7.43%	**2.62%**	7.43%
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	2014 Principal amount RM'000	2014 Credit equivalent amount* RM'000	2014 Risk weighted amount RM'000	2013 Principal amount RM'000	2013 Credit equivalent amount* RM'000	2013 Risk weighted amount RM'000
Obligations under underwriting agreements	**-**	**-**	**-**	267,648	133,824	85,356
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	**1,272,907**	**254,581**	**94,511**	1,733,605	346,721	346,721
- maturity exceeding one year	**6,172**	**3,086**	**2,639**	52,922	26,461	26,466
Foreign exchange related contracts^:						
- less than one year	**677,400**	**3,942**	**789**	669,034	8,599	2,640
- one year to less than five years	**2,279,594**	**367,295**	**105,087**	1,640,120	213,740	58,934
Interest rate related contracts^:						
- less than one year	**1,330,000**	**3,982**	**1,852**	1,055,000	2,087	417
- one year to less than five years	**965,000**	**15,249**	**5,818**	2,488,680	46,340	11,330
- more than five years	**-**	**-**	**-**	-	-	-
Equity related contracts^:						
- less than one year	**15,508**	**5,844**	**5,844**	-	-	-
Total	**6,546,581**	**653,979**	**216,540**	7,907,009	777,772	531,864

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

* 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	2014 Principal amount RM'000	2014 Credit equivalent amount* RM'000	2014 Risk weighted amount RM'000	2013 Principal amount RM'000	2013 Credit equivalent amount* RM'000	2013 Risk weighted amount RM'000
Direct credit substitutes#	**171,308**	**171,308**	**171,308**	-	-	-
Obligations under underwriting agreements	**-**	**-**	**-**	228,069	114,035	65,567
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	**271,593**	**54,319**	**7,131**	827,866	165,573	165,573
- maturity exceeding one year	**5,270**	**2,635**	**2,639**	52,922	26,461	26,466
Foreign exchange related contracts^:						
- less than one year	**607,457**	**3,942**	**789**	669,034	8,599	2,640
- one year to less than five years	**2,279,594**	**367,295**	**105,087**	1,640,120	213,740	58,934
Interest rate related contracts^:						
- less than one year	**1,330,000**	**3,982**	**1,852**	1,055,000	2,087	417
- one year to less than five years	**965,000**	**15,249**	**5,818**	2,488,680	46,340	11,330
Total	**5,630,222**	**618,730**	**294,624**	6,961,691	576,835	330,927

Included in direct credit substitutes is financial guarantee contract of RM171,308,000 (2013 : RMNil) of which fair value at the time of issuance is zero.

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

* 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.

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39 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Rental of premises:				
- Within one year	**37,968**	33,841	**17,761**	13,266
- Between one to five years	**18,830**	41,239	**10,475**	18,851
- More than five years	**97**	-	**97**	-
	56,895	75,080	**28,333**	32,117

41 CAPITAL COMMITMENTS

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Capital expenditure for property, plant and equipment:				
- Authorised and contracted for	**16,316**	1,360	**6,680**	950
- Authorised but not contracted for	**9,073**	6,595	**8,222**	-
	25,389	7,955	**14,902**	950

NOTES TO THE FINANCIAL STATEMENTS
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42 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Objectives and Policies

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

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

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

Effective risk management is fundamental to being able to drive sustainable growth and shareholder value, while sustaining competitive advantage, and is thus a central part of the proactive risk management of the Group.

The Group Risk Management Framework governs the management of risks in the RHB Banking Group as follows:

1. It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and controls in the organisation.

2. It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk-adjusted returns.

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

1. Risk Governance from the Boards of Directors of Various Operating Entities within the Group

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

   The Board Risk Committee ("BRC") is the principal Board Committee that provides oversight over risk management for the Group to ensure that the Group's risk management process is in place and functional. The BRC assists the Board to review the Group's overall risk management philosophy, risk management framework, risk management policy and risk management models.

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

2. Clear Understanding of Risk Management Ownership

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

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

3. Institutionalisation of a Risk-focused Organisation

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

4. Alignment of Risk Management to Business Strategies

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

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

5. Optimisation of Risk-adjusted Return

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

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

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 loss arising from adverse movements in market indicators, such as interest/profit rates, credit spreads, equity prices, currency exchange rates and commodity prices.

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

(iii) Credit risk - the risk that arises as a result of customers' or counterparties' inability to fulfil their financial and contractual obligations as and when they arise. These obligations arise from the Bank's direct lending/financing obligations, trade finance and its funding, investment and trading activities.

(iv) Operational risk - the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT, legal and Shariah non-compliance risk but excludes strategic and reputational risk.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

INVESTMENT BANKING

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

Market Risk

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

Liquidity Risk

- The Group ALCO plays a fundamental role in the asset and liability management of the Bank, and establishes strategies to assist in controlling and reducing any potential exposures to liquidity risk.
- The liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.
- Limits on the minimum portion of maturing funds available to meet obligations and the minimum level of inter-bank and other borrowing facilities are set to ensure adequate cover for withdrawals arising from unexpected levels of demand.
- Defined liquidity management ratios are maintained and monitored.
- The liquidity framework is subject to periodic stress tests and the results are reviewed to ensure compliance with BNM's New Liquidity Framework.
- The Group has established a Liquidity Incident Management Master Plan to manage any potential adverse liquidity incidences, and which can be implemented on a timely basis so that appropriate actions can be taken to mitigate against any unexpected market developments.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

INVESTMENT BANKING (CONTINUED)

Credit Risk

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

- Group Credit Committee ("GCC") is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. GCC also approves and renews financing facilities and submits to the Board Credit Committee ("BCC") for affirmation or veto if the financing facilities exceed a pre-defined threshold.

- The Group also ensures that internal processes and credit underwriting standards are adhered to before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being evaluated prior to submission to the relevant committees for approval. For financing applications submitted for joint approvals, there is proper check and control as the joint approval is between business units and Group Credit Management.

- Internal credit rating models are an integral part of the Bank's credit risk management, decision-making process, and regulatory capital calculations. Clients' accounts are reviewed at regular intervals and weakening credits are transferred to Loan Recovery for more effective management.

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

- Plans are underway to migrate other material portfolios to the IRB approach for credit risk.

Operational Risk

- The Group Risk Management function is responsible for the development of group-wide operational risk policies, framework and methodologies, and providing guidance and information to the business units on operational risk areas. The respective business units are primarily responsible for managing operational risk on a day-to-day basis. Some of the control tools used includes Risk and Control Self-Assessment, Key Risk Indicators, Incident and Loss Management.

- The Group's operational risk management system has integrated applications to support the operational risk management process. This system facilitates the Bank's capabilities for the Advanced Measurement Approach of the Basel II Framework in the future.

- The Group has Business Continuity Planning ("BCP") programmes for the major critical business operations and activities at the Head Office, data centre, and branch locations. The BCP programmes are subject to regular testing to ensure efficacy, reliability and functionality.

- There is continuous refinement of existing policies, procedures and internal control measures; and regular internal review, compliance monitoring, and audits are performed to prevent and/or minimise unexpected losses.

- Regular operational risk reporting is made to senior management, relevant committees and board to facilitate the identification of adverse operational lapses, taking of prompt corrective actions, and ensuring appropriate risk mitigation decision making and action plans.

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category

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

	Group		
	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
2014			
Financial liabilities			
Deposits from customers	-	2,678,520	2,678,520
Deposits and placements of banks and other financial institutions	-	3,967,796	3,967,796
Bills and acceptances payable	-	137,709	137,709
Obligation on securities sold under repurchase agreements	-	18,910	18,910
Obligation on securities borrowed	-	113,781	113,781
Clients' and brokers' balances	-	1,210,841	1,210,841
Other financial liabilities	-	416,231	416,231
Derivative liabilities	61,568	-	61,568
Borrowings	-	239,213	239,213
Subordinated obligations	-	549,440	549,440
	61,568	9,332,441	9,394,009

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (Continued)

	Group				
	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Total RM'000
2013					
Financial assets					
Cash and short-term funds	1,065,190	-	-	-	1,065,190
Deposits and placements with banks and other financial institutions	100,715	-	-	-	100,715
Financial assets HFT	-	1,226,494	-	-	1,226,494
Financial investments AFS	-	-	3,668,358	-	3,668,358
Financial investments HTM	-	-	-	954,587	954,587
Loans and advances	2,393,747	-	-	-	2,393,747
Clients' and brokers' balances	2,573,583	-	-	-	2,573,583
Other financial assets	205,042	-	-	-	205,042
Derivative assets	-	48,760	-	-	48,760
	6,338,277	1,275,254	3,668,358	954,587	12,236,476

	Group		
	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
2013			
Financial liabilities			
Deposits from customers	-	2,484,429	2,484,429
Deposits and placements of banks and other financial institutions	-	4,620,678	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	-	2,314,971	2,314,971
Other financial liabilities	-	301,344	301,344
Derivative liabilities	82,463	-	82,463
Borrowings	-	152,192	152,192
Subordinated obligations	-	559,099	559,099
	82,463	10,865,969	10,948,432

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (Continued)

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

	Bank		
	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
2014			
Financial liabilities			
Deposits from customers	-	2,692,879	2,692,879
Deposits and placements of banks and other financial institutions	-	4,027,322	4,027,322
Obligation on securities borrowed	-	113,781	113,781
Clients' and brokers' balances	-	583,785	583,785
Other financial liabilities	-	249,448	249,448
Derivative liabilities	60,280	-	60,280
Subordinated obligations	-	549,440	549,440
	60,280	8,216,655	8,276,935

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (Continued)

	Bank				
	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Total RM'000
2013					
Financial assets					
Cash and short-term funds	793,935	-	-	-	793,935
Deposits and placements with banks and other financial institutions	100,715	-	-	-	100,715
Financial assets HFT	-	1,061,869	-	-	1,061,869
Financial investments AFS	-	-	3,574,627	-	3,574,627
Financial investments HTM	-	-	-	954,587	954,587
Loans and advances	1,848,325	-	-	-	1,848,325
Clients' and brokers' balances	543,766	-	-	-	543,766
Other financial assets	108,854	-	-	-	108,854
Derivative assets	-	48,760	-	-	48,760
	3,395,595	1,110,629	3,574,627	954,587	9,035,438

	Bank		
	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
2013			
Financial liabilities			
Deposits from customers	-	2,559,248	2,559,248
Deposits and placements of banks and other financial institutions	-	4,620,678	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	-	419,269	419,269
Other financial liabilities	-	159,606	159,606
Derivative liabilities	82,284	-	82,284
Subordinated obligations	-	559,099	559,099
	82,284	8,751,156	8,833,440

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest 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 2014.

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

(i) Interest rate sensitivity analysis

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

	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
2014				
+100 bps	**(27,056)**	**(85,326)**	**(27,396)**	**(84,552)**
–100 bps	**27,056**	**90,857**	**27,396**	**90,069**
2013				
+100 bps	(59,742)	(122,444)	(60,425)	(122,444)
–100 bps	62,395	130,645	63,044	130,645

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 2013) change impact. For assets and liabilities with non fixed maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of these interest 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.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (Continued)

(ii) Foreign currency sensitivity analysis

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

	Group	Bank
	Impact on profit after tax RM'000	Impact on profit after tax RM'000
2014		
+5%	**5,237**	**(369)**
–5%	**(5,237)**	**369**
2013		
+5%	4,409	533
–5%	(4,409)	(533)

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

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

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

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)

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

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)

	Non-trading book								
Group	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
2013									
ASSETS									
Cash and short-term funds	698,029	-	-	-	-	-	367,161	-	1,065,190
Deposits and placements with banks and other financial institutions	-	100,000	-	-	-	-	715	-	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	191,167	-	3,668,358
Financial investments HTM	5,001	29,999	27,650	108,632	358,112	405,045	20,148	-	954,587
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
TOTAL ASSETS	2,772,448	378,097	230,020	545,425	1,264,353	2,416,649	5,063,137	1,275,254	13,945,383

* 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)

	Non-trading book								
Group	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
2013									
LIABILITIES									
Deposits from customers	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
TOTAL LIABILITIES	5,416,002	1,173,959	611,526	413,591	323,890	276,834	2,685,407	82,463	10,983,672
Shareholders' funds	-	-	-	-	-	-	2,770,363	-	2,770,363
Non-controlling interests	-	-	-	-	-	-	191,348	-	191,348
TOTAL LIABILITIES AND EQUITY	5,416,002	1,173,959	611,526	413,591	323,890	276,834	5,647,118	82,463	13,945,383
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			
TOTAL INTEREST-SENSITIVITY GAP	(2,343,554)	(705,862)	(26,506)	441,834	3,100,463	2,468,495			

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.

	Non-trading book								
Bank	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
2014									
ASSETS									
Cash and short-term funds	1,235,428	-	-	-	-	-	262	-	1,235,690
Financial assets HFT	-	-	-	-	-	-	-	91,869	91,869
Financial investments AFS	273,479	424,899	161,519	164,704	640,759	1,871,248	100,071	-	3,636,679
Financial investments HTM	-	22,684	25,038	140,287	215,580	344,427	13,331	-	761,347
Loans and advances									
- performing	1,069,405	-	237,070	46,829	261,756	1,516	1,370	-	1,617,946
- impaired	-	-	-	-	-	-	144,340*	-	144,340
Clients' and brokers' balances	18,228	-	-	-	-	-	598,619	-	616,847
Other assets	115,111	-	-	-	-	3,420	222,879	-	341,410
Derivative assets	-	-	-	-	-	-	-	26,554	26,554
Statutory deposits	-	-	-	-	-	-	219,837	-	219,837
Deferred tax assets	-	-	-	-	-	-	23,891	-	23,891
Investment in subsidiaries	-	-	-	-	-	-	1,395,418	-	1,395,418
Investment in associates and joint ventures	-	-	-	-	-	-	20,391	-	20,391
Property, plant and equipment	-	-	-	-	-	-	33,684	-	33,684
Goodwill and intangible assets	-	-	-	-	-	-	1,148,137	-	1,148,137
TOTAL ASSETS	2,711,651	447,583	423,627	351,820	1,118,095	2,220,611	3,922,230	118,423	11,314,040

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

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)

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

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								
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
2013									
ASSETS									
Cash and short-term funds	576,058	-	-	-	-	-	217,877	-	793,935
Deposits and placements with banks and other financial institutions	-	100,000	-	-	-	-	715	-	100,715
Financial assets HFT	-	-	-	-	-	-	-	1,061,869	1,061,869
Financial investments AFS	449,816	248,098	167,070	184,018	418,599	2,009,590	97,436	-	3,574,627
Financial investments HTM	5,001	29,999	27,650	108,632	358,112	405,045	20,148	-	954,587
Loans and advances									
- performing	1,028,025	-	35,300	252,775	487,642	2,014	875	-	1,806,631
- impaired	-	-	-	-	-	-	41,694*	-	41,694
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
TOTAL ASSETS	2,105,054	378,097	230,020	545,425	1,264,353	2,416,649	3,549,845	1,110,629	11,600,072

* 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								
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
2013									
LIABILITIES									
Deposits from customers	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
TOTAL LIABILITIES	5,338,610	1,173,959	611,526	413,591	323,890	276,834	623,233	82,284	8,843,927
Total equity	-	-	-	-	-	-	2,756,145	-	2,756,145
TOTAL LIABILITIES AND EQUITY	5,338,610	1,173,959	611,526	413,591	323,890	276,834	3,379,378	82,284	11,600,072
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			
TOTAL INTEREST-SENSITIVITY GAP	(2,933,556)	(705,862)	(26,506)	441,834	3,100,463	2,468,495			

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds upon maturity, extensions of credit and working capitals needs. Liquidity risk is measured primarily using BNM's New Liquidity Framework and depositors' concentration ratios.

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

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

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
2014								
ASSETS								
Cash and short-term funds	1,067,722	428,498	-	-	-	-	-	1,496,220
Financial assets HFT	-	-	-	-	17,588	40,001	253,607	311,196
Financial investments AFS	59,316	218,479	442,392	167,023	164,704	2,630,395	135,498	3,817,807
Financial investments HTM	158	1,115	24,731	27,578	140,287	567,478	-	761,347
Loans and advances	629,046	840,793	57,898	268,215	211,363	278,575	-	2,285,890
Clients' and brokers' balances	1,067,603	457,544	-	-	-	-	-	1,525,147
Other assets	303,416	50,539	33,295	27,142	15,279	31,610	18,298	479,579
Derivative assets	1,082	5,310	328	1,874	-	22,874	-	31,468
Statutory deposits	-	-	-	-	-	-	219,837	219,837
Tax recoverable	-	-	-	-	-	-	8,100	8,100
Deferred tax assets	-	-	-	-	-	-	30,276	30,276
Investment in associates and joint ventures	-	-	-	-	-	-	30,028	30,028
Property, plant and equipment	-	-	-	-	-	-	67,899	67,899
Goodwill and intangible assets	-	-	-	-	-	-	1,323,947	1,323,947
TOTAL ASSETS	3,128,343	2,002,278	558,644	491,832	549,221	3,570,933	2,087,490	12,388,741

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
2014								
LIABILITIES								
Deposits from customers	284,461	1,851,171	385,748	111,944	38,816	6,380	-	2,678,520
Deposits and placements of banks and other financial institutions	1,609,300	1,364,092	433,258	416,515	144,631	-	-	3,967,796
Obligation on securities sold under repurchase agreements	-	18,910	-	-	-	-	-	18,910
Obligation on securities borrowed	-	-	-	-	-	113,781	-	113,781
Bills and acceptances payable	-	116,669	21,040	-	-	-	-	137,709
Clients' and brokers' balances	847,589	363,252	-	-	-	-	-	1,210,841
Other liabilities	8,611	335,435	47,302	2,832	9,529	8,509	4,013	416,231
Derivative liabilities	1,150	2,342	1,014	23,340	10,648	23,074	-	61,568
Taxation	-	-	-	-	-	-	31,105	31,105
Deferred tax liabilities	-	-	-	-	-	-	5,755	5,755
Borrowings	83,001	103,284	52,928	-	-	-	-	239,213
Subordinated obligations	-	-	-	204,440	-	345,000	-	549,440
TOTAL LIABILITIES	2,834,112	4,155,155	941,290	759,071	203,624	496,744	40,873	9,430,869
Total equity	-	-	-	-	-	-	2,957,872	2,957,872
TOTAL LIABILITIES AND EQUITY	2,834,112	4,155,155	941,290	759,071	203,624	496,744	2,998,745	12,388,741

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
2013								
ASSETS								
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
TOTAL ASSETS	3,428,387	1,882,325	597,694	316,326	591,730	5,110,183	2,018,738	13,945,383

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
2013								
LIABILITIES								
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
TOTAL LIABILITIES	3,544,696	4,361,733	1,297,547	639,297	449,386	654,298	36,715	10,983,672
Total equity	-	-	-	-	-	-	2,961,711	2,961,711
TOTAL LIABILITIES AND EQUITY	3,544,696	4,361,733	1,297,547	639,297	449,386	654,298	2,998,426	13,945,383

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
2014								
ASSETS								
Cash and short-term funds	845,026	390,664	-	-	-	-	-	1,235,690
Financial assets HFT	-	-	-	-	-	40,001	51,868	91,869
Financial investments AFS	59,316	218,479	442,392	167,023	164,704	2,535,708	49,057	3,636,679
Financial investments HTM	158	1,115	24,731	27,578	140,287	567,478	-	761,347
Loans and advances	77,715	868,549	57,898	268,186	211,363	278,575	-	1,762,286
Clients' and brokers' balances	431,793	185,054	-	-	-	-	-	616,847
Other assets	278,085	2,194	359	22,349	12,515	25,908	-	341,410
Derivative assets	1,082	396	328	1,874	-	22,874	-	26,554
Statutory deposits	-	-	-	-	-	-	219,837	219,837
Deferred tax assets	-	-	-	-	-	-	23,891	23,891
Investment in subsidiaries	-	-	-	-	-	-	1,395,418	1,395,418
Investment in associates and joint ventures	-	-	-	-	-	-	20,391	20,391
Property, plant and equipment	-	-	-	-	-	-	33,684	33,684
Goodwill and intangible assets	-	-	-	-	-	-	1,148,137	1,148,137
TOTAL ASSETS	**1,693,175**	**1,666,451**	**525,708**	**487,010**	**528,869**	**3,470,544**	**2,942,283**	**11,314,040**

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
2014								
LIABILITIES								
Deposits from customers	286,413	1,863,578	385,748	111,944	38,816	6,380	-	2,692,879
Deposits and placements of banks and other financial institutions	1,668,026	1,364,892	433,258	416,515	144,631	-	-	4,027,322
Obligation on securities borrowed	-	-	-	-	-	113,781	-	113,781
Clients' and brokers' balances	408,650	175,135	-	-	-	-	-	583,785
Other liabilities	11,136	237,249	-	-	-	1,063	-	249,448
Derivative liabilities	1,144	2,254	369	22,959	10,480	23,074	-	60,280
Taxation	-	-	-	-	-	-	18,592	18,592
Subordinated obligations	-	-	-	204,440	-	345,000	-	549,440
TOTAL LIABILITIES	2,375,369	3,643,108	819,375	755,858	193,927	489,298	18,592	8,295,527
Total equity	-	-	-	-	-	-	3,018,513	3,018,513
TOTAL LIABILITIES AND EQUITY	2,375,369	3,643,108	819,375	755,858	193,927	489,298	3,037,105	11,314,040

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
2013								
ASSETS								
Cash and short-term funds	536,556	257,379	-	-	-	-	-	793,935
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
TOTAL ASSETS	1,406,128	1,008,747	593,369	291,753	589,265	5,034,282	2,676,528	11,600,072

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
2013								
LIABILITIES								
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
TOTAL LIABILITIES	2,126,228	3,721,907	1,271,257	631,138	442,775	648,166	2,456	8,843,927
Total equity	-	-	-	-	-	-	2,756,145	2,756,145
TOTAL LIABILITIES AND EQUITY	2,126,228	3,721,907	1,271,257	631,138	442,775	648,166	2,758,601	11,600,072

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
2014							
LIABILITIES							
Deposits from customers	2,168,156	502,210	39,805	7,724	-	-	2,717,895
Deposits and placements of banks and other financial institutions	3,094,056	859,876	145,856	-	-	-	4,099,788
Obligation on securities sold under repurchase agreements	18,910	-	-	-	-	-	18,910
Obligation on securities borrowed	-	-	-	94,170	8,819	10,792	113,781
Bills and acceptances payable	116,868	21,249	-	-	-	-	138,117
Clients' and brokers' balances	1,210,841	-	-	-	-	-	1,210,841
Other liabilities	344,901	49,298	9,529	8,464	6	4,033	416,231
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(179,891)	(145,124)	-	(300,457)	-	-	(625,472)
- Outflow	180,545	167,654	-	318,876	-	-	667,075
- Net settled derivatives	2,838	1,824	10,648	4,654	-	-	19,964
Borrowings	186,378	53,106	-	-	-	-	239,484
Subordinated obligations	-	215,146	8,012	369,226	-	-	592,384
TOTAL FINANCIAL LIABILITIES	**7,143,602**	**1,725,239**	**213,850**	**502,657**	**8,825**	**14,825**	**9,608,998**

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
2013							
LIABILITIES							
Deposits from customers	1,808,613	629,593	48,968	7,703	119	-	2,494,996
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	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							
- Inflow	(199,774)	(207,422)	(83,604)	(404,702)	(541,563)	-	(1,437,065)
- 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
Borrowings	152,202	-	-	-	-	-	152,202
Subordinated obligations	-	15,161	15,219	336,575	255,810	-	622,765
TOTAL FINANCIAL LIABILITIES	7,924,677	1,940,220	454,532	360,486	278,992	27,704	10,986,611

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
2014							
LIABILITIES							
Deposits from customers	2,153,776	502,210	39,805	7,724	-	-	2,703,515
Deposits and placements of banks and other financial institutions	3,034,522	859,876	145,856	-	-	-	4,040,254
Obligation on securities borrowed	-	-	-	94,170	8,819	10,792	113,781
Clients' and brokers' balances	583,785	-	-	-	-	-	583,785
Other liabilities	248,385	-	-	1,063	-	-	249,448
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(109,954)	(145,124)	-	(300,457)	-	-	(555,535)
- Outflow	110,597	167,654	-	318,876	-	-	597,127
- Net settled derivatives	2,755	799	10,480	4,654	-	-	18,688
Subordinated obligations	-	215,146	8,012	369,226	-	-	592,384
TOTAL FINANCIAL LIABILITIES	6,023,866	1,600,561	204,153	495,256	8,819	10,792	8,343,447

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
2013							
LIABILITES							
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							
- Inflow	(199,774)	(207,422)	(83,604)	(404,702)	(541,563)	-	(1,437,065)
- 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
TOTAL FINANCIAL LIABILITIES	5,852,663	1,917,021	451,293	353,980	278,931	17,899	8,871,787

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (Continued)

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

	Group		
	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
2014			
Irrevocable commitments to extend credit	**1,272,907**	**6,172**	**1,279,079**
TOTAL COMMITMENTS AND CONTINGENCIES	**1,272,907**	**6,172**	**1,279,079**
2013			
Obligations under an underwriting agreements	267,648	-	267,648
Irrevocable commitments to extend credit	1,733,605	52,922	1,786,527
TOTAL COMMITMENTS AND CONTINGENCIES	2,001,253	52,922	2,054,175

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
2014			
Direct credit substitutes	**171,308**	**-**	**171,308**
Irrevocable commitments to extend credit	**271,593**	**5,270**	**276,863**
TOTAL COMMITMENTS AND CONTINGENCIES	**442,901**	**5,270**	**448,171**
2013			
Obligations under underwriting agreements	228,069	-	228,069
Irrevocable commitments to extend credit	827,866	52,922	880,788
TOTAL COMMITMENTS AND CONTINGENCIES	1,055,935	52,922	1,108,857

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	
	2014 RM'000	**2013 RM'000**
Credit risk exposure:		
Short-term funds (exclude cash in hand)	**1,496,063**	1,065,053
Deposits and placements with banks and other financial institutions	**-**	100,715
Financial assets and investments portfolios (exclude equity instruments):		
- Held-for-trading	**57,589**	1,078,994
- Available-for-sale	**3,677,287**	3,550,104
- Held-to-maturity	**761,347**	954,587
Loans and advances	**2,285,890**	2,393,747
Clients' and brokers' balances	**1,525,147**	2,573,583
Other financial assets	**460,269**	205,042
Derivative assets	**31,468**	48,760
	10,295,060	11,970,585
Commitments and contingencies	**1,279,079**	2,054,175
Total maximum credit risk exposure	**11,574,139**	14,024,760

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

(i) Maximum exposure to credit risk (Continued)

	Bank	
	2014 RM'000	**2013 RM'000**
Credit risk exposure:		
Short-term funds (exclude cash in hand)	**1,235,614**	793,855
Deposits and placements with banks and other financial institutions	**-**	100,715
Financial assets and investments portfolios (exclude equity instruments):		
- Held-for-trading	**40,001**	983,739
- Available-for-sale	**3,587,623**	3,549,469
- Held-to-maturity	**761,347**	954,587
Loans and advances	**1,762,286**	1,848,325
Clients' and brokers' balances	**616,847**	543,766
Other financial assets	**332,748**	108,854
Derivative assets	**26,554**	48,760
	8,363,020	8,932,070
Commitments and contingencies	**448,171**	1,108,857
Total maximum credit risk exposure	**8,811,191**	10,040,927

(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 2014 for the Group and the Bank are 97.4% (2013: 82.3%) and 92.6% (2013: 74.9%) respectively and clients' and brokers' balances as at 31 December 2014 for the Group and the Bank are 97.4% (2013: 97.3%) and 95.6% (2013: 96.6%) respectively. The financial effect of collateral held for the other financial assets is not significant.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

(iii) Credit quality

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

Credit quality description is summarised as follows:

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

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

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

(a) Loans and advances

Loans and advances are summarised as follows:

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Neither past due nor impaired	**2,141,550**	2,352,053	**1,617,947**	1,806,631
Individually impaired	**162,785**	78,915	**160,151**	78,915
Gross loans and advances	**2,304,335**	2,430,968	**1,778,098**	1,885,546
Less: Individual impairment allowance	**(7,557)**	(29,592)	**(4,924)**	(29,592)
Collective impairment allowance	**(10,888)**	(7,629)	**(10,888)**	(7,629)
Net loans and advances	**2,285,890**	2,393,747	**1,762,286**	1,848,325

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

(iii) Credit quality (Continued)

(a) Loans and advances (Continued)

(i) Loans and advances neither past due nor impaired

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

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Good	**831,514**	1,217,099	**687,670**	1,217,099
Fair	**39,543**	-	**39,543**	-
No Rating	**1,270,493**	1,134,954	**890,734**	589,532
	2,141,550	2,352,053	**1,617,947**	1,806,631

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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Individually impaired loans	**162,785**	78,915	**160,151**	78,915

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
2014							
Neither past due nor impaired	**1,496,063**	**57,589**	**3,649,184**	**758,230**	**1,507,048**	**454,580**	**31,468**
Past due but not impaired	**-**	**-**	**-**	**-**	**12,436**	**5,368**	**-**
Impaired	**-**	**-**	**189,433**	**164,429**	**48,619**	**6,129**	**-**
	1,496,063	**57,589**	**3,838,617**	**922,659**	**1,568,103**	**466,077**	**31,468**
Less: Impairment losses	**-**	**-**	**(161,330)**	**(161,312)**	**(42,956)**	**(5,808)**	**-**
	1,496,063	**57,589**	**3,677,287**	**761,347**	**1,525,147**	**460,269**	**31,468**
2013							
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	-
	1,165,768	1,078,994	3,731,514	1,120,880	2,616,073	208,662	48,760
Less: Impairment losses	-	-	(181,410)	(166,293)	(42,490)	(3,620)	-
	1,165,768	1,078,994	3,550,104	954,587	2,573,583	205,042	48,760

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 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
2014							
Neither past due nor impaired	**1,235,614**	**40,001**	**3,559,975**	**758,230**	**616,847**	**327,719**	**26,554**
Past due but not impaired	**-**	**-**	**-**	**-**	**-**	**4,708**	**-**
Impaired	**-**	**-**	**187,282**	**164,429**	**12,527**	**3,435**	**-**
	1,235,614	**40,001**	**3,747,257**	**922,659**	**629,374**	**335,862**	**26,554**
Less: Impairment losses	**-**	**-**	**(159,634)**	**(161,312)**	**(12,527)**	**(3,114)**	**-**
	1,235,614	**40,001**	**3,587,623**	**761,347**	**616,847**	**332,748**	**26,554**
2013							
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	-
	894,570	983,739	3,729,280	1,120,880	550,502	110,632	48,760
Less: Impairment losses	-	-	(179,811)	(166,293)	(6,736)	(1,778)	-
	894,570	983,739	3,549,469	954,587	543,766	108,854	48,760

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 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
2014							
AAA to AA3	-	1	1,308,032	136,759	-	-	25,077
A1 to A3	-	-	170,037	7,502	-	115,092	-
Baa1 to Baa3	-	-	81,065	-	-	-	-
P1 to P3	1,485,425	-	-	-	-	65,138	1,451
Non-rated including:	10,638	57,588	2,090,050	613,969	1,507,048	274,350	4,940
- Malaysian Government Securities	-	-	428,546	20,445	-	-	-
- Malaysian Government Investment Issues	-	-	553,952	455,786	-	-	-
- Private debt securities	-	-	192,009	127,457	-	-	-
- SPK Bonds	-	-	67,394	-	-	-	-
- Cagamas Bonds	-	-	75,168	-	-	-	-
- Bankers' acceptances & Islamic accepted notes	-	-	73,627	-	-	-	-
- Khazanah bonds	-	-	49,838	10,281	-	-	-
- Negotiable instruments of deposits	-	-	649,516	-	-	-	-
- Others	10,638	57,588	-	-	1,507,048	274,350	4,940
	1,496,063	57,589	3,649,184	758,230	1,507,048	454,580	31,468

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 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
2013							
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 Investment Issues	-	121,510	520,724	508,053	-	-	-
- Private debt securities	-	-	77,801	29,570	-	-	-
- Bankers' acceptances & 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
	1,165,768	1,038,994	3,501,956	948,561	2,441,569	205,042	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 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
2014							
AAA to AA3	-	1	1,244,864	136,759	-	-	25,076
A1 to A3	-	-	143,996	7,502	-	115,092	-
Baa1 to Baa3	-	-	81,065	-	-	-	-
P1 to P3	1,231,223	-	-	-	-	71,910	1,451
Non-rated including:	4,391	40,000	2,090,050	613,969	616,847	140,717	27
- Malaysian Government Securities	-	-	428,546	20,445	-	-	-
- Malaysian Government Investment Issues	-	-	553,952	455,786	-	-	-
- Private debt securities	-	-	192,009	127,457	-	-	-
- SPK Bonds	-	-	67,394	-	-	-	-
- Cagamas Bonds	-	-	75,168	-	-	-	-
- Bankers' acceptances & Islamic accepted notes	-	-	73,627	-	-	-	-
- Khazanah bonds	-	-	49,838	10,281	-	-	-
- Negotiable instruments of deposits	-	-	649,516	-	-	-	-
- Others	4,391	40,000	-	-	616,847	140,717	27
	1,235,614	40,001	3,559,975	758,230	616,847	327,719	26,554

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 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
2013							
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 & 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)

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

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

~ Excludes equity instrument amounting to RM253,607,000.

@ Excludes equity instrument amounting to RM140,520,000.

Excludes collective impairment allowance amounting to RM10,888,000.

* Excludes collective impairment allowance amounting to RM6,142,000. Other financial assets include other assets and derivative assets.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

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

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading~ RM'000	Financial investments available-for-sale@ RM'000	Financial investments held-to-maturity RM'000	Loans and advances# RM'000	Clients' and brokers' balances and other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
2013								
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
	1,165,768	1,078,994	3,550,104	954,587	2,401,376	2,831,560	2,054,175	14,036,564

~ Excludes equity instrument amounting to RM147,500,000.
@ Excludes equity instrument amounting to RM118,254,000.
# Excludes collective impairment allowance amounting to RM7,629,000.
* 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:

Bank	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	Loans and advances# RM'000	Clients' and brokers' balances and other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
2014								
Agriculture	-	-	29,552	-	29,720	89,123	5,412	153,807
Mining and quarrying	-	-	23,148	-	3,938	-	253	27,339
Manufacturing	-	40,000	52,820	3,094	16,821	-	2,502	115,237
Electricity, gas and water	-	1	80,749	45,514	-	-	-	126,264
Construction	-	-	337,409	20,658	109,793	16,749	-	484,609
Real estate	-	-	-	-	94,034	-	257	94,291
Purchase of landed property	-	-	-	-	1,451	-	18	1,469
Wholesale & retail trade and restaurants & hotel	-	-	5,093	-	-	-	211	5,304
Transport, storage and communication	-	-	170,160	-	-	3,575	2,425	176,160
Finance, insurance and business services	1,235,614	-	2,888,157	680,225	831,293	211,718	235,073	6,082,080
Purchase of securities	-	-	-	-	682,001	621,547	190,767	1,494,315
Purchase of transport vehicles	-	-	-	-	128	-	-	128
Others	-	-	535	11,856	3,995	38,137	11,253	65,776
	1,235,614	40,001	3,587,623	761,347	1,773,174	980,849	448,171	8,826,779

~ Excludes equity instrument amounting to RM51,868,000.
@ Excludes equity instrument amounting to RM49,057,000.
# Excludes collective impairment allowance amounting to RM10,888,000.
* Excludes collective impairment allowance amounting to RM4,700,000. Other financial assets include other assets and derivative assets.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (Continued)

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

Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Financial assets held-for-trading~ RM'000	Financial investments available-for-sale@ RM'000	Financial investments held-to-maturity RM'000	Loans and advances# RM'000	Clients' and brokers' balances and other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
2013								
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
	894,570	983,739	3,549,469	954,587	1,855,954	705,555	1,108,857	10,052,731

~ Excludes equity instrument amounting to RM78,130,000.
@ Excludes equity instrument amounting to RM25,158,000.
# Excludes collective impairment allowance amounting to RM7,629,000.
* Excludes collective impairment allowance amounting to RM4,175,000. Other financial assets include other assets and derivative assets.

NOTES TO THE FINANCIAL STATEMENTS
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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**
2014				
Financial assets				
Financial assets HFT:	**253,607**	**17,589**	**40,000**	**311,196**
- Quoted securities	**253,607**	**-**	**-**	**253,607**
- Unquoted securities	**-**	**17,589**	**40,000**	**57,589**
Financial investments AFS:	**44,274**	**3,649,637**	**123,896**	**3,817,807**
- Money market instruments	**-**	**1,898,041**	**-**	**1,898,041**
- Quoted securities	**44,274**	**-**	**-**	**44,274**
- Unquoted securities	**-**	**1,751,596**	**123,896**	**1,875,492**
Derivative assets:				
- Money market instruments	**-**	**31,468**	**-**	**31,468**
	297,881	**3,698,694**	**163,896**	**4,160,471**
Financial liabilities				
Derivative liabilities:				
- Money market instruments	**13,113**	**48,455**	**-**	**61,568**

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

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)

	Group			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2013				
Financial assets				
Financial assets HFT:	147,500	1,037,149	41,845	1,226,494
- Money market instruments	-	249,660	-	249,660
- Quoted securities	147,500	-	-	147,500
- Unquoted securities	-	787,489	41,845	829,334
Financial investments AFS:	11,780	3,501,958	154,620	3,668,358
- Money market instruments	-	1,868,892	-	1,868,892
- Quoted securities	11,780	-	-	11,780
- Unquoted securities	-	1,633,066	154,620	1,787,686
Derivative assets:				
- Money market instruments	-	48,760	-	48,760
	159,280	4,587,867	196,465	4,943,612
Financial liabilities				
Derivative liabilities:				
- Money market instruments	16,462	66,001	-	82,463

	Bank			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2014				
Financial assets				
Financial assets HFT:	**51,868**	**1**	**40,000**	**91,869**
- Quoted securities	**51,868**	**-**	**-**	**51,868**
- Unquoted securities	**-**	**1**	**40,000**	**40,001**
Financial investments AFS:	**24,649**	**3,560,428**	**51,602**	**3,636,679**
- Money market instruments	**-**	**1,898,041**	**-**	**1,898,041**
- Quoted securities	**24,649**	**-**	**-**	**24,649**
- Unquoted securities	**-**	**1,662,387**	**51,602**	**1,713,989**
Derivative assets:				
- Money market instruments	**-**	**26,554**	**-**	**26,554**
	76,517	**3,586,983**	**91,602**	**3,755,102**
Financial liabilities				
Derivative liabilities:				
- Money market instruments	**11,836**	**48,444**	**-**	**60,280**

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)

	Bank			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2013				
Financial assets				
Financial assets HFT:	78,130	941,894	41,845	1,061,869
- Money market instruments	-	249,660	-	249,660
- Quoted securities	78,130	-	-	78,130
- Unquoted securities	-	692,234	41,845	734,079
Financial investments AFS:	789	3,501,816	72,022	3,574,627
- Money market instruments	-	1,868,892	-	1,868,892
- Quoted securities	789	-	-	789
- Unquoted securities	-	1,632,924	72,022	1,704,946
Derivative assets:				
- Money market instruments	-	48,760	-	48,760
	78,919	4,492,470	113,867	4,685,256
Financial liabilities				
Derivative liabilities:				
- Money market instruments	16,462	65,822	-	82,284

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 on-going basis. These would include quoted securities and unit trusts.

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

NOTES TO THE FINANCIAL STATEMENTS
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42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value measurement (Continued)

Qualitative disclosures of valuation techniques (Continued)

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:

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Balance as at the beginning of the financial year	**196,465**	83,258	**113,867**	59,878
Total gains/(losses) recognised in other comprehensive income	**29,225**	16,901	**5,433**	(258)
Total (losses)/gains recognised in Income statements				
- Other operating income	**(28,403)**	-	**2,138**	-
- Impairment losses made	**(15,600)**	(12,533)	**(15,600)**	(12,533)
- Reversal of impairment losses	**4,616**	-	**4,616**	-
Purchase	**-**	59,026	**-**	13,783
Settlements	**(8,988)**	(15,633)	**(8,975)**	(12,421)
Disposal	**(3,459)**	-	**-**	-
Transfer in	**-**	65,418	**-**	65,418
Transfer to loans and advances	**(9,877)**	-	**(9,877)**	-
Exchange differences	**(83)**	28	**-**	-
Balance as at the end of the financial year	**163,896**	196,465	**91,602**	113,867

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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
2014				
Financial assets				
Financial investments held-to-maturity	**761,347**	**747,405**	**761,347**	**747,405**
Loans and advances	**2,285,890**	**2,289,377**	**1,762,286**	**1,765,773**
	3,047,237	**3,036,782**	**2,523,633**	**2,513,178**
Financial liabilities				
Subordinated obligations	**549,440**	**547,763**	**549,440**	**547,763**
2013				
Financial assets				
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
	3,348,334	3,333,728	2,802,912	2,788,306
Financial liabilities				
Subordinated obligations	559,099	555,015	559,099	555,015

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 2014 but for which fair value is disclosed:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2014				
Financial assets				
Financial investments held-to-maturity	**-**	**744,287**	**3,118**	**747,405**
Loans and advances	**-**	**2,289,377**	**-**	**2,289,377**
	-	**3,033,664**	**3,118**	**3,036,782**
Financial liabilities				
Subordinated obligations	**-**	**547,763**	**-**	**547,763**
2013				
Financial assets				
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
Financial liabilities				
Subordinated obligations	-	555,015	-	555,015

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table analyses within the fair value hierarchy the Group's and the Bank's assets and liabilities not measured at fair value at 31 December 2014 but for which fair value is disclosed: (Continued)

Bank	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2014				
Financial assets				
Financial investments held-to-maturity	**-**	**744,287**	**3,118**	**747,405**
Loans and advances	**-**	**1,765,773**	**-**	**1,765,773**
	-	**2,510,060**	**3,118**	**2,513,178**
Financial liabilities				
Subordinated obligations	**-**	**547,763**	**-**	**547,763**
2013				
Financial assets				
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
Financial liabilities				
Subordinated obligations	-	555,015	-	555,015

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.

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(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.

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44 CONTINGENT LIABILITIES

	Group	
	2014 RM'000	2013 RM'000
Unsecured		
Bank guarantee in favour of Bursa Malaysia Clearing Sdn. Bhd. provided by the Bank	**3,500**	3,500
Bank guarantee in favour of PT. Kliring Penjaminan Efek Indonesia provided by PT RHB OSK Securities Indonesia	**28,230**	44,451
Bank guarantee for lease of premises provided by DMG & Partners Securities Pte Ltd	**1,576**	1,544
Bank guarantee in favour of HKFE Clearing Corporation Limited provided by RHB OSK Futures Hong Kong Limited	**-**	2,114
	33,306	51,609

	Bank	
	2014 RM'000	2013 RM'000
Unsecured		
Bank guarantee in favour of Bursa Malaysia Clearing Sdn. Bhd. provided by the Bank	**3,500**	3,500
Corporate guarantee issued in favour of Standard Chartered Bank (Hong Kong) Limited in relation to facilities granted to RHB OSK Securities Hong Kong Limited and RHB OSK Futures Hong Kong	**139,751**	-
Corporate guarantee issued in favour of Malayan Banking Berhad in relation to facilities granted to RHB OSK Holdings Hong Kong Limited	**22,540**	-
Corporate guarantee issued in favour of China Construction Bank (Asia) Corporation Limited in relation to facilities granted to RHB OSK Securities Hong Kong Limited	**9,016**	-
	174,807	3,500

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.

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

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.

The capital adequacy ratios of the Group and the Bank are as follows:

	Group		Bank	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Tier I Capital				
Paid-up ordinary share capital	**818,646**	818,646	**818,646**	818,646
Share premium	**1,515,150**	1,515,150	**1,515,150**	1,515,150
Retained profits	**172,467**	206,734	**290,106**	176,310
Other reserves	**441,517**	255,781	**406,544**	278,549
AFS reserves	**3,308**	(25,948)	**(11,933)**	(32,510)
	2,951,088	2,770,363	**3,018,513**	2,756,145
Less: Goodwill	**(1,269,934)**	(1,269,934)	**(1,118,418)**	(1,118,418)
Investment in subsidiaries, associates and joint ventures (portion deducted from CET I Capital)*	**(6,006)**	-	**(283,162)**	-
Other intangible assets (include associated deferred tax liabilities)	**(54,013)**	(68,406)	**(29,718)**	(42,967)
Securitisation exposure subject to deductions	**-**	(1,744)	**-**	(1,744)
Other deductions	**(234)**	(2,019)	**(234)**	(2,019)
Deferred tax assets	**(30,276)**	(17,700)	**(23,891)**	(11,382)
Reduction in excess of Tier II Capital due to insufficient Tier II Capital#	**-**	-	**(581,966)**	(554,041)
Total CET I Capital	**1,590,625**	1,410,560	**981,124**	1,025,574
Qualifying non-controlling interests recognised as Tier I Capital	**750**	31,301	**-**	-
Total Tier I Capital	**1,591,375**	1,441,861	**981,124**	1,025,574
Tier II Capital				
Subordinated obligations**	**539,765**	545,000	**539,765**	545,000
Qualifying non-controlling interests recognised as Tier II Capital	**117**	5,665	**-**	-
Collective impairment allowance^	**12,358**	7,714	**10,916**	7,714
	552,240	558,379	**550,681**	552,714
Less: Investment in subsidiaries, associates and joint ventures	**(24,023)**	(29,044)	**(550,681)**	(552,714)
Total Tier II Capital	**528,217**	529,335	**-**	-
Total Capital	**2,119,592**	1,971,196	**981,124**	1,025,574

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

45 CAPITAL ADEQUACY RATIO (CONTINUED)

The capital adequacy ratios of the Group and the Bank are as follows: (Continued)

	Group		Bank	
	2014	**2013**	**2014**	**2013**
Capital ratios				
Before proposed dividends:				
CET I Capital Ratio	**31.271%**	24.766%	**26.337%**	24.556%
Tier I Capital Ratio	**31.286%**	25.316%	**26.337%**	24.556%
Total Capital Ratio	**41.671%**	34.610%	**26.337%**	24.556%
After proposed dividends:				
CET I Capital Ratio	**31.271%**	24.766%	**26.337%**	24.556%
Tier I Capital Ratio	**31.286%**	25.316%	**26.337%**	24.556%
Total Capital Ratio	**41.671%**	34.610%	**26.337%**	24.556%

* Investments in subsidiaries are subject to gradual deduction using the corresponding deduction approach under CET I Capital effective from 1 January 2014 as prescribed under paragraph 36.15 of the BNM's Capital Adequacy Framework (Capital Components).

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

** Subordinated obligations that are recognised as Tier II capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM Guidelines Capital Adequacy Framework (Capital Components).

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

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

	Group		Bank	
	2014 RM'000	**2013 RM'000**	**2014 RM'000**	**2013 RM'000**
Credit risk	**3,008,650**	3,472,531	**2,448,720**	2,518,192
Market risk	**516,665**	1,300,494	**284,376**	1,070,638
Operational risk	**1,561,132**	922,336	**992,064**	587,482
Total risk-weighted assets	**5,086,447**	5,695,361	**3,725,160**	4,176,312

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).

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

46 SEGMENT REPORTING

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

The business segment results are prepared based on the Group's internal management reporting, which reflects the organisation's management reporting structure. Internal allocation of costs for example back office support, centralised cost, funding centre and the application of transfer pricing, where appropriate, has been used in preparing the segmental reporting.

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

(a) Investment Banking

Investment banking provides services for advisory, fund raising in the structuring and issuance of debt securities and capital market instruments, corporate and debt restructuring, mergers and acquisitions, private placements, underwriting, structuring of bilateral lending, project financing, loans syndication, infrastructure financing, initial public offerings of equity related instruments, private placements and underwriting. This segment 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.

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

46 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis

Group	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Elimination RM'000	Total RM'000
2014					
External revenue	1,023,130	68,605	184,374	-	1,276,109
Inter-segment revenue	41,856	-	-	(41,856)	-
Segment revenue	1,064,986	68,605	184,374	(41,856)	1,276,109
Other operating expenses:	(819,136)	(27,382)	(163,892)	41,856	(968,554)
Including:					
Depreciation of property, plant and equipment	(19,741)	(183)	(1,594)	-	(21,518)
Amortisation of intangible assets	(20,164)	(1,973)	(322)	-	(22,459)
Write back for impairment on loans, advances and losses	45,406	-	88	-	45,494
Impairment losses write back/(made) on other assets	4,596	(12,890)	-	-	(8,294)
	295,852	28,333	20,570	-	344,755
Share of results of associates					807
Share of results of joint ventures					380
Profit before taxation					345,942
Taxation					(60,870)
Net profit for the financial year					285,072
Segment assets	5,058,695	7,369,894	265,131	(1,643,317)	11,050,403
Goodwill	512,391	614,176	143,367	-	1,269,934
Investments in associate and joint ventures					30,028
Tax recoverable					8,100
Deferred tax assets					30,276
Total assets					12,388,741
Segment liabilities	1,721,472	6,876,827	186,268	(179,211)	8,605,356
Taxation					31,105
Deferred tax liabilities					5,755
Borrowings					239,213
Subordinated obligations					549,440
Total liabilities					9,430,869
Other segment items					
Capital expenditure	40,082	-	2,524	-	42,606

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

46 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (Continued)

Group	Investment Banking RM'000	Treasury RM'000	Asset Management RM'000	Elimination RM'000	Total RM'000
2013					
External revenue	784,480	80,862	198,923	-	1,064,265
Inter-segment revenue	27,821	-	-	(27,821)	-
Segment revenue	812,301	80,862	198,923	(27,821)	1,064,265
Other operating expenses:	(684,148)	(19,189)	(174,586)	27,821	(850,102)
Including:					
Depreciation of property, plant and equipment	(21,203)	(382)	(1,095)	-	(22,680)
Amortisation of intangible assets	(17,985)	(1,792)	(357)	-	(20,134)
Allowance for impairment on loans, advances and losses	(37,900)	-	(255)	-	(38,155)
Impairment losses write back on other assets	408	7,225	-	-	7,633
	90,661	68,898	24,082	-	183,641
Share of results of associates					1,517
Share of results of joint ventures					427
Profit before taxation					185,585
Taxation					(44,518)
Net profit for the financial year					141,067
Segment assets	5,293,152	8,283,705	227,227	(1,207,725)	12,596,359
Goodwill	512,391	614,176	143,367	-	1,269,934
Investments in associate and joint ventures					29,044
Tax recoverable					32,701
Deferred tax assets					17,345
Total assets					13,945,383
Segment liabilities	2,591,447	7,668,715	89,616	(98,809)	10,250,969
Taxation					10,384
Deferred tax liabilities					11,028
Borrowings					152,192
Subordinated obligations					559,099
Total liabilities					10,983,672
Other segment items					
Capital expenditure	19,511	19	918	-	20,448

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

46 SEGMENT REPORTING (CONTINUED)

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

	Revenue RM'000	Segment assets RM'000	Capital expenditure RM'000
2014			
Attributed to the country of domicile:			
- Malaysia	**881,960**	**10,344,890**	**19,777**
Attributed to foreign countries:			
- Singapore	**215,908**	**877,486**	**5,027**
- Hong Kong	**60,203**	**394,449**	**940**
- Indonesia	**55,692**	**299,373**	**7,862**
- Thailand	**62,346**	**472,543**	**9,000**
	1,276,109	**12,388,741**	**42,606**
2013			
Attributed to the country of domicile:			
- Malaysia	746,480	10,921,385	10,276
Attributed to foreign countries:			
- Singapore	167,413	2,215,449	2,677
- Hong Kong	44,932	259,714	1,599
- Indonesia	56,699	262,323	1,814
- Thailand	48,741	286,512	4,082
	1,064,265	13,945,383	20,448

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

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRECEDING FINANCIAL YEAR

(a) Disposal of entire equity interest in RD RHB OSK Indonesia Dynamic Resources Plus Fund

On 7 February 2014, the Bank has disposed of its entire investment in RD RHB OSK Indonesia Dynamic Resources Plus Fund, a subsidiary of the Bank, for a sale proceeds of RM6.5 million.

The effects of the disposal on the financial results of the Group for the current financial year is not material.

(b) Disposal of equity interest in iFast-OSK Sdn Bhd ("iFast-OSK")

On 7 March 2014, the Bank entered into a sale and purchase agreement with iFast Corporation Pte. Ltd. for the sale of all the shares owned by the Bank in iFast-OSK Sdn Bhd ("iFast"), comprising 9.07 million ordinary shares, representing 34.88% of the issued share capital of iFast, at the consideration of RM9.07 million.

The transaction was completed on 18 July 2014, and satisfied wholly in cash.

The effects of the disposal on the financial position of the Group as at 31 December 2014 are as follows:

	Total 2014 RM'000
Proceeds from disposal	**9,070**
Equity attributable to net assets	**868**
Gain on disposal of an associated company	**8,202**

(c) 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.

(d) Acquisition of the remaining 49% equity interest in DMG from non-controlling interest

On 15 December 2014, the Bank acquired the remaining 36,750,000 ordinary shares of SGD1.00 each in DMG & Partners Securities Pte Ltd ("DMG") from equity interests in DMG from Deustche Asia Pacific Holdings Pte Ltd ("DAPH") for a total consideration of SGD123.5 million (equivalent to RM329.2 million). Subsequently, DMG 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 RM190.5 million is disclosed in consolidated statement of changes in equity.

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRECEDING FINANCIAL YEAR (CONTINUED)

(d) Acquisition of the remaining 49% equity interest in DMG from non-controlling interest (Continued)

Financial position of DMG as at the date of acquisition:

	DMG RM'000
Carrying value of net assets	388,871
Carrying value of additional interest acquired	190,547

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

	Total RM'000
Consideration paid for the acquisition of non-controlling interest	329,210
Decrease in equity attributable to non-controlling interest	(190,547)
Decrease in equity attributable to owner of the Group	138,663

(e) RHB Capital Group (ultimate holding company of the Bank) internal reorganisation

On 1 October 2014, the Bank has entered into a share sale agreement with RHB Indochina Bank Limited ("RHBIBL") for the acquisition of the entire equity interest in RHB OSK Indochina Securities Limited ("RHBISL") from RHBIBL for a consideration of USD12,500,000.

RHBISL was incorporated in Cambodia and is registered with the Securities and Exchange Commission of Cambodia ("SECC") as a licensed security firm undertaking securities underwriting business.

The acquisition is subject to the approvals from BNM, Securities Commission of Malaysia ("SC"), National Bank of Cambodia and the Securities and Exchange Commission of Cambodia ("SECC"). Approvals from BNM and the SC were obtained on 25 June 2014 and 1 July 2014 respectively.

The acquisition is an internal reorganisation exercise within RHB Capital Group and is expected to be completed by the first quarter of 2015.

(f) Subscription of SGD4,000,000 ordinary shares in RHB OSK International Investments Pte Ltd ("ROII")

On 31 March 2014, the Bank subscribed for SGD4,000,000 new ordinary shares in ROII. The issued and paid-up share capital of ROII increased from SGD5,000,000 to SGD9,000,000. The rationale for the increase is to facilitate the subscription of additional shares in RHB OSK Asset Management Pte Ltd as disclosed in Note 47(g).

(g) Subscription of SGD4,000,000 ordinary shares in RHB OSK Asset Management Pte Ltd ("ROAM") by ROII

On 31 March 2014, ROII subscribed for SGD4,000,000 new ordinary shares in ROAM for additional working capital purpose. The issued and paid-up share capital of ROAM increased from SGD5,100,000 to SGD9,100,000.

ROAM is a wholly-owned subsidiary of ROII which in turn is a wholly-owned subsidiary of the Bank. Upon completion of the subscription, the equity interest held by ROII in ROAM remains the same.

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR AND PRECEDING FINANCIAL YEAR (CONTINUED)

(h) Disposal of 30% equity interest of an associated company

On 22 October 2013, the Bank had disposed its entire 30% equity interest in UOB-OSK Asset Management Sdn Bhd ("UOAM") for a cash consideration of RM26.20 million.

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

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

48 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 5 March 2015.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, Tan Sri Ong Leong Huat @ Wong Joo Hwa and Mike Chan Cheong Yuen, being two of the Directors of RHB Investment Bank Berhad state that, in the opinion of the Directors, the financial statements set out on pages 47 to 195 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2014 and of the results and cash flows of the Group and of the Bank for the financial year ended 31 December 2014 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

MIKE CHAN CHEONG YUEN
MANAGING DIRECTOR

Kuala Lumpur
5 March 2015

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 financial statements set out on pages 47 to 195 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 5 March 2015.

COMMISSIONER FOR OATHS
Kuala Lumpur
5 March 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF RHB INVESTMENT BANK BERHAD

(INCORPORATED IN MALAYSIA) (COMPANY NO. 19663-P)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Investment Bank Berhad on pages 47 to 195, which comprise the statements of financial position as at 31 December 2014 of the Group and the Bank, and the income statements, statement of comprehensive income, changes in equity and cash flow of the Group and the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 48.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Bank as of 31 December 2014 and their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF RHB INVESTMENT BANK BERHAD (INCORPORATED IN MALAYSIA) (COMPANY NO. 19663-P)

OTHER MATTERS

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

NG YEE LING
(No. 3032/01/17 (J))
Chartered Accountant

Kuala Lumpur
5 March 2015

Basel II Pillar 3 Disclosures

31 December 2014
Consolidated basis

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STATEMENT BY MANAGING DIRECTOR

In accordance with the requirements of Bank Negara Malaysia's Guideline on Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), and on behalf of the Board of Directors and Senior Management of RHB Investment Bank Berhad, I am pleased to provide an attestation that the Basel II Pillar 3 disclosures of the Bank for the year ended 31 December 2014 are accurate and complete.

CHAN CHEONG YUEN
MANAGING DIRECTOR

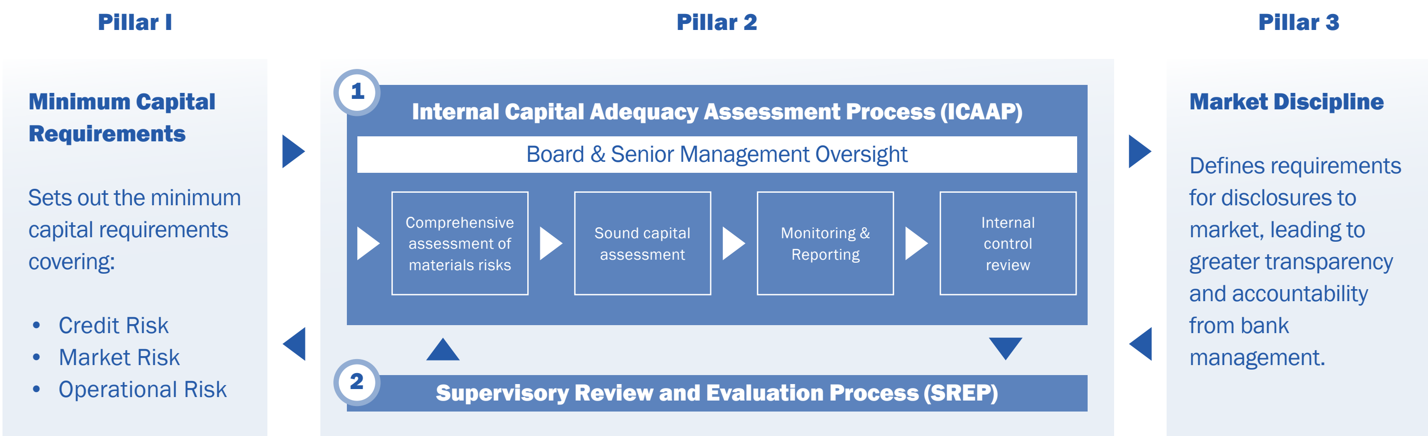
1.0 INTRODUCTION

This document discloses RHB Investment Bank Berhad's risk profile, risk management practices and capital adequacy position in accordance with the disclosure requirements as outlined in the Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) issued by Bank Negara Malaysia (BNM).

In June 2013, 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 for credit risk, market risk and operational risk.

Basel II introduces a more risk-based approach to regulatory capital with a distinct charge for operational risk in addition to the existing credit and market risk capital charges. Basel II is designed to be a catalyst for more advanced risk management techniques, enterprise-wide culture of risk management and improved corporate governance and public disclosure.

The Basel II approach based on the three pillars can be diagrammatically depicted as below:



Pillar I provides guidelines for calculation of risk-weighted assets for credit risk, market risk and operational risk, and the minimum amount of regulatory capital that banks must hold against the risks they assume.

The table below lists the various methodologies applicable to the capital requirements calculation for the various types of risk under Pillar I:

Type of Approaches

Credit Risk	Market Risk	Operational Risk
1. Standardised Approach (SA)	1. Standardised Approach (SA)	1. Basic Indicator Approach (BIA)
2. Foundation Internal Ratings - Based Approach (F-IRB)	2. Internal Models Approach (IMA)	2. The Standardised Approach (TSA)
3. Advanced Internal Ratings - Based Approach (A-IRB)		3. Advanced Measurement Approach (AMA)

For purposes of complying with regulatory requirements under Basel II Pillar I, the approaches adopted by the Bank are summarised as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Investment Bank Berhad	SA	SA	BIA

1.0 INTRODUCTION (CONTINUED)

Pillar 2 comprises two components as follows:

1. Placing obligations on banks to develop an Internal Capital Adequacy Assessment Process, and to set 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 I and the supervisory review process under Pillar 2 by encouraging market efficiency through a set of disclosure requirements that will allow market participants to assess information on banking institutions' capital structures, risk exposures, risk management processes, and hence, their overall capital adequacy.

The annual Pillar 3 disclosure report is published in accordance with the 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.

This document covers the qualitative and quantitative information for financial year ended 31 December 2014 with comparative quantitative information of the preceding financial year 2013.

The Bank's Pillar 3 disclosure report is made available under the Investor Relations section of the Bank's website at www.rhbgroup.com as a separate report in the Bank's annual report 2014, after the notes to the Financial Statements.

2.0 SCOPE OF APPLICATION

In this Pillar 3 document, RHB Investment Bank Berhad's information is presented on a consolidated basis, i.e. RHB Investment Bank Berhad, its subsidiaries and its overseas joint venture company, and is referred to as "RHB Investment Bank Group" or "the Bank".

In accordance with the accounting standards for financial reporting, all subsidiaries of the RHB Investment Bank Group are fully consolidated from the date it obtains control until the date such control ceases. Refer to Note 13 to the financial statements for list of consolidated entities.

The Bank's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, except where the types of investment to be deducted from eligible capital are required under Part C of BNM's Guideline on Capital Adequacy Framework (Capital Components).

The Bank also offers advisory and fund raising services and issuances of various forms of debt securities comprising bonds, commercial papers and medium term notes, and asset-backed securities for Islamic finance facilities. The Bank also distributes a full array of domestic and global unit trust funds including Shariah compliant funds, derivatives and structured products.

The transfer of funds for regulatory capital within the RHB Investment Bank Group is subject to shareholders' and regulatory approval.

During the financial year 2014, 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 manage capital prudently to maintain a strong capital position to drive sustainable business growth and seek strategic opportunities to enhance shareholders' value, and be in line with its risk appetite. Capital adequacy is the extent to which capital resources on the Bank's balance sheet are sufficient to cover the business capital requirements now and in the foreseeable future. It also indicates the ability of the Bank to provide financing across the business cycles and in meeting any contingency without compromising the interest of the depositors and investors. The Bank aims to maintain a strong capital position to drive sustainable business growth through an optimal capital structure while meeting 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.

3.0 CAPITAL MANAGEMENT (CONTINUED)

The management of capital involves capital strategy, capital planning, capital structuring and dividend pay-out.

- **Capital Strategy**
  Capital strategy includes the determination of target capital under both normal and stressed market conditions and considers the business risk and strategic objectives, external credit ratings, and capital adequacy requirements. A comprehensive capital adequacy assessment is conducted at least annually to ensure that the target capital level is appropriate.

- **Capital Planning**
  Based on strategic 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 stressed 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, are reviewed by the Group Chief Financial Officer and deliberated at the Group Capital and Risk Committee (GCRC) for endorsement, and submitted to Board Risk Committee (BRC) and the Board for approval.

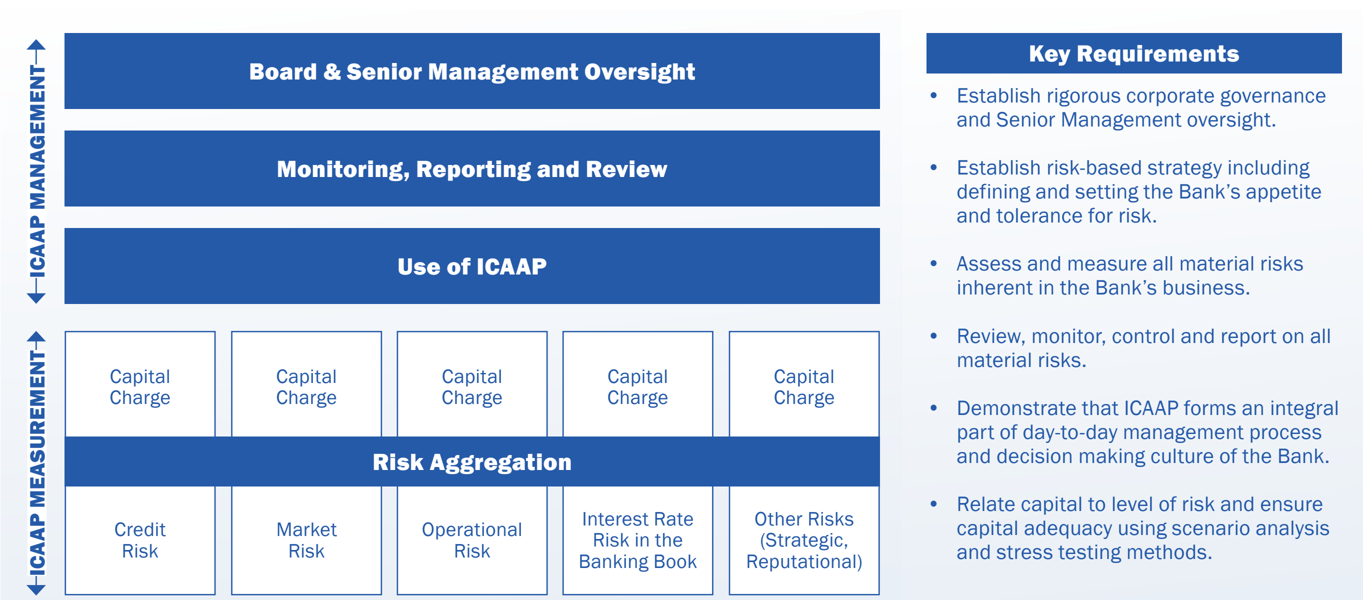
- **Capital Structuring**
  Capital structuring affects the Bank through its impact on cash flow and cost of capital. The Bank adopts capital structuring that maximises value and minimises overall cost of capital. In order to achieve optimum capital structure, the Bank determines the levels, mix and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

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

3.1 Internal Capital Adequacy Assessment Process (ICAAP)

In line with BNM's Guideline on ICAAP under the Risk-Weighted Capital Adequacy Framework (Basel II) – Internal Capital Adequacy Assessment Process (Pillar 2), the Bank has implemented ICAAP with the objective to forge a strong alignment between risk and capital. Capital adequacy is assessed in relation to the Bank's risk profile, and strategies are in place to maintain appropriate capital levels.

The ICAAP Framework developed and adopted across the Bank, summarises the key ICAAP requirements into two functional categories, namely ICAAP Measurement and ICAAP Management as depicted below:



3.0 CAPITAL MANAGEMENT (CONTINUED)

3.2 Basel III Implementation

The implementation of Basel III for capital components by BNM in Malaysia has commenced with effect from 1 January 2013. Under the new Basel III rules, banking institutions are required to strengthen the quality of their capital by maintaining higher minimum capital requirements and holding capital buffers namely the capital conservation buffer and the countercyclical capital buffer. However, the requirements are subject to a series of transitional arrangements with a gradual phase-in commencing 2013.

Apart from the above, the Bank has commenced the Basel III observation period reporting to BNM on the two key liquidity ratios, namely the Liquidity Coverage Ratio (LCR) and the Net Stable Funding Ratio (NSFR), since June 2012. The result produced during the observation period facilitates the Bank's strategy in managing the appropriate funding sources for achieving optimal LCR and NSFR. The Bank is taking steps to review and refine assumptions applied in producing a more prudent LCR and NSFR. The Bank is currently considering a revision to the standards in respond to BNM's latest issuance of the Basel III Concept Paper, in which it was decided that the implementation for LCR will take effect from 1 June 2015.

3.3 Capital Adequacy Ratios

BNM's Guideline on Capital Adequacy Framework (Capital Components) sets out the general requirements concerning regulatory capital adequacy and the components of eligible regulatory capital. Banking institutions are required to maintain, at all times, the following minimum capital adequacy ratios:

Calendar Year	Common Equity Tier I Capital Ratio	Tier I Capital Ratio	Total Capital Ratio
2013	3.5%	4.5%	8.0%
2014	4.0%	5.5%	8.0%
2015 onwards	4.5%	6.0%	8.0%

The capital ratios of RHB Investment Bank Berhad on consolidated basis (RHB Investment Bank Group), and on global basis (RHB Investment Bank) as at 31 December 2014 and 31 December 2013 are as follows:

Table 1: Capital Adequacy Ratios

	RHB Investment Bank Group		RHB Investment Bank	
	2014	2013	2014	2013
Before proposed dividends:				
Common Equity Tier I Capital Ratio	31.271%	24.766%	26.337%	24.556%
Tier I Capital Ratio	31.286%	25.316%	26.337%	24.556%
Total Capital Ratio	41.671%	34.610%	26.337%	24.556%
After proposed dividends:				
Common Equity Tier I Capital Ratio	31.271%	24.766%	26.337%	24.556%
Tier I Capital Ratio	31.286%	25.316%	26.337%	24.556%
Total Capital Ratio	41.671%	34.610%	26.337%	24.556%

The above capital ratios are above the minimum level required by BNM.

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.4 Minimum Capital Requirements and Risk-Weighted Assets (RWA)

Table 2: Risk-Weighted Assets by Risk Types

Risk Types	RHB Investment Bank Group (RM'000)		RHB Investment Bank (RM'000)	
	2014	2013	2014	2013
Credit RWA	3,008,650	3,472,531	2,448,720	2,518,192
Market RWA	516,665	1,300,494	284,376	1,070,638
Operational RWA	1,561,132	922,336	992,064	587,482
Total RWA	**5,086,447**	**5,695,361**	**3,725,160**	**4,176,312**

The following tables show a breakdown of the RWA for RHB Investment Bank Group and RHB Investment Bank by risk types and the corresponding capital requirements as at 31 December 2014 and 31 December 2013:

Table 3a: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2014

Risk Types	RWA		Minimum Capital Requirements	
	RHB Investment Bank Group (RM'000)	RHB Investment Bank (RM'000)	RHB Investment Bank Group (RM'000)	RHB Investment Bank (RM'000)
Credit Risk				
Under Standardised Approach	3,008,650	2,448,720	240,692	195,898
Market Risk				
Under Standardised Approach	516,665	284,376	41,333	22,750
Operational Risk				
Under Basic Indicator Approach	1,561,132	992,064	124,891	79,365
Total	**5,086,447**	**3,725,160**	**406,916**	**298,013**

Table 3b: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2013

Risk Types	RWA		Minimum Capital Requirements	
	RHB Investment Bank Group (RM'000)	RHB Investment Bank (RM'000)	RHB Investment Bank Group (RM'000)	RHB Investment Bank (RM'000)
Credit Risk				
Under Standardised Approach	3,472,531	2,518,192	277,802	201,455
Market Risk				
Under Standardised Approach	1,300,494	1,070,638	104,040	85,651
Operational Risk				
Under Basic Indicator Approach	922,336	587,482	73,787	46,999
Total	**5,695,361**	**4,176,312**	**455,629**	**334,105**

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.4 Minimum Capital Requirements and Risk-Weighted Assets (RWA) (Continued)

Capital requirements for the three risk types is derived by multiplying the risk-weighted assets by 8%.

For RHB Investment Bank Group, year-on-year comparison showed an overall increase in Operational RWA by 69% (RM0.64 billion). However, it registered an overall decrease in RWA by 11% (RM0.61 billion) from 2013.

RHB Investment Bank Group and RHB Investment 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 the Bank. Tier I capital consists primarily of ordinary share capital, share premium, retained profits, and other reserves. Tier II capital consists of subordinated obligations and collective impairment allowance. Refer to Note 45 to the Financial Statements for the terms of these capital instruments.

The following table represents the capital position of RHB Investment Bank Group and RHB Investment Bank as at 31 December 2014 and 31 December 2013:

Table 4: Capital Structure

	RHB Investment Bank Group (RM'000)		RHB Investment Bank (RM'000)	
	2014	**2013**	**2014**	**2013**
Common Equity Tier I / Tier I Capital				
Paid-up ordinary share capital	818,646	818,646	818,646	818,646
Share premium	1,515,150	1,515,150	1,515,150	1,515,150
Retained profits	172,467	206,734	290,106	176,310
Other reserves	441,517	255,781	406,544	278,549
Available-for-sale (AFS) reserves	3,308	(25,948)	(11,933)	(32,510)
Less:				
Goodwill	(1,269,934)	(1,269,934)	(1,118,418)	(1,118,418)
Investments in subsidiaries, associates and joint ventures (portion deducted from CET I Capital)*	(6,006)	-	(283,162)	-
Intangible Assets	(54,013)	(68,406)	(29,718)	(42,967)
Securitisation exposure subject to deductions	-	(1,744)	-	(1,744)
Other deductions	(234)	(2,019)	(234)	(2,019)
Deferred tax assets	(30,276)	(17,700)	(23,891)	(11,382)
Reduction in excess of Tier II Capital due to insufficient Tier II capital#	-	-	(581,966)	(554,041)
Total Common Equity Tier I Capital	**1,590,625**	**1,410,560**	**981,124**	**1,025,574**
Qualifying non-controlling interest recognised as Tier I Capital	750	31,301	-	-
Total Tier I Capital	**1,591,375**	**1,441,861**	**981,124**	**1,025,574**

4.0 CAPITAL STRUCTURE (CONTINUED)

Table 4: Capital Structure (Continued)

	RHB Investment Bank Group (RM'000)		RHB Investment Bank (RM'000)	
	2014	2013	2014	2013
Tier II Capital				
Subordinated obligations**	539,765	545,000	539,765	545,000
Qualifying non-controlling interest recognised as Tier II Capital	117	5,665	-	-
Collective impairment allowance^	12,358	7,714	10,916	7,714
Less:				
Investments in subsidiaries, associates and joint ventures	(24,023)	(29,044)	(550,681)	(552,714)
Total Tier II Capital	**528,217**	**529,335**	**-**	**-**
Total Capital	**2,119,592**	**1,971,196**	**981,124**	**1,025,574**

Notes:

* Investments in subsidiaries are subject to gradual deduction using the corresponding deduction approach under CET I Capital effective from 1 January 2014 as prescribed under paragraph 36.15 of the BNM's Guideline on Capital Adequacy Framework (Capital Components).

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

** Subordinated obligations that are recognised as Tier II capital instruments are subject to gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM's Guideline on Capital Adequacy Framework (Capital Components).

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

5.0 RISK MANAGEMENT

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

Effective risk management is fundamental to drive sustainable growth and shareholder value, while sustaining competitive advantage, and is thus a central part of the proactive risk management of the Bank.

The Group Risk Management Framework governs the management of risks in the RHB Banking Group (the Group), as follows:

- It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and controls in the organisation.
- It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk-adjusted returns.

The following sections describe some of these risk management content areas.

5.0 RISK MANAGEMENT (CONTINUED)

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 returns.

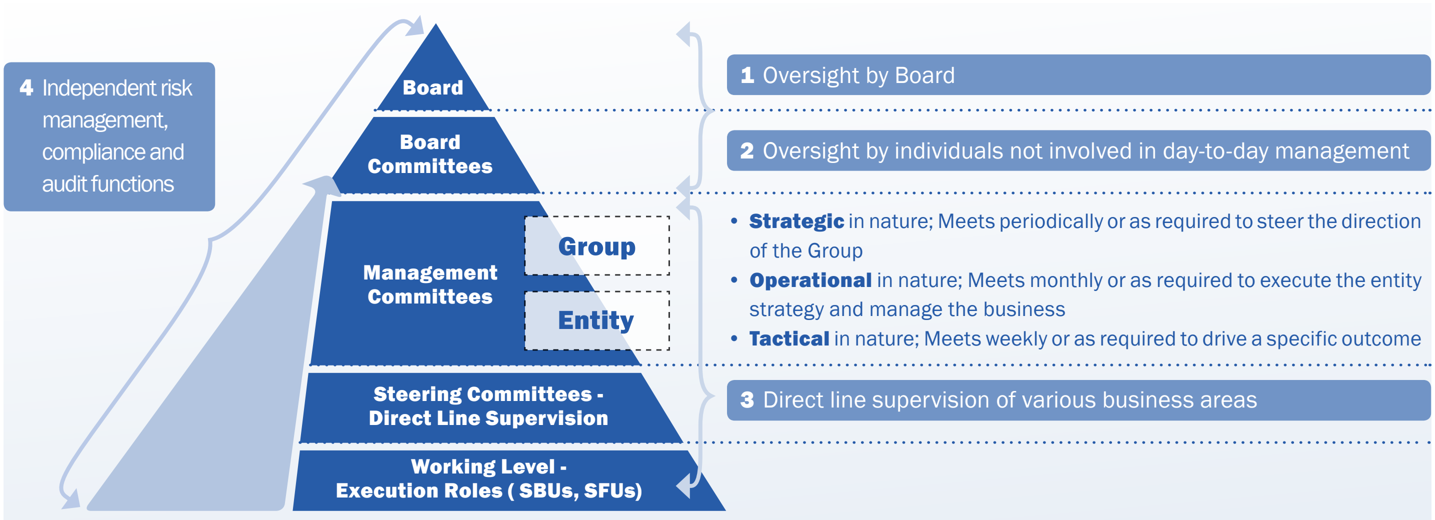
Principle 1: Risk Governance from the Boards of Directors of various operating entities in the Group

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

RISK GOVERNANCE AND ORGANISATION

The Board of Directors (Board) through the BRC, GCRC and the Group Risk & Credit Management function establishes the Group's risk appetite and risk principles. The BRC is the principal Board Committee that provides oversight over risk management for the Group to ensure that the Group's risk management process is in place and functional. The BRC assists the Board to review the Group's overall risk management philosophy, risk management framework, risk management policy and risk management models.

The responsibility for the supervision of the day-to-day management of enterprise risk and capital matters is delegated to the GCRC comprising Senior Management of the Group and which reports directly to the BRC and the Group Management Committee (GMC). There are other committees set up to manage specific areas of risks in the Group. An overview of this governance framework at Group level is as below:



Principle 2: Clear Understanding of Risk Management Ownership

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

Principle 3: Institutionalisation of a Risk-Focused Organisation

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

5.0 RISK MANAGEMENT (CONTINUED)

Central Risk Coordination Function

Group Risk & Credit Management function is independent of the business function to ensure that the necessary balance in risk/return decisions is not compromised by short-term pressures to generate revenues. The said function is headed by the Group Chief Risk Officer. The roles and responsibilities of the Group Chief Risk Officer include:

- Facilitating the setting of the strategic direction and overall policy on management and control of risk of the Group;
- Ensuring industry best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk underwriting models;
- Developing a pro-active, balanced and risk-attuned culture within the Group;
- Advising Senior Management, GCRC, BRC and the Board on risk issues and their possible impact on the Group in the achievement of its objectives and strategies; and
- Administering the delegation of discretionary powers to Management personnel within the Group.

Group Risk & Credit Management consists of Group Risk Management, Group Credit Management and Group Risk Operations, provides independent oversight on business activities and implements the Group Risk Management Framework in order to protect and safeguard the Group's assets, and to prevent and mitigate financial and reputational losses to the Group. Key areas for which Group Risk Management is responsible include the Group's risk policy and framework, day-to-day risk measurement and monitoring, providing timely risk analysis to management, and ensuring compliance to regulatory risk reporting requirements.

Group Credit Management oversees the Group-wide credit evaluation and assessment, approval and credit monitoring functions by providing credit risk assessment assurance on credit proposals, highlighting and monitoring lending/business units in rehabilitating potential problematic accounts, and improving credit process efficiency.

Group Risk Operations is responsible for strategising and implementing comprehensive enterprise-wide risk governance framework, and managing the development of robust risk management infrastructure and tools, aligned with the Group's strategy for growth and keeping pace with the market requirements and competitive business environment. Group Risk Operations drives the operationalisation of the Group's risk transformation initiatives in establishing risk management as a valuable business partner.

Risk and Control Environment

The business and functional heads are accountable for risk management in their businesses and functions, and for overseas operations where they have governance responsibilities. The business and functional units have clear segregation of duties to ensure that business processes are functioning effectively. There is accountability delegated to the appropriate authority to enable them to execute their respective authorities in meeting the business strategies without compromising the risk management process.

The primary responsibility for managing risks, therefore, rests with the business managers, who are best equipped to ensure that risk management and control are continuously focused on the way business is conducted. There is a continuous review of business activities and processes to identify significant risk areas and implement control procedures to operate within established corporate policies and limits.

Principle 4: Alignment of Risk Management to Business Strategies

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

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

5.0 RISK MANAGEMENT (CONTINUED)

Principle 5: Optimisation of Risk-Adjusted Returns

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

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

6.0 CREDIT RISK

Credit Risk Definition

Credit risk arises as a result of customers' or counterparties' inability to fulfil their financial and contractual obligations as and when they arise. These obligations arise from the Bank's direct lending/financing obligations, trade finance and its funding, investment and trading activities.

6.1 Credit Risk Management Oversight and Organisation

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

The BCC's main functions are affirming, imposing additional covenants on or vetoing credits of the Group which are duly approved by the IUC and GCC, and overseeing the management of impaired credits and high risk accounts, and affirming, imposing additional covenants on or vetoing impaired credits from Credit Recovery for amounts above the defined thresholds of the IUC. In line with best practices, financing facilities applications are independently evaluated by Group Credit Management prior to submission to the relevant committees for approval.

Within Group Risk Management, the Group Credit Risk Management has the functional responsibility for credit risk management, portfolio risk monitoring and risk reporting. Group Risk Management also conduct 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 GCRC, BRC and the Board. These reports include various credit risk aspects such as portfolio quality, credit migration, expected losses and concentration risk exposures by business portfolio. Such reporting allows Senior Management to identify adverse credit trends, take prompt corrective actions, and ensure appropriate risk-adjusted decision making.

6.2 Credit Risk Management Approach

The Bank's credit risk management framework is founded upon including but not limited to BNM's Guideline on Best Practices for the Management of Credit Risk, Guidelines on Investment Banks and Single Counterparty Exposures Limit. The Bank abides by its Credit Risk Policy which supports the development of a strong credit culture with the objective of maintaining a diversified portfolio, and a reliable and satisfactory risk-weighted return. Industry's best practices are instilled in the continual updating of the Credit Risk Policy.

The Bank ensures that internal processes and credit underwriting standards are adhered to before financing proposals are approved. All financing proposals are first evaluated by the originating business units before being evaluated by an independent credit evaluation and management function.

All financing 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.

6.0 CREDIT RISK (CONTINUED)

6.2 Credit Risk Management Approach (Continued)

The Bank's Credit Management Operations Manual sets out the operational procedures and guidelines governing the credit management processes for the Bank's Structured Lending, Debt/Equity Capital Markets and Treasury Business operations. The manual has been designed to ensure that:

- The process of credit initiation, administration, supervision and management of corporate financing, credit counterparty lines, subscription and/or underwriting of Equity and Bonds are carried out consistently and uniformly by the relevant business origination and other credit support functions.
- Procedures and guidelines governing the credit function are in compliance with the credit policies of the Group.

Lending/Financing to Corporate and Institutional Customers

Loans/financing to corporate and institutional customers are undertaken in the course of its share margin/trading or investment banking activities in derivatives and debt securities. The Bank does not undertake bilateral lending activities to corporate customers.

Credit Risk from Investment or Trading Activities

In the course of its trading or investment banking activities, the Bank is also exposed to credit risk from trading, derivative and equity/debt securities activities. The credit risk exposure from these products is derived from the positive mark-to-market value of the underlying instruments, and an additional component to cater for potential market movements.

Lending/Financing to 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.

Counterparty Credit Risk on Derivative Financial Instruments

Counterparty Credit Risk on derivative financial instruments is the risk that the Bank's counterparty in a foreign exchange, interest 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.

6.0 CREDIT RISK (CONTINUED)

6.3 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR) (Continued)

All outstanding financial derivative positions are marked-to-market on a daily basis. The Bank's Treasury Operations Department monitors counterparties' positions and promptly escalates any shortfall in the threshold levels to the relevant parties for next course of action.

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio

The subsequent tables show the Bank's credit exposures or Exposure at Default (EAD) as at 31 December 2014 compared with 31 December 2013, segregated by:

- the various types of asset classes, showing details of the exposures before and after credit risk mitigation (CRM), the corresponding RWA and the capital requirements;
- disclosure on off-balance sheet and counterparty credit risk;
- geographical distribution;
- industry sector;
- residual maturity; and
- diclosure under the Standardised Approach by risk weights.

Under the Standardised Approach, the risk weights are prescribed by BNM based on the asset class to which the exposure is assigned.

Table 5a: Summary of Credit Exposures with CRM by Asset Class and Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2014

Exposure Class	Gross Exposures/ EAD before CRM (RM'000)	Net Exposures/ EAD after CRM (RM'000)	Risk-Weighted Assets (RM'000)	Minimum Capital Requirements (RM'000)
Exposures under Standardised Approach				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	1,798,542	1,798,542	1,500	120
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,676,882	2,565,762	585,438	46,835
Insurance Cos, Securities Firms & Fund Managers	82,386	82,386	82,386	6,591
Corporates	3,919,705	2,226,394	972,200	77,776
Regulatory Retail	-	-	-	-
Residential Mortgages	1,339	1,339	513	41
Higher Risk Assets	31	31	47	4
Other Assets	1,917,391	1,917,391	760,856	60,868
Securitisation Exposures	-	-	-	-
Equity Exposures	97,881	97,881	97,881	7,830
Defaulted Exposures	220,026	199,473	291,289	23,303
Total On-Balance Sheet Exposures	**10,714,183**	**8,889,199**	**2,792,110**	**223,368**

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio (Continued)

Table 5a: Summary of Credit Exposures with CRM by Asset Class and Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2014 (Continued)

Exposure Class	Gross Exposures/ EAD before CRM (RM'000)	Net Exposures/ EAD after CRM (RM'000)	Risk-Weighted Assets (RM'000)	Minimum Capital Requirements (RM'000)
Off-Balance Sheet Exposures				
OTC Derivatives	396,312	396,312	119,390	9,552
Off-balance sheet exposures other than OTC derivatives or credit derivatives	257,667	97,146	97,150	7,772
Defaulted Exposures	-	-	-	-
Total Off-Balance Sheet Exposures	**653,979**	**493,458**	**216,540**	**17,324**
Total On and Off-Balance Sheet Exposures	**11,368,162**	**9,382,657**	**3,008,650**	**240,692**

Table 5b: Summary of Credit Exposures with CRM by Asset Class and Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2013

Exposure Class	Gross Exposures/ EAD before CRM (RM'000)	Net Exposures/ EAD after CRM (RM'000)	Risk-Weighted Assets (RM'000)	Minimum Capital Requirements (RM'000)
Exposures under Standardised Approach				
On-Balance Sheet Exposures				
Sovereigns/Central Banks	1,863,704	1,863,704	1,416	113
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,404,648	2,404,648	555,378	44,430
Insurance Cos, Securities Firms & 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 Mortgages	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
Total On-Balance Sheet Exposures	**11,288,964**	**9,728,110**	**2,940,667**	**235,253**
Off-Balance Sheet Exposures				
OTC Derivatives	270,766	270,766	73,321	5,866
Off-balance sheet exposures other than OTC derivatives or credit derivatives	507,006	507,006	458,543	36,683
Defaulted Exposures	-	-	-	-
Total Off-Balance Sheet Exposures	**777,772**	**777,772**	**531,864**	**42,549**
Total On and Off-Balance Sheet Exposures	**12,066,736**	**10,505,882**	**3,472,531**	**277,802**

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio (Continued)

Table 6a: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2014

Nature of Item	Principal/ Notional Amount (RM'000)	Positive Fair Value of Derivative Contracts (RM'000)	Credit Equivalent Amount (RM'000)	RWA (RM'000)
Direct credit substitutes	-		-	-
NIFs and obligations under underwriting agreement	-		-	-
Foreign exchange related contracts	**2,956,994**	**146,088**	**371,237**	**105,876**
1 year or less	677,400	1,503	3,942	789
Over 1 year to 5 years	2,279,594	144,585	367,295	105,087
Over 5 years	-	-	-	-
Interest rate related contracts	**2,295,000**	**6,000**	**19,231**	**7,670**
1 year or less	1,330,000	3,798	3,982	1,852
Over 1 year to 5 years	965,000	2,202	15,249	5,818
Over 5 years	-	-	-	-
Equity related contracts	**15,508**	**4,914**	**5,844**	**5,844**
1 year or less	15,508	4,914	5,844	5,844
Over 1 year to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with original maturity of over 1 year	6,172		3,086	2,639
Other commitments, such as formal standby facilities and credit lines, with original maturity of up to 1 year	1,272,907		254,581	94,511
Any commitments that are unconditionally cancellable at any time by the bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	-		-	-
Total	**6,546,581**	**157,002**	**653,979**	**216,540**

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio (Continued)

Table 6b: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2013

Nature of Item	Principal/ Notional Amount (RM'000)	Positive Fair Value of Derivative Contracts (RM'000)	Credit Equivalent Amount (RM'000)	RWA (RM'000)
Direct credit substitutes	-		-	-
NIFs and obligations under underwriting agreement	267,648		133,824	85,356
Foreign exchange related contracts	**2,309,154**	**42,013**	**222,339**	**61,574**
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	-	-	-	-
Interest rate related contracts	**3,543,680**	**6,747**	**48,427**	**11,747**
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	-	-	-	-
Equity related contracts	**-**	**-**	**-**	**-**
1 year or less	-	-	-	-
Over 1 year to 5 years	-	-	-	-
Over 5 years	-	-	-	-
Other commitments, such as formal standby facilities and credit lines, with original maturity of over 1 year	52,922		26,461	26,466
Other commitments, such as formal standby facilities and 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	-		-	-
Total	**7,907,009**	**48,760**	**777,772**	**531,864**

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio (Continued)

Table 7a: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2014

Exposure Class	Malaysia (RM'000)	Singapore (RM'000)	Hong Kong (RM'000)	Indonesia (RM'000)	Thailand (RM'000)	Total (RM'000)
Exposures under Standardised Approach						
Sovereigns/Central Banks	1,798,542	-	-	-	-	1,798,542
Public Sector Entities	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,687,500	22,120	45,590	43,830	58,919	2,857,959
Insurance Cos, Securities Firms & Fund Managers	70,662	-	8,603	548	6,235	86,048
Corporates	3,713,071	312,932	288,713	102,747	191,046	4,608,509
Regulatory Retail	-	-	-	-	-	-
Residential Mortgages	1,339	-	-	-	-	1,339
Higher Risk Assets	39	-	-	-	-	39
Other Assets	917,144	571,568	163,188	153,234	112,257	1,917,391
Total	**9,188,297**	**906,620**	**506,094**	**300,359**	**368,457**	**11,269,827**

Note: This table excludes equity and securitisation exposures.

Table 7b: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2013

Exposure Class	Malaysia (RM'000)	Singapore (RM'000)	Hong Kong (RM'000)	Indonesia (RM'000)	Thailand (RM'000)	Total (RM'000)
Exposures under Standardised Approach						
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
Total	**8,926,041**	**2,217,421**	**341,076**	**151,428**	**320,284**	**11,956,250**

Note: This table excludes equity and securitisation exposures.

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio (Continued)

Table 8a: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2014

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)											
Exposures under Standardised Approach												
Sovereigns/Central Banks	-	-	-	-	-	-	-	272,419	1,526,123	-	-	1,798,542
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	2,857,959	-	-	-	2,857,959
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	86,048	-	-	-	86,048
Corporates	61,928	27,137	133,745	80,906	467,860	119,969	55,812	2,390,876	4,672	1,264,032	1,572	4,608,509
Regulatory Retail	-	-	-	-	-	-	-	-	-	-	-	-
Residential Mortgages	-	-	-	-	-	-	-	-	-	1,339	-	1,339
Higher Risk Assets	-	-	-	-	-	-	-	-	-	39	-	39
Other Assets	-	-	-	-	-	-	-	261,900	-	-	1,655,491	1,917,391
Total	**61,928**	**27,137**	**133,745**	**80,906**	**467,860**	**119,969**	**55,812**	**5,869,202**	**1,530,795**	**1,265,410**	**1,657,063**	**11,269,827**

Note: This table excludes equity and securitisation exposures.

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio (Continued)

Table 8b: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2013

Explosure 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)											
Exposures under Standardised Approach												
Sovereigns/Central Banks	-	-	-	-	-	-	-	118,310	1,745,394	-	-	1,863,704
Public Sector Entities	-	-	-	-	-	-	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	2,551,503	-	-	-	2,551,503
Insurance Cos, Securities Firms & 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 Retail	-	-	-	-	-	-	-	-	-	325	-	325
Residential Mortgages	-	-	-	-	-	-	-	-	-	1,939	-	1,939
Higher Risk Assets	-	-	-	-	-	-	-	-	-	43	-	43
Other Assets	-	-	-	-	-	-	-	1,696,293	-	-	1,029,143	2,725,436
Total	**181,025**	**39,343**	**43,431**	**136,851**	**440,182**	**83,995**	**74,628**	**6,916,485**	**1,765,968**	**1,042,032**	**1,232,310**	**11,956,250**

Note: This table excludes equity and securitisation exposures.

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio (Continued)

Table 9a: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2014

Exposure Class	One Year or Less (RM'000)	More than One to Five Years (RM'000)	Over Five Years (RM'000)	Total (RM'000)
Exposures under Standardised Approach				
Sovereigns/Central Banks	372,142	604,439	821,961	1,798,542
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,391,366	391,705	74,888	2,857,959
Insurance Cos, Securities Firms & Fund Managers	86,048	-	-	86,048
Corporates	2,517,741	1,402,366	688,402	4,608,509
Regulatory Retail	-	-	-	-
Residential Mortgages	-	292	1,047	1,339
Higher Risk Assets	-	-	39	39
Other Assets	-	-	1,917,391	1,917,391
Total	**5,367,297**	**2,398,802**	**3,503,728**	**11,269,827**

Note: This table excludes equity and securitisation exposures.

Table 9b: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2013

Exposure Class	One Year or Less (RM'000)	More than One to Five Years (RM'000)	Over Five Years (RM'000)	Total (RM'000)
Exposures under Standardised Approach				
Sovereigns/Central Banks	393,166	548,365	922,173	1,863,704
Public Sector Entities	-	-	-	-
Banks, Development Financial Institutions & MDBs	2,061,025	375,195	115,283	2,551,503
Insurance Cos, Securities Firms & 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
Total	**7,480,315**	**2,771,385**	**1,704,550**	**11,956,250**

Note: This table excludes equity and securitisation exposures.

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio (Continued)

Table 10a: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2014

Exposure Class	Exposure After Credit Risk Mitigation (RM'000)							Deduction from Capital Base (RM'000)	Total Exposures (RM'000)
	Risk Weight (%)								
	0%	20%	35%	50%	75%	100%	150%		
Exposures under Standardised Approach									
Sovereigns/Central Banks	1,791,040	7,502	-	-	-	-	-	-	1,798,542
Public Sector Entities	-	-	-	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	-	2,534,637	-	182,164	-	30,039	-	-	2,746,840
Insurance Cos, Securities Firms & Fund Managers	-	-	-	-	-	86,048	-	-	86,048
Corporates	264,740	1,367,706	-	67,488	-	850,103	184,086	-	2,734,123
Regulatory Retail	-	-	-	-	-	-	-	-	-
Residential Mortgages	-	-	1,042	297	-	-	-	-	1,339
Higher Risk Assets	-	-	-	-	-	-	39	-	39
Other Assets	947,052	261,854	-	-	-	708,485	-	-	1,917,391
Securitisation Exposures	-	-	-	-	-	-	-	-	-
Equity Exposures	-	-	-	454	-	97,881	-	-	98,335
Total Exposures after CRM (RM'000)	**3,002,832**	**4,171,699**	**1,042**	**250,403**	**-**	**1,772,556**	**184,125**	**-**	**9,382,657**
Total Risk-Weighted Assets (RM'000)	**-**	**834,340**	**365**	**125,202**	**-**	**1,772,556**	**276,187**	**-**	**3,008,650**

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets By Portfolio (Continued)

Table 10b: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2013

Exposure Class	Exposure After Credit Risk Mitigation (RM'000)							Deduction from Capital Base (RM'000)	Total Exposures (RM'000)
	Risk Weight (%)								
	0%	20%	35%	50%	75%	100%	150%		
Exposures under Standardised Approach									
Sovereigns/Central Banks	1,856,626	7,078	-	-	-	-	-	-	1,863,704
Public Sector Entities	-	-	-	-	-	-	-	-	-
Banks, Development Financial Institutions & MDBs	-	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 Exposures	-	-	-	-	-	-	-	1,744	1,744
Equity Exposures	-	-	-	-	-	108,742	-	-	108,742
Total Exposures after CRM (RM'000)	**2,501,845**	**5,440,135**	**1,548**	**404,167**	**325**	**2,105,083**	**51,035**	**1,744**	**10,505,882**
Total Risk-Weighted Assets (RM'000)	**-**	**1,088,026**	**542**	**202,083**	**244**	**2,105,083**	**76,553**	**-**	**3,472,531**

6.5 Use of External Ratings

For sovereigns, corporates and banking institutions, external ratings from approved external credit assessment institutions (ECAIs), where available, are used to calculate the risk-weighted assets and regulatory capital.

The process used to map ECAIs issuer ratings or comparable ECAIs issue ratings are in accordance to BNM standards. Approved ECAIs are as follows:

- Standard & Poor's (S&P);
- Moody's Investor Services (Moody's);
- Fitch Ratings (Fitch);
- Malaysian Rating Corporation Berhad (MARC);
- Rating Agency Malaysia (RAM); and
- Rating and Investment Information, Inc (R&I).

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (Continued)

External ratings for the counterparties are determined as soon as relationship is established and these ratings are tracked and kept updated. Only publicly available credit ratings are used for regulatory risk weighting purpose. Where the counterparty is not rated, the corresponding exposure is mapped as 'unrated' and the appropriate risk weight for unrated exposures is assigned.

The following tables show the Bank's credit exposures for 31 December 2014 compared with 31 December 2013, according to the ratings by ECAIs:

Table 11a: Rated Exposures According to Ratings by ECAIs as at 31 December 2014

Ratings of Corporates by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	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
On and Off-Balance Sheet Exposures						
Insurance Cos, Securities Firms & Fund Managers (RM'000)		-	-	-	-	86,048
Corporates (RM'000)		1,387,725	67,488	70,869	9,412	1,198,629

Short Term Ratings of Banking Institutions by Approved ECAIs						
	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
On and Off-Balance Sheet Exposures						
Banks, Development Financial Institutions & MDBs (RM'000)		148,732	-	-	-	-

Ratings of Sovereigns and Central Banks by Approved ECAIs						
	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
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks (RM'000)		-	1,798,542	-	-	-	-

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 2014 (Continued)

Ratings of Banking Institutions by Approved ECAIs							
	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
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs (RM'000)		1,125,712	939,776	28,087	30,039	-	474,494

Table 11b: Rated Exposures According to Ratings by ECAIs as at 31 December 2013

Ratings of Corporates by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	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
On and Off-Balance Sheet Exposures						
Insurance Cos, Securities Firms & Fund Managers (RM'000)		-	-	-	-	135,091
Corporates (RM'000)		1,440,295	142,700	53,003	36,019	1,445,338

Short Term Ratings of Banking Institutions by Approved ECAIs						
	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
On and Off-Balance Sheet Exposures						
Banks, Development Financial Institutions & MDBs (RM'000)		69,274	-	-	-	-

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 2013 (Continued)

Ratings of Sovereigns and Central Banks by Approved ECAIs							
	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
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
On and Off-Balance Sheet Exposures							
Sovereigns/Central Banks (RM'000)		-	1,863,704	-	-	-	-

Ratings of Banking Institutions by Approved ECAIs							
	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
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs (RM'000)		1,356,220	251,811	76,446	-	-	797,752

6.0 CREDIT RISK (CONTINUED)

6.6 Credit Risk Monitoring and Control

Credit Risk Mitigation

The Bank generally does not enter into a credit/financing commitment solely on the basis of collateral provided. All credit facilities/ commitments are granted based on prior analysis of the credit standing of the borrower/counterparty with a legitimate credit purpose and a good debt servicing ability, and on the Bank's ability to adequately ring-fence the source(s) of repayment. Attention is also paid to ensure that the credit transaction is within BNM's directives on lending by an investment bank.

Collateral is taken whenever possible to mitigate the credit risk assumed, subject to the Bank's policies that govern the eligibility of collateral used for credit risk mitigation. Reliance on collateral when taken is carefully assessed in the light of issues such as legal certainty and enforceability, market valuation and counterparty risk of the guarantor. Recognised collaterals where relevant, include both financial and physical assets. Financial collaterals include cash deposits, shares and unit trusts, while physical collateral includes land and buildings and vehicles. Apart from financial collateral and physical collateral, the Bank has defined standards on the acceptance of guarantors as credit risk mitigants.

Collateral is valued in accordance with the Bank's policy on collateral valuation, which prescribes the frequency of valuation for different collateral/securities types, based on liquidity and volatility of the collateral value and the underlying product or risk exposure. The value of collaterals/securities pledged is monitored periodically, analysed and updated concurrently during the annual/periodic renewal of facilities, as well as updated into the Bank's collateral system.

The Bank also accepts non-tangible securities as support, such as guarantees from individuals, corporates and institutions, bank guarantees, debenture and assignment of contract proceeds, subject to internal guidelines on eligibility. Currently, the Bank does not employ the use of derivative credit instruments or on-balance sheet netting to mitigate its credit exposures. Where possible, the Bank enters into International Swaps and Derivatives Association (ISDA) Master Agreement with its derivative and swap counterparties as the master agreement provides the legal certainty that the credit exposures between counterparties will be netted.

Equity securities or collaterals acquired arising from debt conversions are accounted for as disposal of the financing and acquisition of equity securities or investment properties. Any further impairment of the assets or business acquired is treated as an impairment of the relevant asset or business rather than as an impairment of the original instrument.

The Bank has established mechanism to monitor credit and market concentration within its credit mitigation.

6.0 CREDIT RISK (CONTINUED)

6.6 Credit Risk Monitoring and Control (Continued)

The following tables show the credit risk mitigation of portfolios under the Standardised Approach as at 31 December 2014 compared with 31 December 2013:

Table 12a: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2014

Exposure Class	Exposures Before Credit Risk Mitigation (RM'000)	Exposures Covered by Guarantees/ Credit Derivatives (RM'000)	Exposures Covered by Eligible Financial Collateral (RM'000)
On-Balance Sheet Exposures			
Sovereigns/Central Banks	1,798,542	-	-
Public Sector Entities	-	-	-
Banks, Development Financial Institutions & MDBs	2,676,882	-	111,119
Insurance Cos, Securities Firms & Fund Managers	82,386	-	-
Corporates	3,919,705	264,740	1,693,312
Regulatory Retail	-	-	-
Residential Mortgages	1,339	-	-
Higher Risk Assets	31	-	-
Other Assets	1,917,391	-	-
Securitisation Exposures	-	-	-
Equity Exposures	97,881	-	-
Defaulted Exposures	220,026	-	20,553
Total On-Balance Sheet Exposures	**10,714,183**	**264,740**	**1,824,984**
Off-Balance Sheet Exposures			
OTC Derivatives	396,312	-	-
Off-Balance Sheet exposures other than OTC Derivatives or Credit Derivatives	257,667	-	160,521
Defaulted Exposures	-	-	-
Total Off-Balance Sheet Exposures	**653,979**	**-**	**160,521**
Total On and Off-Balance Sheet Exposures	**11,368,162**	**264,740**	**1,985,505**

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 2013

Exposure Class	Exposures Before Credit Risk Mitigation (RM'000)	Exposures Covered by Guarantees/ Credit Derivatives (RM'000)	Exposures Covered by Eligible Financial Collateral (RM'000)
On-Balance Sheet Exposures			
Sovereigns/Central Banks	1,863,704	-	-
Public Sector Entities	-	-	-
Banks, Development Financial Institutions & 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	-	-
Higher Risk Assets	33	-	-
Other Assets	2,725,436	-	-
Securitisation Exposures	-	-	-
Equity Exposures	108,742	-	-
Defaulted Exposures	68,834	-	2,879
Total On-Balance Sheet Exposures	**11,288,964**	**-**	**1,560,854**
Off-Balance Sheet Exposures			
OTC Derivatives	270,766	-	-
Off-Balance Sheet exposures other than OTC Derivatives or Credit Derivatives	507,006	-	-
Defaulted Exposures	-	-	-
Total Off-Balance Sheet Exposures	**777,772**	**-**	**-**
Total On and Off-Balance Sheet Exposures	**12,066,736**	**-**	**1,560,854**

6.0 CREDIT RISK (CONTINUED)

6.6 Credit Risk Monitoring and Control (Continued)

Credit Concentration Risk

Credit concentration risk is defined as any single exposure or group of exposures with the potential to produce losses large enough (relative to a bank's capital, total assets, or overall risk level) to threaten a bank's health or ability to maintain its core operations.

The Bank manages the diversification of its portfolio to avoid undue credit concentration risk. Credit concentration risk exists in lending/financing to single customer groups, borrowers/customers engaged in similar activities, or diverse groups of borrowers/customers that could be affected by similar economic or other factors. To manage this concentration risk, exposure limits are established for single borrowing/financing groups and industry segments. Analysis of any single large exposure and group of exposures is regularly conducted and the lending/financing units undertake regular account updates, monitoring and management of these exposures.

Industry and sector-specific analysis are also incorporated within the overall credit risk management regiment. In this respect, the Bank seeks to continually update financing, investment and treasury guidelines based on periodic reviews and updates of industry and sector risk factors and economic outlook. This facilitates better management of credit concentration risk.

Credit Monitoring and Annual Reviews

The Bank regularly monitors financing exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports are generated for Senior Management, GCRC, BRC and Board, containing information on key environmental, political and economic trends across portfolios and countries, portfolio delinquency with major credit delinquency, and loan/financing impairment performance.

In addition to the on-going qualitative assessment by the account relationship managers, reviews are conducted at least once a year with updated information on the customer's/counterparty's financial position, market position, industry and economic condition and account conduct. Specific loans may be reviewed more frequently under appropriate circumstances. Such circumstances may arise if, for instance, the Bank believes that heightened risk exists in a particular industry, or the borrower has defaulted on obligations to suppliers or other financial institutions or is facing cash flow or other difficulties.

Within Group Credit Management, there is a mechanism in place for credit monitoring to flag-out problematic loans (watch list accounts) for intensive monitoring under Enhanced Account Management (EAM). These are accounts which may be exhibiting early distress patterns or in the early stages of delinquency but not yet in default. The EAM guidelines have been further refined in 2014 to better identify, monitor and resolve such account.

Group Internal Audit conducts independent post-approval reviews on a sampling basis to ensure that the quality of credit appraisals and approval standards is in accordance with the credit standards and policies on lending/financing and investment established by the Bank's management or by laws and regulations.

6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing

The Bank adopts BNM's guidelines on Classification and Impairment Provisions for Loans/Financing. The principles in this guidelines are in line with those applicable under the International Financial Reporting Standards compliant framework, the Malaysia Financial Reporting Standards 139.

The Bank classifies loans/financing as impaired:

1. When the principal or interest or both is past due for more than 90 days or 3 months. In the case of revolving facilities (e.g., overdraft facilities), the facility shall be classified as impaired when the outstanding amount is in excess of the approved limit for a period of more than 90 days or 3 months;
2. Where the amount is past due or the outstanding amount has been in excess of the approved limit for 90 days or 3 months or less, the loan/financing exhibits weaknesses that render a classification appropriate according to the Bank's credit risk grading framework;
3. Where repayments are scheduled on intervals of 3 months or longer, the loan/financing is classified as impaired as soon as a default occurs, unless it does not exhibit any weakness that would render it classified according to the Bank's credit risk grading framework;
4. For rescheduled and restructured facilities, the account shall be classified as impaired in accordance with paragraphs (1), (2) and (3) above, based on the revised or restructured terms; and
5. Where any one of the Mandatory Status Triggers (MST) or any two or more of the Ancillary Status Triggers (AST) have occurred. MST and AST are a set of pre-defined triggers events approved by the Bank, such as bankruptcy/wound-up, ceased operations, etc.

Individual Assessment – Impairment Triggers

For borrowers/customers (customers with threshold of RM5 million and above per customer) under individual assessment, the Bank performs impairment assessment when any one of the MSTs or any two of the ASTs events has occurred. Such borrower/customer will be classified as impaired loan/financing even though no impairment allowance is required after impairment assessment.

Individual Impairment Allowances

A borrower/customer with loan/financing outstanding of RM5 million and above and triggered either by any one of the MSTs or any two of the ASTs will be classified as impaired loans/financing, which is subject to impairment allowances based on recovery cash-flow method, i.e., net present value of future cash flows are discounted based on original effective interest rates and compared against carrying amount. Any impairment will be provided in full immediately.

Collective Impairment Allowances

Collective impairment applies to all other accounts (impaired and non-impaired) that do not fall within the threshold of individual assessment. The impairment allowances for accounts under collective assessment are as follows:

1. Segmentation is applied to group of loans/financing, both impaired and non-impaired, based on similar credit risk characteristics, for the purpose of assessing impairment and computing historical default rates and loss rates.
2. Probability of default (PD) model is established with standard loss identification period (by months) and Point of No Return (by months in arrears). PD model adopted could either be migration analysis model or flow rate model. The approaches to migration analysis model could be either by way of outstanding balances or number of accounts.
3. Loss Given Default (LGD) model establishes loss rate at the point in time when the loss event occurred i.e., based on actual incurred loss model.

6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing (Continued)

Re-classification and Recovery of Impaired Borrowers/Customers

An impaired borrower/customer may be re-classified as a non-impaired borrower/customer under the following situations:

1. When the loan/financing repayment of the impaired borrower/customer has improved with the principal or interest (or both) of its facilities with the Bank being past due by 90 days or 3 months or less.
2. Where the borrower/customer exhibits weakness that render it to be classified as impaired, even though its loan/financing is past-due by 90 days or less than 3 months or less, such borrowers/customers may be re-classified as non-impaired when these weaknesses have been subsequently addressed and resolved.
3. Where the borrower/customer has been individually assessed as impaired due to either any one of the MSTs or any two of the ASTs, the borrower/customer may be re-classified as non-impaired when these triggers have been addressed and resolved subsequently with only one AST remaining or none at all.

However, for borrowers/customer under approved rescheduling or restructuring, the reclassification to non-impaired status and the write-back of impairment allowances can only effected upon fulfilment of the specified cooling period.

Write-Off of Impaired Loans/Financing

All loans/financing that satisfy any one of the following criteria, if any, may be recommended for write-off:

1. Deemed irrecoverable, worthless and with slim prospect of recovery.
2. Waiver/discount already given under approved composite settlement schemes.
3. All retail and scored loans/financing with ageing of 12 months and above, provided legal action has been initiated.
4. In the case of credit card and unsecured personal financing, aging is 6 months and above and the write off is automatic.

Partial write-offs of impaired loans/financing is permitted for the shortfall portion in outstanding balance over the security value which is uncollectible and worthless; and the Bank is in the final stage of realising the security/collateral; or in the case of approved composite settlement arrangement, the waiver portion. Further shortfall if any, arising from the disposal of all securities and upon receipt of the sale proceeds, shall be written off immediately.

This policy of impairment loans/financing write-off is intended to provide a timely and consistent methodology for loans/financing to be written-off and to reflect the true value of assets in the Bank’s books.

6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing (Continued)

The following tables show the Bank's impaired and past due loans/financing and allowances by industry sector as at 31 December 2014 compared with 31 December 2013:

Table 13a: Impaired and Past Due Loans and Allowances for Impairment by Industry Sector as at 31 December 2014

Industry Sector	Impaired Loans and Advances/ Financing (RM'000)	Past Due Loans/ Financing (RM'000)	Individual Impairment Allowances (RM'000)	Collective Impairment Allowances (RM'000)
Agriculture	-	-	-	155
Mining & Quarrying	-	-	-	-
Manufacturing	-	-	-	-
Electricity, Gas & Water Supply	-	-	-	-
Construction	-	-	-	7,608
Wholesale, Retail Trade, Restaurants & Hotels	-	-	-	-
Transport, Storage & Communication	-	-	-	-
Finance, Insurance, Real Estate & Business	160,145	-	4,922	2,445
Education, Health & Others	-	-	-	-
Household	2,640	-	2,635	680
Others	-	-	-	-
Total	**162,785**	**-**	**7,557**	**10,888**

Table 13b: Impaired and Past Due Loans and Allowances for Impairment by Industry Sector as at 31 December 2013

Industry Sector	Impaired Loans and Advances/ Financing (RM'000)	Past Due Loans/ Financing (RM'000)	Individual Impairment Allowances (RM'000)	Collective Impairment Allowances (RM'000)
Agriculture	-	-	-	587
Mining & Quarrying	-	-	-	-
Manufacturing	-	-	-	-
Electricity, Gas & Water Supply	-	-	-	-
Construction	6,878	-	-	525
Wholesale, Retail Trade, Restaurants & Hotels	-	-	-	270
Transport, Storage & Communication	-	-	-	-
Finance, Insurance, Real Estate & Business	71,702	-	29,258	6,232
Education, Health & Others	-	-	-	-
Household	-	-	-	-
Others	335	-	334	15
Total	**78,915**	**-**	**29,592**	**7,629**

6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing (Continued)

The following table shows the charges/(write-back) and write-offs for impairment by industry sector as at 31 December 2014 compared with 31 December 2013:

Table 14: Net Charges/(Write-back) and Write-Offs for Impairment by Industry Sector

Industry Sector	Twelve Months Period Ended 2014		Twelve Months Period Ended 2013	
	Net Charges/ (Write-back) for Individual Impairment Allowances (RM'000)	Write-Offs (RM'000)	Net Charges/ (Write-back) for Individual Impairment Allowances (RM'000)	Write-Offs (RM'000)
Agriculture	-	-	-	-
Mining & Quarrying	-	-	-	-
Manufacturing	-	-	-	-
Electricity, Gas & Water Supply	-	-	-	-
Construction	(30,120)	-	-	-
Wholesale, Retail Trade, Restaurants & Hotels	-	-	-	-
Transport, Storage & Communication	-	-	-	-
Finance, Insurance, Real Estate & Business	(22,545)	1,337	5,912	-
Education, Health & Others	-	-	-	-
Household	2,634	334	-	-
Others	-	-	(57)	-
Total	**(50,031)**	**1,671**	**5,855**	**-**

The following tables show the Bank's impaired and past due loans/financing and allowances by geographical distribution as at 31 December 2014 compared with 31 December 2013:

Table 15a: Impaired and Past Due Loans and Allowances for Impairment by Geographical Distribution as at 31 December 2014

Geographical Distribution	Impaired Loans and Advances/ Financing (RM'000)	Past Due Loans/ Financing (RM'000)	Individual Impairment Allowances (RM'000)	Collective Impairment Allowances (RM'000)
Malaysia	160,151	-	4,922	10,888
Singapore	2,634	-	2,635	-
Hong Kong	-	-	-	-
Indonesia	-	-	-	-
Thailand	-	-	-	-
Total	**162,785**	**-**	**7,557**	**10,888**

6.0 CREDIT RISK (CONTINUED)

6.7 Impairment Allowances for Loans/Financing (Continued)

Table 15b: Impaired and Past Due Loans and Allowances for Impairment by Geographical Distribution as at 31 December 2013

Geographical Distribution	Impaired Loans and Advances/ Financing (RM'000)	Past Due Loans/ Financing (RM'000)	Individual Impairment Allowances (RM'000)	Collective Impairment Allowances (RM'000)
Malaysia	78,915	-	29,592	7,629
Singapore	-	-	-	-
Hong Kong	-	-	-	-
Indonesia	-	-	-	-
Thailand	-	-	-	-
Total	**78,915**	**-**	**29,592**	**7,629**

The following tables show the reconciliation of changes to loan/financing impairment allowances as at 31 December 2014 compared with 31 December 2013:

Table 16: Reconciliation of Changes to Loan Impairment Allowances

Individual Impairment Allowances	2014 (RM'000)	2013 (RM'000)
Balance as at the beginning of financial year	**29,592**	**23,737**
Transfer from financial Investments available-for-sale	29,666	-
Net Allowance/(written back) made during the year	(50,031)	5,855
Amount Written-Off	(1,671)	-
Exchange differences	1	-
Balance as at the end of financial year	**7,557**	**29,592**

Collective Impairment Allowances	2014 (RM'000)	2013 (RM'000)
Balance as at the beginning of financial year	**7,629**	**4,971**
Transfer from financial Investments available-for-sale	-	-
Net Allowance/(written back) made during the year	3,259	2,658
Amount Written-Off	-	-
Balance as at the end of financial year	**10,888**	**7,629**

7.0 SECURITISATION EXPOSURES

In the course of its business, RHB Investment Bank has undertaken securitisations of its own originated assets, as well as its clients on asset securitisation exercises as part of its debt capital markets services for external clients. The Bank securitises its own assets primarily for capital management purposes.

The Bank undertakes the following roles in the securitisation activities (either singularly or in combination):

- Originator and servicer of securitised assets;
- Asset-backed securities marketing, syndication and trading;
- Structuring of the securitisation transaction;
- Provider of liquidity facilities to self-originated and third-party transactions; and
- Investor of third-party securitisations (where the Bank is not originator or sponsor).

Summary of Accounting Policies for Securitisation Activities

The accounting policies governing initial recognition, valuation and recognition of gains and losses governing financial assets are detailed in the Note A4 (Summary of Significant Accounting Policies/Financial Assets) and A17 (Summary of Significant Accounting policies/Impairment of Financial Assets) of the Statutory Financial Statements and Financial Services Acts.

ECAIs Used For Securitisation Process

In general, the Bank engages external credit assessment institutions such as RAM and MARC to assign credit ratings for securitisations of its own originated assets.

The table below shows the Securitisation exposures in the Banking Book as at 31 December 2014 compared with 31 December 2013:

Table 17: Disclosure on Securitisation Exposures in the Banking Book

	Total Exposures Securitised (RM'000)		Impaired (RM'000)	
Underlying Assets	**2014**	**2013**	**2014**	**2013**
Traditional Securitisation (Banking Book Exposure):				
Originated by the Bank				
Collateralised Loan Obligation (Corporate Loans)	-	1,744	57,961	57,440
Total	**-**	**1,744**	**57,961**	**57,440**

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 2014

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%	
Traditional Securitisation:						
Originating Banking Institution						
Most Senior	-	-	-	-	-	-
Mezzanine	-	-	-	-	-	-
Total	**-**	**-**	**-**	**-**	**-**	**-**

Table 18b: 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%	
Traditional Securitisation:						
Originating Banking Institution						
Most Senior	1,744	1,744	-	-	-	-
Mezzanine	-	-	-	-	-	-
Total	**1,744**	**1,744**	**-**	**-**	**-**	**-**

The Bank did not have any exposure to synthetic securitisation during the financial years 2014 and 2013. 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 indicators, such as interest rates, credit spreads, equity prices, currency exchange rates and commodity prices.

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 its banking activities.

The Bank transacts in money market, foreign exchange markets and capital markets which give rise to market risk exposures. Financial instruments transacted include debt, 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 an established Group Trading Book Policy Statement as guidance for market risk management. This is reviewed regularly at least once a year, and/or upon change in strategy or significant event that has a material impact on policy compliance.

The Group Asset and Liability Committee (Group ALCO) performs a critical role in the management of the market risk and supports the BRC in the overall market risk management. Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of market risk; 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 Group Market Risk Management within Group Risk Management is the working level that forms a centralised function to support Senior Management to operationalise the processes and methods, to ensure adequate risk control and oversight are in place.

Market Risk Assessment

The Bank applies risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk (VaR), sensitivity analysis and stress testing.

The Bank adopts a systematic approach in managing these risks by types of instruments and nature of exposure. Market risk is primarily monitored and controlled via a structure of limits and triggers, i.e., cut loss, VaR, trading and notional limit set in accordance with the size of positions and risk tolerance appetites.

In addition, the Bank conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

Market Risk Monitoring and Reporting

For effective control of market risk, defined management action triggers and risk limits are established and actively monitored. Only authorised trading activities may be undertaken by the various business units within the allocated limits. All trading positions are monitored on a daily basis by independent support units. Should exposures or transactions set off pre-established triggers, management will deliberate and determine 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.

8.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk

The Bank applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for RHB Investment Bank Group and RHB Investment Bank as at 31 December 2014 and 31 December 2013 are shown in the tables below:

Table 19a: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2014

RHB Investment Bank Group	Long Position (RM'000)	Short Position (RM'000)	RWA (RM'000)	Minimum Capital Requirements (RM'000)
Market Risk				
Interest Rate Risk	3,448,608	3,456,266	66,407	5,313
Equity Position Risk	61,853	38,746	147,915	11,833
Foreign Currency Risk	189,487	49,836	189,487	15,159
Options Risk	49,724	44,053	112,856	9,028
Total			**516,665**	**41,333**

RHB Investment Bank	Long Position (RM'000)	Short Position (RM'000)	RWA (RM'000)	Minimum Capital Requirements (RM'000)
Market Risk				
Interest Rate Risk	3,435,084	3,456,266	51,530	4,123
Equity Position Risk	48,463	33,960	63,965	5,117
Foreign Currency Risk	49,002	58,839	58,839	4,707
Options Risk	49,724	39,267	110,042	8,803
Total			**284,376**	**22,750**

Notes:
1. For year 2014, RHB Investment Bank Group and RHB Investment Bank did not have any exposures under Commodity or Inventory Risk.
2. For the Equity Position risk, the position is computed based on net long and net short position.

Table 19b: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2013

RHB Investment Bank Group	Long Position (RM'000)	Short Position (RM'000)	RWA (RM'000)	Minimum Capital Requirements (RM'000)
Market Risk				
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
Total			**1,300,494**	**104,040**

8.0 MARKET RISK (CONTINUED)

Table 19b: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2013 (Continued)

RHB Investment Bank	Long Position (RM'000)	Short Position (RM'000)	RWA (RM'000)	Minimum Capital Requirements (RM'000)
Market Risk				
Interest Rate Risk	7,052,053	6,155,233	631,992	50,560
Equity Position Risk	5,067,897	5,067,397	38,317	3,065
Foreign Currency Risk	57,478	43,268	57,477	4,598
Options Risk	230,410	-	342,852	27,428
Total			**1,070,638**	**85,651**

Notes:
1. For year 2013, RHB Investment Bank Group and RHB Investment Bank did not have any exposures under Commodity or Inventory Risk.
2. For the Equity Position risk, the position is computed based on gross long and gross short position.

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.

For debt equity conversions, the Bank has established a Policy on Debt & Equity Instruments that governs the management of such exposures to ensure that these exposures are effectively managed and accounted for in the Bank's books.

For regulatory capital purpose, the Bank adopts the Standardised Approach to calculate the risk-weighted exposures. The risk-weighted exposures of equity investments of the Bank as at 31 December 2014 and 31 December 2013 are shown in the tables below:

Table 20: Equity Exposures in the Banking Book

Equity Type	Gross Credit Exposures (RM'000)		RWA (RM'000)	
	2014	2013	2014	2013
Publicly traded				
- Holdings of equity investments	1,634	2,268	1,634	2,268
Privately held				
- For socio-economic purposes	22,582	21,679	22,355	21,679
- For non socio-economic purposes	74,119	84,795	74,119	84,795
Total	**98,335**	**108,742**	**98,108**	**108,742**

For years 2014 and 2013, the Bank did not make any material gain or loss from the sale or liquidation of the equity exposures.

10.0 LIQUIDITY RISK

Liquidity risk is the risk of the Group being unable to maintain sufficient liquid assets to meet its financial commitments and obligations when they fall due and transact at a reasonable cost.

There are two types of liquidity risk, namely funding liquidity and market liquidity risk. Funding liquidity risk is the risk that the Bank is unable to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group. Market liquidity risk is the risk that the Group cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

The primary role of a bank in terms of financial intermediation is the transformation of short-term deposits into 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 Risk Policy, the Bank manages the funding and market liquidity risk to ensure that banking operations continue uninterrupted under normal and stressed conditions. The key objective that underpins the Group's Liquidity Risk Policy includes maintaining financial market confidence at all times, protecting key stakeholder interests and meeting regulatory liquidity requirements.

The Group ALCO supports the BRC by performing the critical role in the management of liquidity risk, and is responsible 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 meetings which enables the Bank to determine its actions and reactions in the capital markets. The Group ALCO is also the governance body which sets interest rates for liabilities products as well as reference rates for financing products and services. Group ALCO is supported by Group Asset and Liability Management (Group ALM) at the working level. Group ALM monitors liquidity risk limits/Management Action Triggers (MATs) and reports to Group ALCO the liquidity risk profile on monthly basis.

The Bank has adopted the BNM's New Liquidity Framework as one of the liquidity measurement methods. In addition to ensuring compliance with the New Liquidity Framework, the Bank also maintains a liquidity compliance buffer to meet any unexpected cash outflow.

The liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

Some of the key liquidity risk management tools are top depositors' mixture, funding source mixture, maturity profile of funding sources and contingency funding lines.

The Bank has commenced the Basel III observation period reporting to BNM on the 2 key liquidity ratios, namely LCR and the NSFR.

The Group's Liquidity Incident Management Master Plan establishes guidelines for managing a liquidity crisis, identifying early warning signs of a possible liquidity event and the need for heightened liquidity risk monitoring and reduced liquidity risk exposure. In addition, the Master Plan also identifies the individuals responsible for formulating and executing the Bank's response to a liquidity event. The Group's Liquidity Incident Management Master Plan also covers the entire Group's operations including foreign branch operations.

11.0 INTEREST RATE RISK IN THE BANKING BOOK

Interest rate risk in the banking book refers to any opportunity loss to the Group's income and/or economic value due to changes in interest rate, which may arise from both on and off-balance sheet positions in the banking book. Interest rate risk occurs whenever there is a mismatch in the re-pricing period of assets and liabilities. Excessive interest rate risk can pose a significant threat to the Bank's earnings and capital. Changes in interest rates may affect the Bank's earnings in terms of the net interest income and economic value of equity.

11.0 INTEREST RATE RISK IN THE BANKING BOOK (CONTINUED)

Interest rate risk in the banking book comprises:

- Re-pricing risk (mismatch risk) – Arises from timing differences in the maturity (for fixed-rate) and re-pricing (for floating-rate) of bank assets, liabilities, and off-balance sheet positions. While such re-pricing mismatches are fundamental to the business of banking, they can expose a bank's income and underlying economic value to unanticipated fluctuations as interest rates vary;
- Basis risk – Arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics. When interest rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities and off-balance sheet instruments of similar maturities or re-pricing frequencies;
- Yield curve risk – Arises when unanticipated shifts of the yield curve have adverse effects on the Group's income or underlying economic value; and
- Embedded optionality – Arises primarily from options that are embedded in many banking book positions (e.g. some fixed rate mortgage products give borrowers the option to prepay the loan early without penalty, call deposit, where customers have the option of withdrawing the deposit funds at any time).

Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) are used to assess interest rate risk in the banking book. They are computed based on the re-pricing gap profile of the banking book. Assets and liabilities are bucketed based on their remaining tenure to maturity or next re-price dates. For indefinite maturity products, the re-pricing behaviour will be reflected in the gapping profile. The measurement of EaR and EVE is conducted on a monthly basis.

The Group ALCO supports BRC in establishing policies, strategies and limits for the management of balance sheet risk exposure. The Group ALM within Group Risk Management supports the Group ALCO in the monthly monitoring and reporting of the interest rate risk profile of the banking book. The primary objective in managing balance sheet risk is to manage the net interest income and economic value of equity, as well as to ensure that interest rate risk exposures are maintained within defined risk tolerances.

In addition, the Bank has established the ALM Policy which provides for the governance of interest rate risk in the banking book. Interest rate sensitivity triggers are applied on earnings for the respective profit centres within the Bank. The Bank regularly considers the economics and necessity of increasing or reducing its interest rate risk hedges.

In line with the Bank's ALM Policy to achieve a balance between profitability from banking activities and minimising risk to earnings and capital from changes in interest rates, interest rate risk to earnings is controlled using MATs and identified escalation procedures.

Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating proactive management of interest rate risk in the banking book in an environment of rapid financial market changes.

The impact of changes in interest rate to net earnings and economic value for the Bank as at 31 December 2014 and 31 December 2013 are shown in the following tables:

Table 21a: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2014

	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)	
Currency	**Impact based on +100 basis points**	**Impact based on -100 basis points**	**Impact based on +100 basis points**	**Impact based on -100 basis points**
MYR – Malaysian Ringgit	(33,832)	33,832	(129,802)	129,802
USD – US Dollar	(780)	780	(1,747)	1,747
Others*	(1,133)	1,133	(8,597)	8,597
Total	**(35,745)**	**35,745**	**(140,146)**	**140,146**

Note* Inclusive of GBP, EUR, SGD, etc.

11.0 INTEREST RATE RISK IN THE BANKING BOOK (CONTINUED)

Table 21b: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2013

	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)	
Currency	Impact based on +100 basis points	Impact based on -100 basis points	Impact based on +100 basispoints	Impact based on -100 basis points
MYR – Malaysian Ringgit	(32,363)	32,363	(130,249)	130,249
USD – US Dollar	(2,425)	2,425	(4,204)	4,204
Others*	18	(18)	3,702	(3,702)
Total	**(34,770)**	**34,770**	**(130,751)**	**130,751**

Note* Inclusive of GBP, EUR, SGD, etc.

The impact to net earnings above represents financial assets and liabilities that have been prepared on the following basis:

- Interest rate sensitive assets and liabilities with residual maturity or re-pricing tenure of up to one year that is not captured in the trading portfolio are slotted into time bands based on the maturity or re-pricing tenure whichever is earlier.
- A set of risk weights with its respective time band is used to project the applicable basis point interest rate change impact.
- For assets and liabilities with non-fix maturity, certain assumptions are made to reflect the actual sensitivity behaviour of interest bearing items.

Economic value is characterised by the impact of interest rate changes on the value of all net cash flows, i.e., the effect on the economic value of the 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 rates than is offered by the earnings perspective.

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

12.0 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT, legal and Shariah non-compliance risk but excludes strategic and reputational risk. Operational risk is inherent in the Bank's operations and can never be eliminated entirely. The impact can be in the form of actual financial loss as well as non-financial loss such as loss of reputation, non-compliance and unsatisfactory service level to customers.

One of the Bank's primary safeguards against operational risk is the existence of a sound internal control system based on the principle of dual control checks and balances, segregation of duties, independent checks and verification processes, and a segmented system access control and authorisation process. These controls are documented through a set of policies and procedures at the respective business and operation 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.
- Monitoring and Intervention – This is where the principal head office risk control units, including the risk management function, compliance function and the internal audit function, actively manage operational non-compliances, and incidences as a second and third line of defence respectively. The second line of defence also undertakes recovery actions, including business continuity measures in cases of incidences causing disruption to business activities.

12.0 OPERATIONAL RISK (CONTINUED)

Operational Risk Management Function and Organisation

The Group Operational Risk Management within Group Risk Management has the functional responsibility for the development of operational risk framework, policy and methodologies, and providing guidance and information to the business units on operational risk areas. Its responsibility also includes generating a broader understanding and awareness of operational risk issues at all levels in the Group. It also ensures that operational risks from new products, processes and systems are adequately managed and mitigated. The respective business units are primarily responsible for managing operational risk on a day-to-day basis.

Regular operational risk reporting is made to the Senior Management, GCRC, BRC and the Board. These reports include various operational risk aspects such as reporting of significant operational loss events. Such reporting enables Senior Management to identify adverse operational lapses, take prompt corrective actions, and ensure appropriate risk mitigation decision making and action plans.

Risk Management Process and Methodologies

The Bank has defined an operational risk management process, comprising risk identification, assessment, monitoring, and reporting. These are outlined as follows:

- **Risk and Control Self-Assessment (RCSA)**
  Each business unit is required to identify and assess their own operational risks. RCSA is a risk profiling tool which facilitates effective operational risk management for the Bank, and focuses on future risk assessment by using past records of loss or near misses, key risk indicators and related issues such as audit findings. The RCSA process is facilitated by the business units themselves who together with personnel from Group Operational Risk Management, would identify and assess key operational risks that could affect the effectiveness of controls and impact the achievement of business objectives. For identified risks lacking sufficient mitigation, the business units are required to establish action plans to improve the control environment to contain the risks to acceptable levels.

- **Key Risk Indicators (KRIs)**
  Business units are required to monitor their risk exposures via KRIs and are required to develop specific and concrete plans to address those where indicators are unfavourable. KRIs are embedded into critical processes to provide early warning signals of increasing risk and/or control failures by flagging up frequencies of events as a mechanism for continuous risk assessment and monitoring.

- **Incident and Loss Management**
  Business and support units are required to report operational losses for further analysis of root cause to avoid further recurrence. This is also useful for reviewing the effectiveness of the RCSA and KRIs.

Risk Mitigation and Controls

Risk mitigation tools and techniques are used to minimise risk to an acceptable level and aim to decrease the likelihood of an undesirable event and the impact on the business, should it occur. The control tools and techniques, amongst others, are as follows:

- **Business Continuity Management**
  To mitigate the impact of unforeseen operational risk events, the Bank has on-going and actively managed Business Continuity Planning (BCP) programmes for its major critical business operations and activities at the Head Office, data centre, and 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 Department.

  The Board of Directors has an oversight function through the BRC and GMC. The Group Business Continuity Management Steering Committee (GBCMSC) is the committee that oversees the Group's business continuity framework, policies, budget and plans. The GBCMSC reports to the GCRC.

12.0 OPERATIONAL RISK (CONTINUED)

Risk Mitigation and Controls (Continued)

- **Outsourcing**
  With the increasing need to outsource for cost and operational efficiency, the Group's Policy on Outsourcing ensures that the risk arising from outsourcing activities is adequately identified, assessed and managed prior to entering into any new arrangements and on an on-going basis.

- **Insurance Management**
  The Bank considers risk transfer by means of insurance to mitigate operational risk. The Bank has a programme of insurance designed to reduce its exposure to liability and to protect its assets. The Bank purchases insurance from leading insurers in the market covering fraud, theft, property and casualty, business disruption, liability and other risks for which it may be held responsible. These are provided by third-party insurers providers and will financially mitigate the economic consequences of risks.

Technology Risk

The Bank recognises the risk arising from the advancement and reliance upon information technology to support business operations through the deployment of advance technology and online systems to provide customers with convenient and reliable products and services. The Group's Technology Risk Management Framework ensures that a governance structure is in place for the identification, assessment and management of technology risks within existing IT operations as well as prior to deployment of applications and systems for internal as well as external customers.

New Product and Services Approval Process

The Group has established a Policy on Introduction of New/Variation of Products & Services Lifecycle which governs the risk management of new products, services, or significant changes thereto. The responsible units have a duty to assess the operational risk for new product launches and/or significant changes in product features or related processes and working systems, as well as to ensure that operational risk is at an acceptable level at all times.

Legal Risk

Legal risk is part of operational risk. It can arise from unenforceable, unfavourable, defective or unintended contracts; lawsuits or claims; developments in laws and regulations, or non-compliance with applicable laws and regulations. Business units work together with the Bank's legal counsel and external legal counsel to ensure that legal risk is effectively managed.

Capital Treatment for Operational Risk

Currently, the Bank adopts the Basic Indicator Approach for the calculation of regulatory operational risk capital requirements. The operational risk-weighted assets and the corresponding capital requirements for RHB Investment Bank Group and RHB Investment Bank as at 31 December 2014 and 31 December 2013 are shown below:

Table 22: Operational Risk-Weighted Assets and Minimum Capital Requirements

	RHB Investment Bank Group (RM'000)		RHB Investment Bank (RM'000)	
Operational Risk	**2014**	**2013**	**2014**	**2013**
Risk-Weighted Assets	1,561,132	922,336	992,064	587,482
Minimum Capital Requirements	124,891	73,787	79,365	46,999

13.0 COUNTRY CROSS-BORDER RISK

Country cross-border risk is the risk that the Bank will be unable to obtain payment from customers or third-parties on their contractual obligations as a result of certain actions taken by foreign governments.

Cross-border assets comprise loans/financing and advances, interest/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, and its business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures.

Negative publicity about an institution's business practices may involve any aspect of its operations, but usually relates to questions of business ethics and integrity, or quality of products and services. Reputational risk will arise from failure to effectively mitigate one or more of country, credit, liquidity, market, regulatory, operational, environmental or social risk.

Reputational risk in the Bank is managed and controlled through codes of conduct, governance practices and risk management practices, policies, procedures and training. Towards this end, the Group has developed and implemented a Reputational Risk Management Framework.

The key elements for management of reputational risk include:

- Prompt and effective communication with all stakeholders;
- Strong and consistent enforcement of controls relating to governance, business and legal compliance;
- Continuous monitoring of threats to reputation;
- Ensuring ethical practices throughout the Group; and
- Establishing crisis management plans and ensuring these are continuously updated.

For the Bank's oversea operations, it is the responsibility of the Country Heads to promote awareness and application of the Bank's policy and procedures regarding reputational risk, in all dealings with customers, potential investors and host regulators.

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
BCC	Board Credit Committee
BCP	Business Continuity Planning
BIA	Basic Indicator Approach
BNM	Bank Negara Malaysia
Board/BOD	Board of Directors
CCR	Counterparty Credit Risk
CET	Common Equity Tier
CLO	Collateralised Loan Obligation
CRM	Credit Risk Mitigation
EAD	Exposure at Default
EAM	Enhanced Account Monitoring
EaR	Earnings-at-Risk
ECAIs	External Credit Assessment Institutions
EUR	Euro Dollar
EVE	Economic Value of Equity
F-IRB Approach	Foundation Internal Ratings-Based Approach
Fitch	Fitch Ratings
GBCMSC	Group Business Continuity Management Steering Committee
GBP	Pound Sterling
GCC	Group Credit Committee
GCRC	Group Capital and Risk Committee
GMC	Group Management Committee
Group ALCO	Group Asset and Liability Committee
Group ALM	Group Asset and Liability Management
ICAAP	Internal Capital Adequacy Assessment Process
ISDA	International Swaps and Derivatives Association
IUC	Investment & Underwriting Committee
KRI	Key Risk Indicators
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MARC	Malaysian Rating Corporation Berhad
MATs	Management Action Triggers
MDBs	Multilateral Development Banks
Moody's	Moody's Investors Service
MYR	Malaysian Ringgit
NIFs	Notes Issuing Facility
NSFR	Net Stable Funding Ratio
OTC	Over-the-Counter

Table 23	Glossary of Terms
PD	Probability of Default
R&I	Rating and Investment Information, Inc
RAM	Rating AgencyMalaysia
RCSA	Risk and Control Self-Assessment
RM'000	Malaysian Ringgit in nearest thousand
RWA	Risk-Weighted Assets
S&P	Standard & Poor's
SA	Standardised Approach
SBUs	Strategic Business Units
SC	Securities Commission
SFUs	Strategic Functional Units
SGD	Singapore Dollar
VaR	Value-at-Risk

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No. 17, Jalan Intan 2, Bandar Baru
36000 Teluk Intan, Perak
Tel : (05) 623 6498

SOUTHERN REGION 1
Supervisory Office
Johor Bahru
Tingkat 6, Wisma Tiong-Hua
8 Jalan Keris, Taman Sri Tebrau
80050 Johor Bahru, Johor
Tel : (07) 278 8821
Fax : (07) 278 8011

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) 352 2293

Kulai
Tingkat Bawah, Tingkat Satu & Tingkat Dua
No. 10, Jalan Anggerik 1
Taman Kulai Utama
81000 Kulai, Johor
Tel : (07) 662 6288

Sutera Utama
Tingkat Bawah dan Tingkat Satu
No. 119 dan 121, Jalan Sutera Tanjung 8/2
Taman Sutera Utama
81300 Skudai, Johor
Tel : (07) 557 7066

SOUTHERN REGION 2
Supervisory Office
Batu Pahat
53, 53-A dan 53-B, Jalan Sultanah
83000 Batu Pahat, Johor
Tel : (07) 438 0288
Fax : (07) 438 0277

Kluang
Tingkat Bawah and Tingkat Satu
No. 40, Jalan Haji Manan
86000 Kluang, Johor
Tel : (07) 776 9655

Muar
No. 33-1, Tingkat 1 & Tingkat 2
(Unit Penjuru), Jalan Ali
84000 Muar, Johor
Tel : (06) 953 8262

SOUTHERN REGION 3
Supervisory Office
Melaka 1
No.19, 21 & 23 Jalan Merdeka
Taman Melaka Raya
75000 Melaka
Tel : (06) 283 3622
Fax : (06) 281 9271

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) 932 1543

Tangkak
Tingkat Bawah, Tingkat 1 & Tingkat 2
No. 343, Jalan Muar
84900 Tangkak, Johor
Tel : (06) 978 7180

SOUTHERN REGION 4
Supervisory Office
Melaka 2
579, 580 dan 581
Taman Melaka Raya, 75000 Melaka
Tel : (06) 282 5211
Fax : (06) 284 4871

Seremban
Tingkat Bawah, Tingkat 1 & Tingkat 2
No 32 & 33, Jalan Dato' Bandar Tunggal
70000 Seremban, Negeri Sembilan
Tel : (06) 764 1641

Port Dickson
Tingkat Bawah & Tingkat Mezanin
No. 346 & 347, Batu ½ Jalan Pantai
71000 Port Dickson, Negeri Sembilan
Tel : (06) 646 1234

Tampin
Tingkat 1, No. 3601, Jalan Besar
73000 Tampin, Negeri Sembilan
Tel : (06) 4421 000/002/003/004

EAST COAST REGION
Supervisory Office
Kuantan
B32 & B34, Lorong Tun Ismail 8
Seri Dagangan II
25000 Kuantan, Pahang
Tel : (09) 517 3811
Fax : (09) 517 3911

Kemaman
Tingkat Bawah & Tingkat Satu
9651, Cukai Utama, Jalan Kubang Kurus
24000 Kemaman, Terengganu
Tel : (09) 850 2730

Kota Bharu
No. 3953-H, Tingkat Bawah & Tingkat Satu
PT 225, Jalan Kebun Sultan
15350 Kota Bharu, Kelantan
Tel : (09) 743 0077/748 2277

Kuala Terengganu
1st Floor, 59
Jalan Sultan Ismail
20200 Kuala Terengganu, Terengganu
Tel : (09) 626 1816

SABAH REGION
Supervisory Office
Kota Kinabalu
2nd Floor
81 & 83 Jalan Gaya
88000 Kota Kinabalu, Sabah
Tel : (088) 269 788
Fax : (088) 260 910

Sandakan
Tingkat Bawah, Block 2, Lot 4 & Lot 5
Bandar Indah, Batu 4, North Road
91000 Sandakan, Sabah
Tel : (089) 229 286/326
(089) 222 275
(089) 212 684

Lintas
Lot 14-0, Tingkat Bawah
Lorong Lintas Plaza 2, Lintas Plaza Off
Jalan Lintas, 88300 Kota Kinabalu, Sabah
Tel : (088) 258 838

BRANCH NETWORK

SARAWAK REGION
Supervisory Office
Kuching
Yung Kong Abell, Units No. 1-10
2nd Floor Lot 365, Section 50, Jalan Abell
93100 Kuching, Sarawak
Tel : (082) 250 888
Fax : (082) 250 868

Bintulu
Tingkat Bawah dan Tingkat 1
No. 221, Parkcity Commerce Square
Phase III, Jalan Tun Ahmad Zaidi
97000 Bintulu, Sarawak
Tel : (086) 311 770

Miri
Tingkat Dua, Lot 1268 dan Lot 1269
Centre Point Commercial Centre
Jalan Melayu
98000 Miri, Sarawak
Tel : (085) 422 788

Sarikei
Tingkat Bawah dan Tingkat Satu
No. 10, Jalan Bersatu
96100 Sarikei Sarawak
Tel : (084) 658 964

Sibu
No. 102, Pusat Pedada, Jalan Pedada
96000 Sibu, Sarawak
Tel : (084) 329 100

INTERNATIONAL

SINGAPORE
Chief Executive Officer:
Robert Huray

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10 Collyer Quay, #09-08
Ocean Financial Centre
Singapore 049315
Tel : (65) 6533 1818
Fax : (65) 6532 6211

INDONESIA
Chief Executive Officer:
Chan Kong Ming

PT RHB OSK Securities Indonesia
Wisma Mulia, 20th Floor
Jl. Jend. Gatot Subroto No. 42
Jakarta 12710, Indonesia
Tel : (6221) 2783 0888
Fax : (6221) 2783 0777

Branches
- Bandung
- Kebon Jeruk
- Kelapa Gading
- Makassar
- Malang
- Mangga Dua
- Medan
- Palembang
- Pontianak
- Puri
- Pekanbaru
- Mega Pluit
- Surabaya Bukit Darmo
- Surabaya Kertajaya

THAILAND
Deputy Chief Executive Officer:
Yong Siong Sung

RHB OSK Securities (Thailand) Public Company Limited
10th Floor, Sathorn Square Office
Tower, 98 North Sathorn Road, Silom
Bangrak, Bangkok 10500, Thailand
Tel : (662) 862 9999
Fax : (662) 862 9900

Branches
- Hat Yai
- Pakin Building
- Samut Sakhon
- Silom
- Pinklao
- Vibhavadi Rangsit
- Amarin
- Juti Anusorn
- Chiangmai

HONG KONG & CHINA
Chief Executive Officer:
William Wu

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