RHB Capital Berhad

TOGETHER WE PROGRESS

FINANCIAL STATEMENTS 2014

In this Report

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

In the course of preparing the annual financial statements of the Group and the Company, 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 Company present a true and fair view of the state of affairs of the Group and the Company as at 31 December 2014 and of the financial results and cash flows of the Group and the Company 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 Company 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 Company 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 169 of the financial statements.

DIRECTORS' REPORT

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

PRINCIPAL ACTIVITIES

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

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

FINANCIAL RESULTS

	Group RM'000	Company RM'000
Profit before taxation	2,735,053	32,308
Taxation	(671,589)	(986)
Net profit for the financial year	2,063,464	31,322

DIVIDENDS

The dividends paid by the Company since 31 December 2013 was as follows:

	RM'000
In respect of the financial year ended 31 December 2013:	
- Single-tier final dividend of 10.30% paid on 23 July 2014	262,332

The shareholders of the Company have been granted an option by the Board of Directors to elect to reinvest the entire portion of the abovementioned final dividend into new ordinary shares of RM1.00 each in the Company in accordance with the approved Dividend Reinvestment Plan ("DRP") scheme of the Company. The reinvestment rate for the abovementioned dividend was 72.47%.

The Directors have declared a single-tier interim dividend of 6.00% amounting to RM154,347,000 in respect of the financial year ended 31 December 2014. The interim dividend was approved by the Board of Directors on 29 January 2015.

Subject to the relevant regulatory approvals being obtained, the Board of Directors, in its absolute discretion, recommends that the shareholders of the Company be given an option to elect to reinvest the entire declared single-tier interim dividend into new ordinary shares of RM1.00 each in the Company in accordance with the approved DRP scheme of the Company.

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

The Directors do not proposed 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.

DIRECTORS' REPORT

ISSUE OF SHARES

On 23 July 2014, the Company increased its issued and paid up share capital from RM2,546,909,962 to RM2,572,456,783 via the issuance of 25,546,821 new ordinary shares of RM1.00 each arising from the DRP relating to the final dividend of 10.30% in respect of the financial year ended 31 December 2013.

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

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

DIRECTORS' REPORT

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 52 to the financial statements.

DIRECTORS

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

Dato' Mohamed Khadar Merican
Tan Sri Azlan Zainol
Datuk Haji Faisal Siraj
Dato' Teo Chiang Liang
Datuk Seri Saw Choo Boon
Dato' Nik Mohamed Din Datuk Nik Yusoff
Mr Mohamed Ali Ismaeil Ali AlFahim (appointed on 9 May 2014)
Mr Kellee Kam Chee Khiong

Pursuant to Article 80 of the Company's Articles of Association, Dato' Mohamed Khadar Merican retires at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for re-election.

Mr Kellee Kam Chee Khiong who retires pursuant to Article 80 of the Company's Articles of Association, has indicated his intention of not seeking re-election. He shall accordingly retire at the forthcoming Annual General Meeting.

Pursuant to Article 84 of the Company's Articles of Association, Mr Mohamed Ali Ismaeil Ali AlFahim retires at the forthcoming Annual General Meeting of the Company and being eligible, offers himself for re-election.

Pursuant to the Guidelines on Tenure of Appointment/Re-appointment of Independent Non-Executive Directors ("INED") for RHB Capital Berhad Group of Companies, Dato' Mohamed Khadar Merican also retires at the forthcoming Annual General Meeting of the Company in view that he has attained the maximum INED's tenure stipulated therein. The Board will seek shareholders' approval at the forthcoming Annual General Meeting to retain Dato' Mohamed Khadar Merican as an INED of the Company.

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

DIRECTORS' REPORT

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2014	DRP	Sold	As at 31.12.2014
The Company				
Dato' Mohamed Khadar Merican:				
- Direct	64,486	826	-	65,312
Dato' Teo Chiang Liang:				
- Indirect*	5,358	74	-	5,432

Note:

* Deemed interest pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholding in Intereal Corporation Sdn Bhd.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind as disclosed in Note 37 to the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

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

AUDITORS

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

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

DATO' MOHAMED KHADAR MERICAN
CHAIRMAN

KELLEE KAM CHEE KHIONG
GROUP MANAGING DIRECTOR

Kuala Lumpur
5 March 2015

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2014

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
ASSETS					
Cash and short term funds	2	**16,236,908**	9,998,667	**24,940**	16,973
Securities purchased under resale agreements		**491,510**	217,475	**-**	-
Deposits and placements with banks and other financial institutions	3	**2,298,588**	2,773,314	**1,017**	983
Financial assets held-for-trading ("HFT")	4	**2,930,681**	4,037,728	**-**	-
Financial investments available-for-sale ("AFS")	5	**19,602,176**	16,930,513	**-**	-
Financial investments held-to-maturity ("HTM")	6	**20,469,831**	22,778,009	**-**	-
Loans, advances and financing	7	**140,693,003**	119,542,545	**-**	-
Clients' and brokers' balances	8	**1,525,147**	2,573,583	**-**	-
Reinsurance assets	9	**332,113**	260,952	**-**	-
Other assets	10	**1,541,989**	887,824	**3,637**	118,478
Derivative assets	11	**1,285,230**	459,033	**-**	-
Amounts due from subsidiaries	12	**-**	-	**93**	800
Statutory deposits	13	**5,421,007**	4,171,462	**-**	-
Tax recoverable		**162,181**	148,677	**94,219**	93,933
Deferred tax assets	14	**38,465**	31,225	**-**	1,181
Investments in subsidiaries	15	**-**	-	**11,042,345**	10,801,052
Investments in associates and joint ventures	16	**21,021**	20,949	**-**	-
Property, plant and equipment	17	**1,030,681**	1,020,481	**322**	326
Goodwill and intangible assets	18	**5,273,905**	5,237,470	**-**	-
TOTAL ASSETS		**219,354,436**	191,089,907	**11,166,573**	11,033,726

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 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	19	**157,133,993**	137,741,241	**-**	-
Deposits and placements of banks and other financial institutions	20	**21,349,618**	16,998,355	**-**	-
Obligations on securities sold under repurchase agreements	21	**508,416**	566,621	**-**	-
Obligations on securities borrowed		**113,780**	31,734	**-**	-
Bills and acceptances payable		**614,031**	2,076,481	**-**	-
Clients' and brokers' balances	22	**1,214,065**	2,315,810	**-**	-
General insurance contract liabilities	23	**775,699**	662,211	**-**	-
Other liabilities	24	**1,714,098**	1,326,737	**12,340**	6,244
Derivative liabilities	11	**1,224,684**	348,063	**-**	-
Amounts due to subsidiaries	12	**-**	-	**1,799**	8,960
Recourse obligation on loans sold to Cagamas Berhad ("Cagamas")	25	**3,315,335**	2,269,353	**-**	-
Tax liabilities		**57,321**	29,767	**-**	-
Deferred tax liabilities	14	**53,041**	51,814	**20**	-
Borrowings and senior debt securities	26	**5,685,352**	4,546,825	**3,111,433**	2,936,600
Subordinated obligations	27	**6,099,402**	4,580,967	**-**	-
Hybrid Tier-1 Capital Securities	28	**601,515**	601,201	**-**	-
TOTAL LIABILITIES		**200,460,350**	174,147,180	**3,125,592**	2,951,804
Share capital	29	**2,572,457**	2,546,910	**2,572,457**	2,546,910
Reserves	30	**16,221,840**	14,192,161	**5,468,524**	5,535,012
		18,794,297	16,739,071	**8,040,981**	8,081,922
Non-controlling interests ("NCI")	31	**99,789**	203,656	**-**	-
TOTAL EQUITY		**18,894,086**	16,942,727	**8,040,981**	8,081,922
TOTAL LIABILITIES AND EQUITY		**219,354,436**	191,089,907	**11,166,573**	11,033,726
COMMITMENTS AND CONTINGENCIES	44	**133,504,271**	100,232,255		

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		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Interest income	32	**7,469,699**	6,900,918	**6,694**	2,006
Interest expense	33	**(4,178,367)**	(3,626,432)	**(128,154)**	(130,883)
Net interest income/(expense)		**3,291,332**	3,274,486	**(121,460)**	(128,877)
Other operating income	34	**2,211,396**	2,085,405	**179,092**	502,324
		5,502,728	5,359,891	**57,632**	373,447
Net income from Islamic Banking business	35	**732,151**	590,872	**-**	-
Net income		**6,234,879**	5,950,763	**57,632**	373,447
Other operating expenses	36	**(3,411,168)**	(3,052,161)	**(28,152)**	(51,491)
Operating profit before allowances		**2,823,711**	2,898,602	**29,480**	321,956
Allowance for impairment on loans, financing and other losses	38	**(206,242)**	(447,961)	**-**	-
Impairment losses written back on other assets	39	**117,309**	18,904	**2,828**	-
		2,734,778	2,469,545	**32,308**	321,956
Share of results of associates		**(105)**	795	**-**	-
Share of results of joint ventures		**380**	427	**-**	-
Profit before taxation		**2,735,053**	2,470,767	**32,308**	321,956
Taxation	40	**(671,589)**	(627,229)	**(986)**	(15,298)
Net profit for the financial year		**2,063,464**	1,843,538	**31,322**	306,658
Attributable to:					
- Equity holders of the Company		**2,038,000**	1,831,190	**31,322**	306,658
- NCI		**25,464**	12,348	**-**	-
		2,063,464	1,843,538	**31,322**	306,658
Earnings per share (sen)					
- Basic	41	**79.7**	72.9		
- Diluted	41	**79.7**	72.9		

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Net profit for the financial year	**2,063,464**	1,843,538	**31,322**	306,658
Other comprehensive income/(loss) in respect of:				
(i) Items that will not be reclassified to profit or loss:				
- Actuarial gain on defined benefit plan of subsidiaries	**1,290**	-	**-**	-
(ii) Items that will be reclassified subsequently to profit or loss:				
- Currency translation differences	**160,170**	86,434	**-**	-
- Financial investments AFS:				
- Unrealised net gain/(loss) on revaluation	**115,900**	(107,840)	**-**	-
- Net transfer to income statements on disposal or impairment	**(43,854)**	(34,856)	**-**	-
Income tax relating to components of other comprehensive (income)/loss	**(15,578)**	36,302	**-**	-
Other comprehensive income/(loss), net of tax for the financial year	**217,928**	(19,960)	**-**	-
Total comprehensive income for the financial year	**2,281,392**	1,823,578	**31,322**	306,658
Total comprehensive income attributable to:				
- Equity holders of the Company	**2,266,152**	1,800,926	**31,322**	306,658
- NCI	**15,240**	22,652	**-**	-
	2,281,392	1,823,578	**31,322**	306,658

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

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

Group	Note	Attributable to equity holders of the Company								Non-controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Other reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Retained profits RM'000	Sub-total RM'000		
Balance as at 1 January 2014		**2,546,910**	**4,888,541**	**3,577,647**	**28,196**	**122,389**	**12,211**	**5,563,177**	**16,739,071**	**203,656**	**16,942,727**
Net profit for the financial year		-	-	-	-	-	-	2,038,000	2,038,000	25,464	2,063,464
Currency translation differences		-	-	-	-	-	157,965	-	157,965	2,205	160,170
Financial investments AFS:											
- Unrealised net gain/ (loss) on revaluation		-	-	-	-	115,977	-	-	115,977	(77)	115,900
- Net transfer to income statements on disposal or impairment		-	-	-	-	(28,960)	-	-	(28,960)	(14,894)	(43,854)
Actuarial gain on defined benefit plan of subsidiaries		-	-	-	-	-	-	1,276	1,276	14	1,290
Income tax relating to components of other comprehensive (income)/loss	42	-	-	-	-	(17,787)	-	(319)	(18,106)	2,528	(15,578)
Other comprehensive income/(loss), net of tax, for the financial year		-	-	-	-	69,230	157,965	957	228,152	(10,224)	217,928
Total comprehensive income for the financial year		-	-	-	-	69,230	157,965	2,038,957	2,266,152	15,240	2,281,392
Transfer to statutory reserve		-	-	240,152	-	-	-	(240,152)	-	-	-
Dividends paid	43	-	-	-	-	-	-	(262,332)	(262,332)	(993)	(263,325)
Shares issued pursuant to DRP	29	25,547	164,522	-	-	-	-	-	190,069	-	190,069
Acquisition of a subsidiary	52(f)	-	-	-	-	-	-	-	-	51,044	51,044
Dilution of interest in subsidiaries		-	-	-	-	-	-	-	-	21,389	21,389
Acquisition of additional interests from NCI	52(e)	-	-	-	-	-	19,450	(158,113)	(138,663)	(190,547)	(329,210)
Disposal of a subsidiary	52(b)	-	-	-	-	-	1,708	(1,708)	-	-	-
Balance as at 31 December 2014		**2,572,457**	**5,053,063**	**3,817,799**	**28,196**	**191,619**	**191,334**	**6,939,829**	**18,794,297**	**99,789**	**18,894,086**

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

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

Group	Note	Attributable to equity holders of the Company								Non-controlling interests RM'000	Total equity RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserve RM'000	Other reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Retained profits RM'000	Sub-total RM'000		
Balance as at 1 January 2013		2,494,208	4,548,602	3,494,397	28,196	234,337	(69,473)	4,386,948	15,117,215	223,265	15,340,480
Net profit for the financial year		-	-	-	-	-	-	1,831,190	1,831,190	12,348	1,843,538
Currency translation differences		-	-	-	-	-	81,684	-	81,684	4,750	86,434
Financial investments AFS:											
- Unrealised net (loss)/ gain on revaluation		-	-	-	-	(113,372)	-	-	(113,372)	5,532	(107,840)
- Net transfer to income statements on disposal or impairment		-	-	-	-	(34,856)	-	-	(34,856)	-	(34,856)
Income tax relating to components of other comprehensive loss	42	-	-	-	-	36,280	-	-	36,280	22	36,302
Other comprehensive (loss)/ income, net of tax, for the financial year		-	-	-	-	(111,948)	81,684	-	(30,264)	10,304	(19,960)
Total comprehensive (loss)/ income for the financial year		-	-	-	-	(111,948)	81,684	1,831,190	1,800,926	22,652	1,823,578
Transfer to statutory reserve		-	-	83,250	-	-	-	(83,250)	-	-	-
Dividends paid	43	-	-	-	-	-	-	(553,200)	(553,200)	(10,442)	(563,642)
Shares issued pursuant to DRP	29	52,702	339,939	-	-	-	-	-	392,641	-	392,641
Accretion on deemed disposal of interest in an associate		-	-	-	-	-	-	(748)	(748)	-	(748)
Acquisition of additional interests by NCI		-	-	-	-	-	-	-	-	431	431
Acquisition of additional interests from NCI	52(k) & (l)	-	-	-	-	-	-	(17,763)	(17,763)	(32,250)	(50,013)
Balance as at 31 December 2013		2,546,910	4,888,541	3,577,647	28,196	122,389	12,211	5,563,177	16,739,071	203,656	16,942,727

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

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

		Company			
			Non Distributable	Distributable	
	Note	Share Capital RM'000	Share Premium RM'000	Retained Profits RM'000	Total RM'000
Balance as at 1 January 2014		**2,546,910**	**4,888,541**	**646,471**	**8,081,922**
Net profit for the financial year		**-**	**-**	**31,322**	**31,322**
Dividends paid	43	**-**	**-**	**(262,332)**	**(262,332)**
Shares issued pursuant to DRP	29	**25,547**	**164,522**	**-**	**190,069**
Balance as at 31 December 2014		**2,572,457**	**5,053,063**	**415,461**	**8,040,981**
Balance as at 1 January 2013		2,494,208	4,548,602	893,013	7,935,823
Net profit for the financial year		-	-	306,658	306,658
Dividends paid	43	-	-	(553,200)	(553,200)
Shares issued pursuant to DRP	29	52,702	339,939	-	392,641
Balance as at 31 December 2013		2,546,910	4,888,541	646,471	8,081,922

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	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**2,735,053**	2,470,767
Adjustments for:			
Allowance for impairment on loans, financing and other losses		**583,281**	778,569
Property, plant and equipment:			
- Depreciation		**115,282**	113,475
- Gain on disposal		**(17,686)**	(316)
- Written off		**403**	459
- Impairment losses written back		**(1,252)**	-
Intangible assets:			
- Amortisation		**67,720**	56,133
- Written off		**99**	219
- Impairment losses made		**3,321**	-
Net impairment written back on financial investments AFS and HTM		**(119,378)**	(18,445)
Accretion of discount for borrowings and subordinated obligations		**916**	2,193
Share of results of associates and joint ventures		**(275)**	(1,222)
Interest income from financial assets HFT, financial investments AFS and HTM		**(1,367,091)**	(1,166,546)
Investment income from financial assets HFT, financial investments AFS and HTM		**(189,824)**	(171,830)
Net gain arising from sale/early redemption of financial assets HFT, financial investments AFS and HTM		**(135,637)**	(152,881)
Net unrealised loss/(gain) on revaluation of financial assets HFT and derivatives		**84,477**	(164,825)
Net gain on fair value hedges		**(2,374)**	(692)
Net unrealised foreign exchange gain		**(37,055)**	(113,459)
Gross dividend income from financial assets HFT, financial investments AFS and HTM		**(35,452)**	(28,560)
Net gain on disposal of an associate		**(8,202)**	(8,737)
Net loss on disposal of a subsidiary		**247**	-
Operating profit before working capital changes		**1,676,573**	1,594,302
(Increase)/Decrease in operating assets:			
Securities purchased under resale agreements		**(270,285)**	516,490
Deposits and placements with banks and other financial institutions		**476,503**	865,441
Financial assets HFT		**1,266,449**	(1,194,063)
Loans, advances and financing		**(21,531,456)**	(10,807,844)
Clients' and brokers' balances		**1,048,436**	413,295
Other assets and reinsurance assets		**(792,907)**	(25,119)
Statutory deposits		**(1,241,341)**	(276,815)
		(21,044,601)	(10,508,615)

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	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES (CONTINUED)			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**19,155,751**	(761,366)
Deposits and placements of banks and other financial institutions		**4,282,655**	3,482,050
Obligations on securities sold under repurchase agreements		**(61,560)**	326,611
Obligations on securities borrowed		**81,803**	(88,171)
Bills and acceptances payable		**(1,462,506)**	(1,561,118)
Clients' and brokers' balances		**(1,101,745)**	(415,885)
Other liabilities and general insurance contract liabilities		**622,452**	284,836
Recourse obligation on loans sold to Cagamas		**1,045,982**	(176,008)
		22,562,832	1,090,949
Cash generated from/(used in) operations		**3,194,804**	(7,823,364)
Net tax paid		**(680,200)**	(748,052)
Net cash generated from/(used in) operating activities		**2,514,604**	(8,571,416)
CASH FLOWS FROM INVESTING ACTIVITIES			
Net disposal/(purchase) of financial investments AFS and HTM		**7,628**	(5,319,234)
Property, plant and equipment:			
- Purchase		**(125,644)**	(80,261)
- Proceeds from disposal		**27,543**	1,029
Purchase of intangible assets		**(110,859)**	(73,199)
Financial investments AFS and HTM:			
- Interest received		**1,356,044**	1,009,743
- Investment income received		**180,669**	149,403
Dividend income received from financial assets HFT and financial investments AFS		**26,926**	28,199
Acquisition of additional interests from NCI	52(e)/52(k)&(l)	**(329,210)**	(50,013)
Net cash inflow from disposal of an associate	52(c)/52(l)	**9,070**	26,201
Net cash inflow from disposal of a subsidiary	52(b)	**265**	-
Net cash inflow from acquisition of a subsidiary	52(f)	**1,520**	-
Refund of Bank Mestika deposits	52(a)	**112,515**	-
Net cash generated from/(used in) in investing activities		**1,156,467**	(4,308,132)

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			
Proceeds from issuance of subordinated notes		**1,000,000**	-
Repayment of subordinated notes		**-**	(160,485)
Proceeds from issuance of Subordinated Sukuk Murabahah		**500,000**	-
Proceeds from issuance of USD senior notes		**1,048,950**	-
Drawdown of borrowings		**686,483**	717,530
Repayment of borrowings		**(740,061)**	(1,518,369)
Proceeds from shares issued pursuant to DRP		**190,069**	392,641
Dividends paid to equity holders of the Company		**(262,332)**	(553,200)
Dividends paid to NCI		**(993)**	(10,442)
Net cash generated from/(used in) financing activities		**2,422,116**	(1,132,325)
Net increase/(decrease) in cash and cash equivalents		**6,093,187**	(14,011,873)
Effects of exchange rate differences		**145,054**	36,590
Cash and cash equivalents:			
- at the beginning of the financial year		**9,998,667**	23,973,950
- at the end of the financial year		**16,236,908**	9,998,667
Cash and cash equivalents comprise the following:			
Cash and short term funds	2	**16,236,908**	9,998,667

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	Company	
		2014 RM'000	2013 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**32,308**	321,956
Adjustments for:			
Interest expense		**128,154**	130,883
Unrealised foreign exchange loss		**-**	506
Property, plant and equipment:			
- Depreciation		**216**	247
- Gain on disposal		**-**	(2)
Dividend income		**(206,956)**	(473,149)
Interest income		**(6,694)**	(2,006)
Impairment losses written back on other assets		**(2,828)**	-
Operating loss before working capital changes		**(55,800)**	(21,565)
Increase in deposits and placements with banks and other financial institutions		**(34)**	(20)
(Increase)/Decrease in inter-company balances		**(699)**	2,161
Decrease in other assets		**2,762**	32,320
Increase/(Decrease) in other liabilities		**6,096**	(55,215)
Cash used in operations		**(47,675)**	(42,319)
Net tax (paid)/refunded		**(71)**	23,312
Net cash used in operating activities		**(47,746)**	(19,007)
CASH FLOWS FROM INVESTING ACTIVITIES			
Dividend income received from subsidiaries		**206,956**	443,232
Interest income received		**6,687**	5,040
Purchase of property, plant and equipment		**(212)**	(87)
Refund of Bank Mestika deposits	52(a)	**112,515**	-
Increase in investments in subsidiaries		**(265,610)**	-
Proceeds from disposal of investment in a subsidiary		**-**	7,964
Proceeds from disposal of property, plant and equipment		**-**	2
Net cash generated from investing activities		**60,336**	456,151

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	Company	
		2014 RM'000	2013 RM'000
CASH FLOWS FROM FINANCING ACTIVITIES			
Drawdown of borrowings		**969,000**	1,225,650
Repayment of borrowings		**(760,000)**	(1,411,300)
Advances from a subsidiary		**21,411**	-
Interest expense paid		**(162,771)**	(110,139)
Dividends paid to equity holders of the Company		**(262,332)**	(553,200)
Proceeds from shares issued pursuant to DRP		**190,069**	392,641
Net cash used in financing activities		**(4,623)**	(456,348)
Net increase/(decrease) in cash and cash equivalents		**7,967**	(19,204)
Cash and cash equivalents:			
- at the beginning of the financial year		**16,973**	36,177
- at the end of the financial year		**24,940**	16,973
Cash and cash equivalents comprise the following:			
Cash and short term funds	2	**24,940**	16,973

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 years presented, unless otherwise stated.

(1) Basis of Preparation of the Financial Statements

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

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

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

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

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

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

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

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

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

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company 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 replace 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 Company 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 is in the process of reviewing the requirements of MFRS 15 and MFRS 9, especially for MFRS 9, to identify critical issues and to design robust methodologies arising from the adoption of this standard. The Group expects this process to be completed prior to the effective date on 1 January 2017 and 1 January 2018 respectively.

(2) Basis of Consolidation

(a) Subsidiaries

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

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

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

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

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)

Acquisition-related costs are expensed as incurred.

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

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

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

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

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

Predecessor accounting

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

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) Basis of Consolidation (Continued)

(c) Disposal of Subsidiaries

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

(d) Joint Ventures

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

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

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 statements.

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

(3) Investments in Subsidiaries, Associates and Joint Ventures

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

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

(4) Financial Assets

(a) Classification

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

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

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

(ii) Loans and receivables

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

(iii) Financial investments AFS

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

(iv) Financial investments HTM

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

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 commits to purchase or sell the asset.

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

(c) Subsequent measurement - gain and loss

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

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

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

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

(d) De-recognition

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

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

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

(e) Offsetting financial instruments

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

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

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

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

(6) Derivative Financial Instruments and Hedge Accounting

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

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

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

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

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) Derivative Financial Instruments and Hedge Accounting (Continued)

(b) Cash flow hedge (Continued)

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

(c) Derivatives that do not qualify for hedge accounting

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

(7) Foreclosed Properties

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

(8) Goodwill and Intangible Assets

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

(a) Goodwill

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

Goodwill is stated at cost less accumulated impairment loss and is tested at least annually for impairment. Impairment loss on goodwill (inclusive 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 23 on impairment of non-financial assets.

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

(b) Computer software licenses

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software licenses are subsequently carried at cost less accumulated amortisation and impairment losses. These costs are amortised over the estimated useful lives of 3 to 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)

(8) Goodwill and Intangible Assets (Continued)

(c) Other intangible assets

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

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

Customer relationship	10 years
Brand	3-10 years

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

(9) Property, Plant and Equipment and Depreciation

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

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

Leasehold land	Amortised over the period of the lease*
Buildings	2% to 3.33%
Renovations and improvements	10% to 11%
Computer equipment	14.28% to 33.33%
Furniture, fittings and equipment	10% to 20%
Motor vehicles	20%
Computer software	10% to 33.33%

* The remaining period of the lease ranges from 3 to 880 years.

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

Gains or losses on disposals are determined by comparing proceeds with carrying amounts and are included in non-interest income in income 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 (CONTINUED)

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

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

(10) Financial Liabilities

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

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

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

A financial liability is classified as HFT if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorised as HFT unless they are designated as hedges. Refer to accounting policy Note 6 on hedge accounting.

(b) Other financial liabilities measured at amortised cost

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

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

(c) Borrowings measured at amortised cost

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

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

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

(11) Recourse Obligation on Loans Sold to Cagamas

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

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)

(12) Leases – Where the Group is Lessee

(a) Operating lease

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

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

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

(b) Finance lease

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

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

(13) Leases – Where the Group is Lessor

(a) Operating lease

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

(b) Finance lease

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

(14) Provisions

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(14) Provisions (Continued)

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

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

(15) Financial Guarantee Contracts

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

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

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

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

(16) Contingent Liabilities and Contingent Assets

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

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

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

(17) Share Capital

(a) Classification

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

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) Share Capital (Continued)

(b) Share issue cost

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

(c) Dividend distribution

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

(18) Cash and Cash Equivalents

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

(19) Revenue Recognition

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

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

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

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

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

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

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

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

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

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

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

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)

(20) Impairment of Financial Assets

(a) Assets carried at amortised cost

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

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

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

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

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

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

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

The Group addresses impairment for loans, advances and financing via either individually assessed allowance or collectively assessed allowance.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) Impairment of Financial Assets (Continued)

(a) Assets carried at amortised cost (Continued)

(i) Individual impairment allowance

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

(ii) Collective impairment allowance

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

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

(b) Assets classified as AFS

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

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

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

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) General Insurance

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

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

(a) Premium income

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

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

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

(b) Premium liabilities

Premium liabilities refer to the higher of:

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

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

(c) Claim liabilities

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

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) General Insurance (Continued)

(d) Acquisition costs and deferred acquisition costs (“DAC”)

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

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

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

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

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

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

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

(e) Reinsurance

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

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

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

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

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

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

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

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) General Insurance (Continued)

(e) Reinsurance (Continued)

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

(f) Insurance contract liabilities

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

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

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

(22) Employee Benefits

(a) Short term employee benefits

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

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

(b) Defined contribution plans

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

(c) Termination benefits

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

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) 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.

(24) Current and Deferred Income Taxes

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

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

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

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

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

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

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

(25) Currency Conversion and Translation

(a) Functional and presentation currency

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

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)

(25) 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 statements of financial position presented are translated at the closing rate at the date of that statements of financial position;

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

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

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

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

(26) SEGMENT REPORTING

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

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

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Allowance for impairment of financial assets

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

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

(b) Goodwill impairment

Goodwill is tested at least annually for impairment. Testing of goodwill for impairment involves a significant amount of estimation. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Estimating the value in use required the Group to make an estimate of the expected future cash flow from the CGU. Determining both the expected pre-tax cash flows rates used to discount future expected cash flows appropriate to the CGU also require the exercise of judgement. The variables are subject to fluctuations in external market rates and economic conditions beyond management control and are subject to uncertainty and require the exercise to the financial statements. The detailed disclosures on the assessment of impairment of goodwill are disclosed in Note 18 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

1 GENERAL INFORMATION

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

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

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

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

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 5 March 2015.

2 CASH AND SHORT TERM FUNDS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Cash and balances with banks and other financial institutions	**3,433,011**	1,839,646	**431**	1,572
Money at call and deposit placements maturing within one month	**12,803,897**	8,159,021	**24,509**	15,401
	16,236,908	9,998,667	**24,940**	16,973

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Licensed banks	**1,343,452**	2,054,576	**1,017**	983
Licensed Islamic banks	**340,892**	90,339	**-**	-
Licensed investment banks	**61,989**	14,413	**-**	-
Other financial institutions	**552,255**	613,986	**-**	-
	2,298,588	2,773,314	**1,017**	983

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

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

	Group	
	2014 RM'000	2013 RM'000
At fair value		
MONEY MARKET INSTRUMENTS:		
Malaysian Government Securities	**557,950**	498,989
Malaysian Government Investment Issues	**728,287**	266,950
Bank Negara Malaysia ("BNM") Monetary Notes	**-**	1,151,172
Negotiable instruments of deposits	**-**	198,686
Cagamas bonds	**6,968**	-
Sukuk Perumahan Kerajaan ("SPK") bonds	**20,116**	-
Singapore Government Treasury Bills	**502,281**	466,438
Thailand Treasury Bills	**-**	6,372
QUOTED SECURITIES:		
In Malaysia		
Shares, exchange traded funds and warrants	**155,976**	178,224
Unit trusts	**56,483**	3,323
Private debt securities	**3,841**	2,707
Outside Malaysia		
Shares, exchange traded funds and warrants	**150,145**	59,352
Unit trusts	**82,994**	34,008
UNQUOTED SECURITIES:		
In Malaysia		
Private debt securities	**424,192**	816,024
Commercial paper	**49,870**	-
Outside Malaysia		
Private debt securities	**17,588**	355,483
Credit link notes	**173,990**	-
	2,930,681	4,037,728

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

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

Included in financial assets HFT are private debt securities outside Malaysia, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RMNil (2013: RM200,296,000).

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

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

	Group			
	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	**29,823**	31,214	**29,450**	30,798
Reclassified from financial assets HFT to financial investments HTM	**21,140**	19,786	**21,409**	20,711
	50,963	51,000	**50,859**	51,509

	Group	
	2014 RM'000	2013 RM'000
Fair value (loss)/gain that would have been recognised if the financial assets HFT had not been reclassified	**(104)**	509

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

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

	Group	
	2014 RM'000	**2013 RM'000**
At fair value		
MONEY MARKET INSTRUMENTS:		
Malaysian Government Securities	**1,168,982**	1,051,413
Malaysian Government Investment Issues	**2,413,705**	2,078,025
Cagamas bonds	**176,532**	130,468
Khazanah bonds	**58,123**	63,654
1 Malaysia Sukuk	**330,256**	318,010
Wakala Global Sukuk	**84,587**	153,099
Bankers' acceptances and Islamic accepted bills	**73,627**	378,121
Negotiable instruments of deposits	**649,516**	403,558
Negotiable Islamic debt certificates	**-**	99,488
SPK bonds	**125,034**	114,212
Singapore Government Securities	**161,233**	136,433
Singapore Government Treasury Bills	**409,666**	272,185
Thailand Government bonds	**120,895**	96,341
QUOTED SECURITIES:		
In Malaysia		
Corporate loan stocks	**-**	1,495
Shares and warrants	**15,830**	31,374
Unit trusts	**12,976**	5,571
Outside Malaysia		
Shares and warrants	**1,800**	1,332
Unit trusts	**30,368**	4,081
UNQUOTED SECURITIES:		
In Malaysia		
Private and Islamic debt securities	**12,664,877**	10,546,051
Shares and warrants	**609,194**	540,941
Corporate loan stocks	**17,843**	294,689
Prasarana bonds	**35,185**	19,816
Perpetual notes/Sukuk	**286,084**	286,149
Outside Malaysia		
Private and Islamic debt securities	**442,042**	360,082
Corporate loan stocks	**2,151**	2,093
Shares	**396**	34,375
	19,890,902	17,423,056
Accumulated impairment losses	**(288,726)**	(492,543)
	19,602,176	16,930,513

Included in financial investments AFS are private and Islamic debt securities, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM20,484,000 (2013: RM260,231,000).

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

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

	Group	
	2014 RM'000	2013 RM'000
Movements in allowance for impairment losses		
Balance as at the beginning of the financial year	**492,543**	570,068
Charge during the financial year	**15,601**	24,516
Written back during the financial year	**(124,229)**	(11,496)
Disposal/redemption	**(65,654)**	(90,655)
Transfer to individual impairment allowance	**(29,666)**	-
Exchange differences	**131**	110
Balance as at the end of the financial year	**288,726**	492,543

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

	Group	
	2014 RM'000	2013 RM'000
At amortised cost		
MONEY MARKET INSTRUMENTS:		
Malaysian Government Securities	**2,343,015**	2,639,090
Malaysian Government Investment Issues	**5,710,589**	6,833,778
Cagamas bonds	**1,846,208**	2,495,181
Khazanah bonds	**101,835**	79,176
Negotiable instruments of deposits	**2,027,550**	2,449,025
Bankers' acceptances and Islamic acceptance bills	**-**	33,634
Wakala Global Sukuk	**249,958**	234,800
SPK bonds	**111,178**	111,202
Singapore Government Securities	**187,519**	183,686
Thailand Government Securities	**275,711**	293,052
Sukuk (Brunei) Incorporation	**39,689**	38,897
UNQUOTED SECURITIES:		
In Malaysia		
Private and Islamic debt securities	**6,868,950**	6,679,142
Corporate loan stocks	**70,171**	43,292
Bonds	**883**	883
Prasarana bonds	**810,498**	822,555
Credit link notes	**45,058**	45,070
Outside Malaysia		
Private and Islamic debt securities	**37,222**	36,482
Credit link notes	**17,891**	33,581
	20,743,925	23,052,526
Accumulated impairment losses	**(274,094)**	(274,517)
	20,469,831	22,778,009

Included in financial investments HTM are private and Islamic debt securities, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM500,000,000 (2013: RM168,571,000).

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

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

	Group	
	2014 RM'000	2013 RM'000
Movements in allowance for impairment losses		
Balance as at the beginning of the financial year	**274,517**	305,473
Charge during the financial year	**2,817**	-
Written back during the financial year	**(13,567)**	(31,465)
Transfer from individual impairment allowance	**9,871**	-
Exchange differences	**456**	509
Balance as at the end of the financial year	**274,094**	274,517

7 LOANS, ADVANCES AND FINANCING

	Group	
	2014 RM'000	2013 RM'000
At amortised cost		
Overdrafts	**6,327,913**	5,990,867
Term loans/financing:		
- Housing loans/financing	**31,988,629**	25,375,496
- Syndicated term loans/financing	**5,581,599**	3,974,387
- Hire purchase receivables	**13,348,197**	13,052,001
- Lease receivables	**33,706**	70,174
- Other term loans/financing	**66,671,673**	55,620,652
Bills receivables	**2,452,642**	2,561,904
Trust receipts	**626,381**	523,804
Claims on customers under acceptance credits	**3,662,085**	4,327,803
Staff loans/financing	**221,146**	252,240
Credit/charge card receivables	**1,994,710**	2,004,163
Revolving credits/financing	**9,577,509**	7,999,405
Gross loans, advances and financing	**142,486,190**	121,752,896
Fair value changes arising from fair value hedges	**(26,870)**	(26,697)
	142,459,320	121,726,199
Allowance for impaired loans, advances and financing:		
- Individual impairment allowance	**(417,232)**	(903,388)
- Collective impairment allowance	**(1,349,085)**	(1,280,266)
Net loans, advances and financing	**140,693,003**	119,542,545

Included in loans, advances and financing are housing loans, hire purchase receivables and other term loans/financing sold to Cagamas with recourse amounting to RM3,304,749,000 (2013: RM2,351,114,000).

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

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2014 RM'000	**2013 RM'000**
(a) By type of customer		
Domestic non-bank financial institutions:		
- Others	**2,048,118**	2,716,376
Domestic business enterprises:		
- Small and medium enterprises	**18,836,370**	12,432,608
- Others	**33,958,165**	31,997,072
Government and statutory bodies	**7,457,968**	8,476,645
Individuals	**64,275,120**	55,093,448
Other domestic entities	**124,840**	126,933
Foreign entities	**15,785,609**	10,909,814
	142,486,190	121,752,896
(b) By geographical distribution		
Malaysia	**125,761,783**	110,010,249
Labuan Offshore	**3,585,654**	3,399,433
Singapore	**11,017,471**	6,861,280
Thailand	**1,061,038**	749,899
Brunei	**114,997**	94,029
Indonesia	**7,209**	20,639
Hong Kong	**143,844**	148,102
Cambodia	**758,885**	469,265
Lao	**35,309**	-
	142,486,190	121,752,896
(c) By interest/profit rate sensitivity		
Fixed rate:		
- Housing loans/financing	**1,522,767**	1,021,668
- Hire purchase receivables	**13,348,197**	13,052,001
- Other fixed rate loans/financing	**19,506,915**	18,093,114
Variable rate:		
- Base lending/financing rate plus	**63,266,561**	49,342,388
- Cost-plus	**36,418,784**	32,953,484
- Other variable rates	**8,422,966**	7,290,241
	142,486,190	121,752,896

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

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2014 RM'000	2013 RM'000
(d) By purpose		
Purchase of securities	**15,606,564**	13,070,551
Purchase of transport vehicles	**12,222,831**	11,863,407
Purchase of landed property:		
- Residential	**31,469,445**	25,518,909
- Non-residential	**10,633,960**	7,448,743
Purchase of property, plant and equipment other than land and building	**3,675,777**	3,350,106
Personal use	**7,650,256**	7,193,757
Credit card	**1,994,710**	2,004,163
Purchase of consumer durables	**28,926**	31,513
Construction	**4,929,162**	3,121,181
Working capital	**35,060,938**	29,096,506
Merger and acquisition	**3,227,805**	3,215,709
Other purpose	**15,985,816**	15,838,351
	142,486,190	121,752,896
(e) By remaining contractual maturities		
Maturity within one year	**48,168,576**	43,226,153
One year to three years	**8,693,192**	9,751,531
Three years to five years	**11,464,772**	10,125,124
Over five years	**74,159,650**	58,650,088
	142,486,190	121,752,896

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

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2014 RM'000	**2013 RM'000**
(f) Impaired loans, advances and financing		
(i) Movements in impaired loans, advances and financing		
Balance as at the beginning of the financial year	**3,426,629**	3,337,637
Classified as impaired	**3,704,991**	4,122,777
Reclassified as non-impaired	**(2,497,162)**	(2,645,660)
Amount recovered	**(765,732)**	(782,440)
Amount written off	**(1,021,213)**	(614,408)
Transfer from financial investments AFS	**39,543**	-
Exchange differences	**5,311**	8,723
Balance as at the end of the financial year	**2,892,367**	3,426,629
(ii) By purpose		
Purchase of securities	**218,313**	161,957
Purchase of transport vehicles	**180,120**	218,392
Purchase of landed property:		
- Residential	**783,908**	876,201
- Non-residential	**181,589**	99,639
Purchase of property, plant and equipment other than land and building	**38,834**	45,211
Personal use	**153,432**	150,366
Credit card	**36,911**	41,330
Purchase of consumer durables	**1,425**	1,724
Construction	**115,694**	125,127
Working capital	**1,139,887**	1,536,514
Other purpose	**42,254**	170,168
	2,892,367	3,426,629
(iii) By geographical distribution		
Malaysia	**2,754,303**	3,252,442
Labuan Offshore	**-**	49,901
Singapore	**104,211**	85,600
Thailand	**21,872**	16,025
Brunei	**8,245**	8,536
Cambodia	**3,736**	14,125
	2,892,367	3,426,629

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

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group	
	2014 RM'000	2013 RM'000
(f) Impaired loans, advances and financing (Continued)		
(iv) Movements in allowance for impaired loans, advances and financing		
Individual impairment allowance		
Balance as at the beginning of the financial year	**903,388**	801,495
Net allowance (written back)/made	**(27,937)**	297,254
Amount written off	**(482,988)**	(203,000)
Reclassified (to)/from collective impairment allowance	**(64)**	2,509
Transfer to impairment of financial investments HTM	**(9,871)**	-
Transfer from impairment of financial investments AFS	**29,666**	-
Exchange differences	**5,038**	5,130
Balance as at the end of the financial year	**417,232**	903,388
Collective impairment allowance		
Balance as at the beginning of the financial year	**1,280,266**	1,401,946
Net allowance made	**405,898**	194,069
Amount written off	**(339,584)**	(316,200)
Reclassified from/(to) individual impairment allowance	**64**	(2,509)
Exchange differences	**2,441**	2,960
Balance as at the end of the financial year	**1,349,085**	1,280,266

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

8 CLIENTS' AND BROKERS' BALANCES

	Group	
	2014 RM'000	2013 RM'000
Amounts owing by clients	**828,187**	732,340
Allowance for impaired balances:		
- Individual impairment allowance	**(35,505)**	(37,301)
- Collective impairment allowance	**(6,142)**	(4,175)
	786,540	690,864
Amounts owing by brokers	**522,266**	202,262
Allowance for impaired balances:		
- Individual impairment allowance	**(1,309)**	(1,014)
	1,307,497	892,112
Amounts owing by clearing houses and stock exchanges	**217,650**	1,681,471
	1,525,147	2,573,583
Movements in allowance for impaired balances are as follows:		
Individual impairment allowance		
Balance as at the beginning of the financial year	**38,315**	11,589
Allowance (written back)/made	**(1,198)**	28,907
Amount recovered	**-**	(2,426)
Amount written off	**(1,036)**	(195)
Exchange differences	**733**	440
Balance as at the end of the financial year	**36,814**	38,315
Collective impairment allowance		
Balance as at the beginning of the financial year	**4,175**	6,088
Allowance made/(written back)	**1,967**	(1,913)
Balance as at the end of the financial year	**6,142**	4,175

9 REINSURANCE ASSETS

		Group	
	Note	2014 RM'000	2013 RM'000
Claims liabilities	23(a)	**241,647**	181,461
Premium liabilities	23(b)	**90,466**	79,491
		332,113	260,952

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

10 OTHER ASSETS

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other debtors	(a)	**770,176**	347,841	**2**	2,339
Collateral pledged for derivative transactions		**620,577**	277,036	**-**	-
Deposits		**87,536**	89,432	**-**	-
Prepayments		**63,700**	61,000	**3,635**	3,624
Deposits for proposed acquisition of PT Bank Mestika Dharma	52(a)	**-**	112,515	**-**	112,515
		1,541,989	887,824	**3,637**	118,478

(a) Other debtors of the Group are stated net of allowance for impairment losses of RM11,869,000 (2013: RM12,037,000).

11 DERIVATIVE ASSETS/(LIABILITIES)

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

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

	Group	
	2014 RM'000	2013 RM'000
Derivative assets:		
- Trading derivatives	**1,283,243**	459,033
- Fair value hedging derivatives	**1,987**	-
	1,285,230	459,033
Derivative liabilities:		
- Trading derivatives	**(1,224,684)**	(345,075)
- Fair value hedging derivatives	**-**	(2,988)
	(1,224,684)	(348,063)
	60,546	110,970

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

11 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

	Group		
	Contract or underlying principal amount RM'000	Year-end positive fair value RM'000	Year-end negative fair value RM'000
2014			
Trading derivatives:			
Foreign exchange related contracts:			
- Forwards/swaps	**23,827,241**	**454,871**	**(393,667)**
- Options	**4,954,671**	**42,665**	**(43,381)**
- Cross-currency interest rate swaps	**11,838,652**	**640,085**	**(637,832)**
	40,620,564	**1,137,621**	**(1,074,880)**
Equity related contracts			
- Options	**15,508**	**4,914**	**-**
Interest rate related contracts:			
- Swaps	**34,033,945**	**140,708**	**(136,691)**
Structured warrants	**50,412**	**-**	**(13,113)**
Fair value hedging derivatives:			
Interest rate related contracts:			
- Swaps	**650,000**	**1,987**	**-**
		1,285,230	**(1,224,684)**
2013			
Trading derivatives:			
Foreign exchange related contracts:			
- Forwards/swaps	11,661,635	137,103	(85,439)
- Options	174,339	772	(772)
- Cross-currency interest rate swaps	8,137,734	143,163	(105,309)
	19,973,708	281,038	(191,520)
Interest rate related contracts:			
- Swaps	27,069,222	177,995	(136,913)
Structured warrants	13,099	-	(16,642)
Fair value hedging derivatives:			
Interest rate related contracts:			
- Swaps	1,145,000	-	(2,988)
		459,033	(348,063)

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11 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

Fair value hedging are used by the Group for protection against the changes in fair value of financial assets and financial liabilities due to movements in market interest rates. The Group uses interest rate swaps to hedge against interest rate risk of specific identified fixed rate long term as well as portfolio homogenous pools of loans, advances and financing. Included in other operating income as disclosed in Note 34 is the net gains and losses arising from fair value hedges for the financial year as follows:

	Group	
	2014 RM'000	**2013 RM'000**
Gain on hedging instruments	**4,122**	38,418
Loss on the hedged items attributable to the hedged risk	**(1,748)**	(37,726)
	2,374	692

12 AMOUNTS DUE FROM/(TO) SUBSIDIARIES

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

13 STATUTORY DEPOSITS

		Group	
	Note	**2014 RM'000**	**2013 RM'000**
Statutory deposits with BNM	(a)	**5,187,397**	3,891,433
Statutory deposits with Monetary Authority of Singapore	(b)	**136,629**	211,716
Statutory deposits with Ministry of Finance Negara Brunei Darussalam	(c)	**14,740**	13,717
Statutory deposits with Labuan Offshore Financial Services Authority ("LOFSA")	(d)	**100**	100
Statutory deposits and reserve deposits with National Bank of Cambodia ("NBC")	(e)	**81,762**	54,496
Statutory deposits with National Bank of Lao ("BOL")	(f)	**379**	-
		5,421,007	4,171,462

(a) Non-interest bearing statutory deposits maintained with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009.

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

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

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

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

13 STATUTORY DEPOSITS (CONTINUED)

(e) Included in statutory deposits with NBC are:

(i) Interest bearing statutory deposits of RM18.1 million (2013: RM17.0 million) maintained with NBC in compliance with NBC's Prakas B7-01-136 dated 15 October 2001 as capital guarantee. This deposit bears interest at 0.18% (2013: 0.18%) per annum, and is not available for use in day-to-day operations but it is refundable when RHB Indochina Bank Limited voluntarily ceases to operate its banking business in Cambodia.

(ii) Non-interest bearing deposits of RM63.6 million (2013: RM37.5 million) maintained with NBC as reserve requirements, computed at 8.0% and 12.5% (2013: 8.0% and 12.5%) of customer deposits in Cambodian Riel ("KHR") and in foreign currencies, respectively.

(f) Non-interest bearing statutory deposits maintained with BOL computed at 5% and 10% of customer deposits in Lao Kip ("LAK") and in foreign currencies respectively.

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

14 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deferred tax assets	**38,465**	31,225	**-**	1,181
Deferred tax liabilities	**(53,041)**	(51,814)	**(20)**	-
	(14,576)	(20,589)	**(20)**	1,181
Deferred tax assets:				
- Settled more than twelve months	**10,153**	9,960	**-**	-
- Settled within twelve months	**120,911**	100,646	**-**	1,181
Deferred tax liabilities:				
- Settled more than twelve months	**(107,551)**	(89,474)	**-**	-
- Settled within twelve months	**(38,089)**	(41,721)	**(20)**	-
	(14,576)	(20,589)	**(20)**	1,181

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Group	Note	Property, plant and equipment RM'000	Financial investments AFS RM'000	Loans, advances and financing RM'000	Tax losses RM'000	Other liabilities RM'000	Other temporary differences RM'000	Total RM'000
2014								
Balance as at the beginning of the financial year		**(74,624)**	**(49,353)**	**-**	**260**	**101,070**	**2,058**	**(20,589)**
Transfer (to)/from income statements	40	**(6,158)**	**-**	**-**	**(296)**	**24,316**	**4,057**	**21,919**
Transfer to equity		**-**	**(15,259)**	**-**	**-**	**-**	**(319)**	**(15,578)**
Exchange differences		**(32)**	**17**	**-**	**-**	**(325)**	**12**	**(328)**
Balance as at the end of the financial year		**(80,814)**	**(64,595)**	**-**	**(36)**	**125,061**	**5,808**	**(14,576)**
2013								
Balance as at the beginning of the financial year		(67,507)	(85,655)	5,341	113	86,596	8,266	(52,846)
Transfer (to)/from income statements	40	(7,068)	-	(5,341)	147	13,850	(5,068)	(3,480)
Transfer from equity		-	36,302	-	-	-	-	36,302
Exchange differences		(49)	-	-	-	624	(1,140)	(565)
Balance as at the end of the financial year		(74,624)	(49,353)	-	260	101,070	2,058	(20,589)

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14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

	Note	Company Property, plant and equipment RM'000	Company Other liabilities RM'000	Company Total RM'000
2014				
Balance as at the beginning of the financial year		**(9)**	**1,190**	**1,181**
Transfer to income statements	40	**(11)**	**(1,190)**	**(1,201)**
Balance as at the end of the financial year		**(20)**	**-**	**(20)**
2013				
Balance as at the beginning of the financial year		(46)	1,068	1,022
Transfer from income statements	40	37	122	159
Balance as at the end of the financial year		(9)	1,190	1,181

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

	Group 2014 RM'000	Group 2013 RM'000
Unabsorbed tax losses carried forward	**1,466,925**	1,462,226
Unabsorbed capital allowances carried forward	**24,152**	24,336
	1,491,077	1,486,562

The above deductible temporary differences have no expiry date.

15 INVESTMENTS IN SUBSIDIARIES

	Company 2014 RM'000	Company 2013 RM'000
Unquoted shares in Malaysia companies, at cost	**11,283,899**	11,130,499
Unquoted shares in companies outside Malaysia, at cost	**97,777**	7,167
	11,381,676	11,137,666
Accumulated impairment losses	**(339,331)**	(336,614)
	11,042,345	10,801,052

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2014 %	Effective equity interest held by the Group 2013 %	Effective equity interest held by NCI 2014 %	Effective equity interest held by NCI 2013 %	Principal activities
RHB Bank Berhad ("RHB Bank")[10]	Malaysia	3,365,486,335	**100**	100	**-**	-	Commercial banking and finance business
RHB Islamic Bank Berhad ("RHB Islamic Bank")	Malaysia	1,173,424,002	**100**	100	**-**	-	Islamic banking
RHB Bank (L) Ltd	Malaysia	USD54,000,000	**100**	100	**-**	-	Offshore banking
RHB International Trust (L) Ltd	Malaysia	USD40,000	**100**	100	**-**	-	Offshore trust company
RHB Corporate Services Sdn Bhd	Malaysia	150,000	**100**	100	**-**	-	Corporate secretarial services
RHB Indochina Bank Limited[1] ("RHB Indochina Bank")	Cambodia	USD52,000,000	**100**	100	**-**	-	Commercial banking
RHB OSK Indochina Securities Limited[1]	Cambodia	USD12,500,000	**100**	100	**-**	-	Securities underwriting, dealing, brokerage and investment advisory service
RHB Bank Lao Limited[1,2]	Lao PDR	LAK301,500 million	**100**	-	**-**	-	Commercial banking
RHB Capital Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Nominee services for Malaysian beneficial shareholders
RHB Capital Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Nominee services for foreign beneficial shareholders
RHB Investment Ltd[1]	Singapore	SGD19,000,000	**100**	100	**-**	-	Property investment and rental
Banfora Pte Ltd[1]	Singapore	SGD25,000,000	**100**	100	**-**	-	Property investment and rental
RHB Bank Nominees Pte Ltd[1]	Singapore	SGD100,000	**100**	100	**-**	-	Nominee services
RHB Leasing Sdn Bhd	Malaysia	10,000,000	**100**	100	**-**	-	Leasing
RHB Trade Services Limited[3]	Hong Kong	HKD2	**100**	100	**-**	-	Processing of letters of credit reissuance favouring Hong Kong beneficiaries
RHB Capital Properties Sdn Bhd	Malaysia	21,800,000	**100**	100	**-**	-	Property investment
Utama Assets Sdn Bhd	Malaysia	2,300,000	**100**	100	**-**	-	Property investment

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15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2014 %	Effective equity interest held by the Group 2013 %	Effective equity interest held by NCI 2014 %	Effective equity interest held by NCI 2013 %	Principal activities
RHB Investment Bank Berhad ("RHB Investment Bank")	Malaysia	818,646,000	**100**	100	**-**	-	Merchant banking business, dealing in securities, stock, debt and derivatives, stockbroking business and the business of brokers and dealers in futures and options contracts
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	**-**	-	Nominee services for foreign beneficial shareholders
RHB Nominees Sdn Bhd	Malaysia	25,000	**100**	100	**-**	-	Nominee and custodian services
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 investment fund management services and management of Islamic unit trust funds
RHB Research Institute Sdn Bhd	Malaysia	500,000	**100**	100	**-**	-	Research services

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15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group		Effective equity interest held by NCI		Principal activities
			2014 %	2013 %	2014 %	2013 %	
RHB Private Equity Holdings Sdn Bhd	Malaysia	55,000,002	**100**	100	**-**	-	Investment holding
RHB Private Equity Management Ltd	Malaysia	USD1	**100**	100	**-**	-	Investment advisor, investment consultant and other ancillary services only for private funds
RHB Private Equity Fund Ltd	Cayman Islands	USD10,001	**100**	100	**-**	-	Investment company
RHB OSK International Investments Pte Ltd[1]	Singapore	SGD9,000,000	**100**	100	**-**	-	Investment holding
RHB OSK Asset Management Pte Ltd[1]	Singapore	SGD9,100,000	**100**	100	**-**	-	Fund management
RHB Holdings Hong Kong Limited[3]	Hong Kong	HKD300,000,000	**100**	100	**-**	-	Investment holding
RHB OSK Securities Hong Kong Limited[3]	Hong Kong	HKD340,000,000	**100**	100	**-**	-	Securities dealing and provision of securities margin financing
RHB OSK Futures Hong Kong Limited[3]	Hong Kong	HKD35,000,000	**100**	100	**-**	-	Dealing in futures & option contracts
RHB OSK Finance Hong Kong Limited[3]	Hong Kong	HKD1	**100**	100	**-**	-	Money lending
RHB OSK Capital Hong Kong Limited[3]	Hong Kong	HKD10,000,000	**100**	100	**-**	-	Provision of corporate finance advisory services
RHB Fundamental Capital Hong Kong Limited[3] *(formerly known as RHB OSK Precious Metals Hong Kong Limited)*	Hong Kong	HKD10,000,000	**100**	100	**-**	-	Investment holding
RHB OSK Asset Management Limited[3]	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[3]	Hong Kong	HKD5,000,000	**100**	100	**-**	-	Negotiating or arranging contracts of insurance

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15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2014 %	Effective equity interest held by the Group 2013 %	Effective equity interest held by NCI 2014 %	Effective equity interest held by NCI 2013 %	Principal activities
RHB OSK (China) Investment Advisory Co Ltd[3] *(formerly known as OSK (China) Investment Advisory Co Ltd)*	People's Republic of China	USD2,000,000	**100**	100	**-**	-	Provision of investment and business advisory and related services
PT RHB OSK Securities Indonesia ("PROSI")[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[1,4] ("DMG & Partners")	Singapore	SGD75,000,000	**100**	51	**-**	49	Provision of stock and share broking services and corporate finance advisory services
DMG & Partners Research Pte Ltd[1]	Singapore	SGD175,000	**100**	51	**-**	49	Financial advisory services
DMG & Partners Nominees Pte Ltd[1]	Singapore	SGD2	**100**	51	**-**	49	Inactive (Nominee services)
Summit Nominees Pte Ltd[1]	Singapore	SGD2,000	**100**	51	**-**	49	Inactive (Nominee 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[5,^]	Indonesia	-	**-**	100	**-**	-	Investment in equity securities of entities operating in diversified industries
RHB OSK Resources Fund[3,^]	Hong Kong	-	**94.4**	93.7	**5.6**	6.3	Investment in equity and equity related securities of entities operating in substantially related to natural resources industries
RHB Trustees Berhad	Malaysia	6,000,000	**100**	100	**-**	-	Professional retail trustee services (will writing, estate planning and private trust) and corporate trustee services (collective investment schemes)

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15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2014 %	Effective equity interest held by the Group 2013 %	Effective equity interest held by NCI 2014 %	Effective equity interest held by NCI 2013 %	Principal activities
Malaysian Trustees Berhad	Malaysia	550,000	**100**	100	**-**	-	Engage in the business of trustee agents, executors and administrators pursuant to the Trust Companies Act, 1949
RHB Finexasia.Com Sdn Bhd	Malaysia	11,361,111	**100**	100	**-**	-	Development and provision of internet financial solutions and related activities
RHB Insurance Berhad	Malaysia	100,000,000	**94.7**	94.7	**5.3**	5.3	General insurance
RHB-OSK Income Plus Fund 9^	Malaysia	-	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
RHB-OSK Income Plus Fund 2^	Malaysia	-	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
AmIncome Value^	Malaysia	-	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
Straits Asset Holdings Sdn Bhd	Malaysia	48,240,000	**100**	100	**-**	-	Investment holding
RHB Hartanah Sdn Bhd	Malaysia	100,000	**100**	100	**-**	-	Property investment
RHB Property Management Sdn Bhd	Malaysia	500,000	**100**	100	**-**	-	Property management
RHB Capital (Jersey) Limited	Jersey, Channel Islands	GBP4,012	**100**	100	**-**	-	Investment holding
RHB Kawal Sdn Bhd	Malaysia	1,500,000	**100**	100	**-**	-	Security services
RHB OSK Rupiah Liquid Fund^,[11]	Indonesia	-	**55.79**	-	**44.21**	-	Investment in money market instrument and equity market
RHB Capital Berhad's dormant subsidiaries							
RHB Equities Sdn Bhd[6]	Malaysia	20,000,000	**100**	100	**-**	-	Ceased operations
RHB (Philippines) Inc.[1,7]	Philippines	PHP180,000,000	**100**	100	**-**	-	Dormant

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

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2014 %	Effective equity interest held by the Group 2013 %	Effective equity interest held by NCI 2014 %	Effective equity interest held by NCI 2013 %	Principal activities
RHB Capital Berhad's dormant subsidiaries (Continued)							
RHBF Sdn Bhd	Malaysia	148,145,176	**100**	100	**-**	-	Dormant
SFSB Services (Melaka) Sdn Bhd	Malaysia	5,000,000	**100**	100	**-**	-	Dormant
SSSB Services (Melaka) Sdn Bhd[8]	Malaysia	40,000,000	**100**	100	**-**	-	Dormant
KYB Sdn Bhd[8]	Malaysia	1,735,137,489	**100**	100	**-**	-	Dormant
RHB Venture Capital Sdn Bhd	Malaysia	2	**100**	100	**-**	-	Dormant
OSKIB Sdn Bhd	Malaysia	660,000,000	**100**	100	**-**	-	Dormant
OSK Investment Bank (Labuan) Limited[12] ("OSKIBL")	Malaysia	USD4,811,000	**100**	100	**-**	-	Dormant
RHB OSK Stock 188.Com Sdn Bhd	Malaysia	480,000	**100**	100	**-**	-	Dormant
Positive Properties Sdn Bhd	Malaysia	23,192,000	**100**	100	**-**	-	Dormant
RHB Bank's dormant subsidiaries							
UMBC Sdn Bhd	Malaysia	499,999,818	**100**	100	**-**	-	Dormant
RHB Delta Sdn Bhd[9]	Malaysia	175,000,000	**100**	100	**-**	-	Dormant
Utama Gilang Sdn Bhd[9]	Malaysia	800,000,000	**100**	100	**-**	-	Dormant
RHB Investment Bank's dormant subsidiaries							
RHB Excel Sdn Bhd[8]	Malaysia	200,000,000	**100**	100	**-**	-	Dormant
RHB Progressive Sdn Bhd[8]	Malaysia	13,500,000	**100**	100	**-**	-	Dormant
RHB Marketing Services Sdn Bhd[9]	Malaysia	100,000	**100**	100	**-**	-	Dormant
RHB Unit Trust Management Berhad[8]	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
RHB OSK International Asset Management Sdn Bhd	Malaysia	7,000,000	**100**	100	**-**	-	Dormant

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15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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

Name of company	Country of incorporation	Paid-up share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2014 %	Effective equity interest held by the Group 2013 %	Effective equity interest held by NCI 2014 %	Effective equity interest held by NCI 2013 %	Principal activities
RHB Investment Bank's dormant subsidiaries (Continued)							
OSK Nominees (Tempatan) Sdn Bhd	Malaysia	3,670,000	**100**	100	**-**	-	Dormant
OSK Nominees (Asing) Sdn Bhd	Malaysia	2,670,000	**100**	100	**-**	-	Dormant
RHB Islamic Asset Management Sdn Bhd	Malaysia	4,000,000	**100**	100	**-**	-	Dormant
OSK Investment Management Berhad *(formerly known as OSK-UOB Investment Management Berhad)*	Malaysia	10,000,000	**100**	100	**-**	-	Dormant
RHB OSK Nominees Hong Kong Limited[3]	Hong Kong	HKD1	**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

Notes:

1 Subsidiary audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia.
2 The company was incorporated on 30 May 2014 and commenced business on 6 June 2014.
3 Subsidiary audited by a firm other than member firms of PricewaterhouseCoopers International Limited.
4 As set out in Note 52(e), RHB Investment Bank acquired the remaining 49% equity interest from NCI on 15 December 2014.
5 As set out in Note 52(b), the Group disposed off the fund in February 2014.
6 With effect from 1 July 2001, the company's activities relate primarily to recovery of outstanding debts.
7 The company has ceased operations effective from the close of business on 10 December 2001.
8 The company has commenced member's voluntary winding up on 28 March 2012.
9 The company has commenced member's voluntary winding up on 16 February 2011.
10 The Company has recapitalised dividend income from RHB Bank of RM175 million as cost of investment during the financial year.
11 As set out in Note 52(f), the Company acquired 63.94% of RHB OSK Rupiah Liquid Fund for a cash consideration of Rp334.5 trillion, equivalent to RM90.6 million. As at 31 December 2014, the effective equity interest is 55.79%.
12 During the current financial year, the cost of investment in OSKIBL has been written off, and this has been netted against the waiver of intercompany balances.

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

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16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Note	Group 2014 RM'000	Group 2013 RM'000
Share of net assets of associates	(a)	**-**	974
Share of net assets of joint ventures	(b)	**26,957**	25,911
Less: Allowance for impairment loss		**(5,936)**	(5,936)
		21,021	19,975
		21,021	20,949

(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
iFast-OSK Sdn Bhd^ ("iFast-OSK")	Malaysia	26,000,000	**-**	34.88	Investment holding

Note:

^ RHB Investment 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 52(c).

(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

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

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

(i) Summarised statements of financial position

	VSEC		RHB OSK GC		Total	
	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	**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/(loss)	**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

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

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

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

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

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

	VSEC		RHB OSK GC		Total	
	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
Net 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

17 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
			Less than 50 years RM'000	50 years or more RM'000						
2014										
Cost										
Balance as at the beginning of the financial year		198,140	1,426	130,968	491,807	445,825	545,749	383,063	27,612	2,224,590
Additions		-	-	-	-	51,883	56,987	13,813	2,961	125,644
Disposals		(3,257)	-	-	(7,892)	(169)	(332)	(99)	(3,404)	(15,153)
Written off		-	-	-	-	(1,849)	(18,941)	(2,300)	(10)	(23,100)
Exchange differences		34	-	2,167	1,183	1,896	1,857	1,486	389	9,012
Reclassifications		-	-	-	-	3,251	50,858	(50,165)	-	3,944
Balance as at the end of the financial year		194,917	1,426	133,135	485,098	500,837	636,178	345,798	27,548	2,324,937
Accumulated depreciation										
Balance as at the beginning of the financial year		-	785	6,669	153,867	252,541	427,186	338,211	20,533	1,199,792
Charge for the financial year	36	-	34	507	10,027	30,100	52,042	19,960	2,612	115,282
Disposals		-	-	-	(1,507)	(157)	(248)	(85)	(3,299)	(5,296)
Written off		-	-	-	-	(1,728)	(18,939)	(2,020)	(10)	(22,697)
Exchange differences		-	-	26	410	998	1,322	941	233	3,930
Reclassifications		-	-	-	-	9,741	43,207	(52,791)	-	157
Balance as at the end of the financial year		-	819	7,202	162,797	291,495	504,570	304,216	20,069	1,291,168
Accumulated impairment loss										
Balance as at the beginning of the financial year		-	-	-	2,641	-	1,676	-	-	4,317
Charge for the financial year	39	-	-	-	-	-	169	-	-	169
Reversal for the financial year	39	-	-	-	(1,421)	-	-	-	-	(1,421)
Exchange differences		-	-	-	22	-	1	-	-	23
Balance as at the end of the financial year		-	-	-	1,242	-	1,846	-	-	3,088
Net book value as at the end of the financial year		194,917	607	125,933	321,059	209,342	129,762	41,582	7,479	1,030,681

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Freehold land RM'000	Leasehold land		Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
			Less than 50 years RM'000	50 years or more RM'000						
2013										
Cost										
Balance as at the beginning of the financial year		198,083	1,426	128,024	489,107	491,095	516,463	297,845	24,925	2,146,968
Additions		-	-	-	-	31,576	34,757	10,219	3,709	80,261
Disposals		-	-	-	-	-	(728)	(532)	(1,278)	(2,538)
Written off		-	-	-	-	(1,421)	(21,378)	(3,181)	-	(25,980)
Exchange differences		57	-	3,675	1,969	172	371	1,183	(65)	7,362
Reclassifications		-	-	(731)	731	(75,597)	16,264	77,529	321	18,517
Balance as at the end of the financial year		198,140	1,426	130,968	491,807	445,825	545,749	383,063	27,612	2,224,590
Accumulated depreciation										
Balance as at the beginning of the financial year		-	750	6,279	143,357	281,296	391,603	258,244	18,460	1,099,989
Charge for the financial year	36	-	35	461	9,767	28,937	50,203	21,579	2,493	113,475
Disposals		-	-	-	-	-	(601)	(531)	(693)	(1,825)
Written off		-	-	-	-	(1,032)	(21,499)	(2,990)	-	(25,521)
Exchange differences		-	-	35	638	466	499	671	(52)	2,257
Reclassifications		-	-	(106)	105	(57,126)	6,981	61,238	325	11,417
Balance as at the end of the financial year		-	785	6,669	153,867	252,541	427,186	338,211	20,533	1,199,792
Accumulated impairment loss										
Balance as at the beginning of the financial year		-	-	-	2,985	-	1,676	-	-	4,661
Reversal for the financial year	39	-	-	-	(379)	-	-	-	-	(379)
Exchange differences		-	-	-	35	-	-	-	-	35
Balance as at the end of the financial year		-	-	-	2,641	-	1,676	-	-	4,317
Net book value as at the end of the financial year		198,140	641	124,299	335,299	193,284	116,887	44,852	7,079	1,020,481

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group	
	2014 RM'000	2013 RM'000
At cost:		
Renovations and improvements	**19,393**	9,765

	Note	Company				
		Renovations RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Computer equipment RM'000	Total RM'000
2014						
Cost						
Balance as at the beginning of the financial year		**370**	**625**	**535**	**790**	**2,320**
Additions		**30**	**5**	**-**	**177**	**212**
Written off		**-**	**-**	**-**	**(13)**	**(13)**
Balance as at the end of the financial year		**400**	**630**	**535**	**954**	**2,519**
Accumulated depreciation						
Balance as at the beginning of the financial year		**302**	**621**	**396**	**675**	**1,994**
Charge for the financial year	36	**12**	**9**	**76**	**119**	**216**
Written off		**-**	**-**	**-**	**(13)**	**(13)**
Balance as at the end of the financial year		**314**	**630**	**472**	**781**	**2,197**
Net book value as at the end of the financial year		**86**	**-**	**63**	**173**	**322**
2013						
Cost						
Balance as at the beginning of the financial year		376	623	535	737	2,271
Additions		7	6	-	74	87
Disposals		-	(1)	-	-	(1)
Written off		(13)	(3)	-	(21)	(37)
Balance as at the end of the financial year		370	625	535	790	2,320
Accumulated depreciation						
Balance as at the beginning of the financial year		304	615	289	577	1,785
Charge for the financial year	36	11	10	107	119	247
Disposals		-	(1)	-	-	(1)
Written off		(13)	(3)	-	(21)	(37)
Balance as at the end of the financial year		302	621	396	675	1,994
Net book value as at the end of the financial year		68	4	139	115	326

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

17 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Accumulated depreciation and impairment loss				
Balance as at the beginning of the financial year	**1,204,109**	1,104,650	**1,994**	1,785
Balance as at the end of the financial year	**1,294,256**	1,204,109	**2,197**	1,994

18 GOODWILL AND INTANGIBLE ASSETS

	Note	Group	
		2014 RM'000	2013 RM'000
Goodwill on consolidation	(a)	**5,020,840**	5,020,840
Intangible assets:	(b)		
- Customer relationship		**17,495**	19,728
- Brand		**9,471**	16,683
- Trading rights and memberships		**1,196**	1,124
- Computer software license		**224,903**	179,095
		5,273,905	5,237,470

(a) Goodwill on consolidation

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

	Group	
	2014 RM'000	2013 RM'000
CGU		
Corporate and Investment Banking	**1,217,349**	1,217,349
Retail Banking	**1,001,017**	1,001,017
Business Banking	**398,844**	398,844
Group Treasury	**1,886,880**	1,886,880
Islamic Banking	**258,571**	258,571
RHB Indochina Bank	**116,301**	116,301
DMG & Partners	**63,948**	63,948
PROSI	**74,005**	74,005
Others	**3,925**	3,925
	5,020,840	5,020,840

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

18 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill on consolidation (Continued)

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets or forecasts approved by Directors covering a four-year (2013: four-year) period except for PROSI of which the value in use calculations apply discounted cash flow projections approved by Directors covering a ten-year period (2013: four-year). Cash flows beyond the four-year or ten-year period are extrapolated using the estimated growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU.

The cash flow projections are derived based on a number of key factors including the past performance and the management's expectations of the market developments.

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

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

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

	Discount rate		Growth rate	
	2014 %	2013 %	2014 %	2013 %
CGU				
Corporate and Investment Banking	**8.2**	7.9	**3.0**	3.0
Retail Banking	**8.1**	7.8	**3.0**	3.0
Business Banking	**8.1**	7.8	**3.0**	3.0
Group Treasury	**8.2**	8.0	**3.0**	3.0
Islamic Banking	**8.1**	7.8	**3.0**	3.0
RHB Indochina Bank	**18.3**	16.1	**7.0**	7.0
DMG & Partners	**6.1**	4.7	**2.0**	2.0
PROSI	**10.6**	11.3	**5.8**	5.0

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

18 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(b) Intangible assets

	Note	Group				
		Customer relationship RM'000	Brand RM'000	Trading rights and membership 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	766,878	816,484
Additions		-	-	-	110,859	110,859
Written off		-	-	-	(1,765)	(1,765)
Exchange differences		-	-	139	1,304	1,443
Reclassifications		-	-	-	(3,944)	(3,944)
Balance as at the end of the financial year		22,333	25,098	2,314	873,332	923,077
Accumulated amortisation						
Balance as at the beginning of the financial year		2,605	8,415	766	559,913	571,699
Amortisation for the financial year	36	2,233	7,212	-	58,275	67,720
Written off		-	-	-	(1,666)	(1,666)
Exchange differences		-	-	67	862	929
Reclassifications		-	-	-	(157)	(157)
Balance as at the end of the financial year		4,838	15,627	833	617,227	638,525
Accumulated impairment loss						
Balance as at the beginning of the financial year		-	-	285	27,870	28,155
Charge for the financial year	39	-	-	-	3,321	3,321
Exchange differences		-	-	-	11	11
Balance as at the end of the financial year		-	-	285	31,202	31,487
Net book value as at the end of the financial year		17,495	9,471	1,196	224,903	253,065

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

18 GOODWILL AND INTANGIBLE ASSETS (CONTINUED)

(b) Intangible assets (Continued)

		Group				
	Note	Customer relationship RM'000	Brand RM'000	Trading rights and membership 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	710,242	759,814
Additions		-	-	-	73,199	73,199
Disposals		-	-	-	(5)	(5)
Written off		-	-	-	(3,930)	(3,930)
Exchange differences		-	-	34	904	938
Reclassifications		-	-	-	(13,532)	(13,532)
Balance as at the end of the financial year		22,333	25,098	2,175	766,878	816,484
Accumulated amortisation						
Balance as at the beginning of the financial year		-	-	746	523,765	524,511
Amortisation for the financial year	36	2,605	8,415	-	45,113	56,133
Disposal		-	-	-	(2)	(2)
Written off		-	-	-	(3,711)	(3,711)
Exchange differences		-	-	20	709	729
Reclassifications		-	-	-	(5,961)	(5,961)
Balance as at the end of the financial year		2,605	8,415	766	559,913	571,699
Accumulated impairment loss						
Balance as at the beginning/end of the financial year		-	-	285	27,870	28,155
Net book value as at the end of the financial year		19,728	16,683	1,124	179,095	216,630

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19 DEPOSITS FROM CUSTOMERS

	Group	
	2014 RM'000	2013 RM'000
(a) By type of deposits		
Demand deposits	**26,239,569**	24,572,177
Savings deposits	**7,927,118**	7,532,754
Fixed/investment deposits	**122,935,277**	105,594,645
Negotiable instruments of deposits	**32,029**	41,665
	157,133,993	137,741,241
(b) By type of customer		
Government and statutory bodies	**11,148,094**	11,940,337
Business enterprises	**97,051,175**	82,779,114
Individuals	**42,913,486**	38,461,412
Others	**6,021,238**	4,560,378
	157,133,993	137,741,241
(c) By maturity structure of fixed/investment deposits and negotiable instruments of deposits		
Due within six months	**101,842,151**	92,955,781
Six months to one year	**20,318,902**	12,212,827
One year to three years	**788,624**	438,629
Three years to five years	**17,629**	29,073
	122,967,306	105,636,310

20 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group	
	2014 RM'000	2013 RM'000
Licensed banks	**14,973,762**	10,564,885
Licensed Islamic banks	**221,130**	609,614
Licensed investment banks	**1,607,590**	362,348
BNM	**515,027**	826,123
Other financial institutions	**4,032,109**	4,635,385
	21,349,618	16,998,355

21 OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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

The financial assets sold under repurchase agreements are as follows:

	Group	
	2014 RM'000	**2013 RM'000**
Financial assets HFT	**-**	200,296
Financial investments AFS	**20,484**	260,231
Financial investments HTM	**500,000**	168,571
	520,484	629,098

22 CLIENTS' AND BROKERS' BALANCES

	Group	
	2014 RM'000	**2013 RM'000**
Amounts due to:		
- Clients	**988,375**	644,241
- Brokers	**163,925**	1,653,584
- Clearing houses and stock exchanges	**61,765**	17,985
	1,214,065	2,315,810

23 GENERAL INSURANCE CONTRACT LIABILITIES

	Group	
	2014 RM'000	**2013 RM'000**
Claims liabilities	**514,960**	432,709
Premium liabilities	**260,739**	229,502
	775,699	662,211

	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
2014				
Claims reported by policyholders		**365,757**	**(173,795)**	**191,962**
Incurred but not reported claims ("IBNR")		**149,203**	**(67,852)**	**81,351**
Claims liabilities	(a)	**514,960**	**(241,647)**	**273,313**
Premium liabilities	(b)	**260,739**	**(90,466)**	**170,273**
Total		**775,699**	**(332,113)**	**443,586**

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23 GENERAL INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
2013				
Claims reported by policyholders		315,224	(137,485)	177,739
IBNR		117,485	(43,976)	73,509
Claims liabilities	(a)	432,709	(181,461)	251,248
Premium liabilities	(b)	229,502	(79,491)	150,011
Total		662,211	(260,952)	401,259

	Gross RM'000	Reinsurance RM'000	Net RM'000
(a) Claims liabilities			
2014			
Balance as at the beginning of the financial year	**432,709**	**(181,461)**	**251,248**
Claims incurred in current accident year:			
- Paid	**71,277**	**(25,607)**	**45,670**
- Case reserve	**157,602**	**(87,922)**	**69,680**
- IBNR	**114,355**	**(52,516)**	**61,839**
Claims incurred in prior accident year:			
- Paid	**164,701**	**(54,855)**	**109,846**
- Case reserve	**(343,047)**	**132,074**	**(210,973)**
- IBNR	**(82,637)**	**28,640**	**(53,997)**
Balance as at the end of the financial year	**514,960**	**(241,647)**	**273,313**
2013			
Balance as at the beginning of the financial year	328,162	(123,888)	204,274
Claims incurred in current accident year:			
- Paid	95,877	(19,895)	75,982
- Case reserve	147,496	(77,923)	69,573
- IBNR	80,708	(32,324)	48,384
Claims incurred in prior accident year:			
- Paid	98,063	(38,327)	59,736
- Case reserve	(260,067)	90,016	(170,051)
- IBNR	(57,530)	20,880	(36,650)
Balance as at the end of the financial year	432,709	(181,461)	251,248

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

23 GENERAL INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross RM'000	Reinsurance RM'000	Net RM'000
(b) Premium liabilities			
2014			
Balance as at the beginning of the financial year	**229,502**	**(79,491)**	**150,011**
Premium written for the financial year	**585,429**	**(205,086)**	**380,343**
Premium earned during the financial year	**(554,192)**	**194,111**	**(360,081)**
Balance as at the end of the financial year	**260,739**	**(90,466)**	**170,273**
2013			
Balance as at the beginning of the financial year	189,123	(67,259)	121,864
Premium written for the financial year	535,681	(190,366)	345,315
Premium earned during the financial year	(495,302)	178,134	(317,168)
Balance as at the end of the financial year	229,502	(79,491)	150,011

24 OTHER LIABILITIES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Other creditors and accruals	**1,107,874**	871,628	**7,925**	2,535
Short term employee benefits	**402,475**	258,377	**4,415**	3,709
Lessee deposits	**27,029**	29,774	**-**	-
Prepaid instalments	**71,037**	73,852	**-**	-
Remisiers' trust deposits	**59,480**	55,887	**-**	-
Amount due to Danaharta	**1,935**	1,864	**-**	-
Amount due to trust funds	**44,268**	35,355	**-**	-
	1,714,098	1,326,737	**12,340**	6,244

25 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS

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

NOTES TO THE FINANCIAL STATEMENTS
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26 BORROWINGS AND SENIOR DEBT SECURITIES

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Borrowings:					
Secured					
Revolving credits:					
- Hong Kong Dollar ("HKD")	(a(i))	**13,524**	66,805	**-**	-
Unsecured					
Revolving credits:					
- Ringgit Malaysia ("RM")	(a(ii))	**404,196**	439,265	**1,194,481**	920,227
- United States Dollar ("USD")	(a(iii))	**174,863**	-	**-**	-
Term loans:					
- RM	(b(i))	**1,051,674**	1,151,592	**1,316,860**	1,416,281
- USD	(b(ii))	**495,029**	571,049	**-**	-
- Singapore Dollar ("SGD")	(b(iii))	**119,089**	25,937	**-**	-
- Indonesia Rupiah ("IDR")	(b(iv))	**14,115**	44,451	**-**	-
- Japanese Yen ("JPY")	(b(v))	**2,115**	-	**-**	-
RM1.1 billion 7 years Commercial Papers/Medium Term Notes	(c)	**600,092**	600,092	**600,092**	600,092
Senior debts securities:					
USD300 million 3.25% senior debt securities due in 2017	(d)	**1,049,892**	982,867	**-**	-
USD200 million 3.25% senior debt securities due in 2017	(d)	**707,214**	664,767	**-**	-
USD300 million 3.088% senior debt securities due in 2019	(e)	**1,053,549**	-	**-**	-
		5,685,352	4,546,825	**3,111,433**	2,936,600
Schedule repayment of borrowings and senior debts securities:					
- Within one year		**2,509,957**	2,093,811	**3,111,433**	2,586,600
- One year to three years		**1,974,725**	563,404	**-**	350,000
- Three years to five years		**1,183,187**	1,819,942	**-**	-
- Over five years		**17,483**	69,668	**-**	-
		5,685,352	4,546,825	**3,111,433**	2,936,600

26 BORROWINGS AND SENIOR DEBT SECURITIES (CONTINUED)

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

(a) Revolving credits

(i) HKD revolving credits

The secured HKD revolving credit facilities of the Group bears interest at rates ranging from 1.55% to 1.65% (2013: 1.54%) per annum.

(ii) RM revolving credits

The unsecured RM revolving credit facilities of the Group and the Company bear interest at rates ranging from 4.25% to 4.40% (2013: 3.30% to 4.40%) and 3.97% to 4.40% (2013: 3.30% to 4.40%) per annum respectively.

(iii) USD revolving credits

The unsecured USD revolving credit facilities of the Group bears interest at 3.49% (2013: Nil) per annum.

(b) Term loans

(i) RM term loans

The Group and the Company have unsecured RM term loans which bear interest at rates ranging from 4.02% to 4.57% (2013: 3.95% to 4.20%) and 4.02% to 4.57% (2013: 3.95% to 4.20%) per annum respectively.

(ii) USD term loans

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

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

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

(iii) SGD term loans

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

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26 BORROWINGS AND SENIOR DEBT SECURITIES (CONTINUED)

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

(b) Term loans (Continued)

(iv) IDR term loans

The Group has unsecured IDR term loans which bears interest at 10.65% (2013: 10.60% to 11.50%) per annum.

(v) JPY term loans

The Group has unsecured JPY term loans which bears interest at 1.36% (2013: Nil) per annum.

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

The Company has issued the following Medium Term Notes under the CP/MTN Programme and these are still outstanding as at 31 December 2014:

Issuance date	Nominal value RM'million	Maturity date	Coupon rate (per annum)	
			2014	2013
30 December 2010	350	31 December 2015	**4.80%**	4.80%
8 November 2012	250	7 May 2015	**4.15%**	3.60%

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

(d) 3.25% USD300 million and USD200 million Senior Debts Securities 2012/2017

The amount of senior unsecured Medium Term Notes issued by RHB Bank under the USD500 million Euro Medium Term Notes ("EMTN") Programme are as follows:

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

(e) 3.088% USD300 million Senior Debts Securities 2014/2019

During the financial year, RHB Bank issued USD300 million senior unsecured notes under a RM5.0 billion (or its equivalent in other currencies) Euro Medium Term Note Programme:

Issuance date	Tranche	Principal USD'million	Maturity date	Interest rate	Interest payment
3 October 2014	I	300	3 October 2019	3.088% per annum	Accrued and payable semi-annually in arrears

27 SUBORDINATED OBLIGATIONS

	Note	Group 2014 RM'000	Group 2013 RM'000
5.50% RM700 million Tier II Subordinated Notes 2007/2022	(a)	**703,586**	703,481
5.00% RM700 million Tier II Subordinated Notes 2010/2020	(b)	**706,137**	706,137
5.60% RM300 million Tier II Subordinated Notes 2010/2025	(b)	**302,946**	302,946
4.25% RM250 million Tier II Subordinated Notes 2011/2021	(c)	**251,276**	251,003
4.30% RM750 million Tier II Subordinated Notes 2012/2022	(d)	**754,367**	754,171
4.40% RM1,300 million Tier II Subordinated Notes 2012/2022	(d)	**1,304,537**	1,304,131
4.40% RM245 million Tier II Subordinated Notes 2012/2022	(e)	**245,650**	245,659
7.25% RM125 million Tier II Subordinated Notes 2010/2020	(f)	**127,135**	131,536
7.15% RM75 million Tier II Subordinated Notes 2010/2020	(g)	**75,543**	78,342
5.20% RM100 million Tier II Subordinated Notes 2011/2021	(h)	**101,112**	103,561
4.95% RM500 million Tier II Subordinated Sukuk Murabahah 2014/2024	(i)	**503,051**	-
4.99% RM1.0 billion Tier II Subordinated Notes 2014/2024	(j)	**1,024,062**	-
		6,099,402	4,580,967

The subordinated obligations comprise of unsecured liabilities of its commercial bank, investment bank and islamic bank subsidiaries and are subordinated to the senior indebtedness in accordance with their respective terms and conditions of issuance and qualify as Tier II capital as disclosed in Note 49 for the purpose of determining the capital adequacy ratios of the respective subsidiaries.

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

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

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

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

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27 SUBORDINATED OBLIGATIONS (CONTINUED)

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

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

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

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

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

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

27 SUBORDINATED OBLIGATIONS (CONTINUED)

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

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

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

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

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

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

(f) 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% 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.

(g) 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% 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.

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

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

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27 SUBORDINATED OBLIGATIONS (CONTINUED)

(i) 4.95% RM500 million Subordinated Sukuk Murabahah 2014/2024

On 15 May 2014, RHB Islamic Bank issued RM500 million nominal value of Subordinated Sukuk Murabahah under a RM1 billion Subordinated Sukuk Programme.

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

(j) 4.99% RM1.0 billion Tier II Subordinated Notes 2014/2024

On 8 July 2014, RHB Bank issued RM1.0 billion nominal value of Subordinated Notes, being the remaining balance of the issuance of RM3 billion in nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme.

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

28 HYBRID TIER-1 CAPITAL SECURITIES

	Group	
	2014 RM'000	**2013 RM'000**
RM370 million Hybrid Tier-1 Capital Securities	**368,107**	375,577
RM230 million Hybrid Tier-1 Capital Securities	**233,408**	225,624
	601,515	601,201

Issuance date	Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
31 March 2009	I	370	31 March 2039 (callable with step-up in 2019)	8.00% per annum to 2019, thereafter at 9.00% per annum if not called	Accrued and payable semi-annually in arrears
17 December 2009	II	230	16 December 2039 (callable with step-up in 2019)	6.75% per annum to 2019, thereafter at 7.75% per annum if not called	Accrued and payable semi-annually in arrears

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29 SHARE CAPITAL

	Note	Group and Company	
		2014 RM'000	**2013 RM'000**
Ordinary shares of RM1.00 each			
Authorised:			
Balance as at the beginning/end of the financial year		**5,000,000**	5,000,000
Issued and fully paid:			
Balance as at the beginning of the financial year		**2,546,910**	2,494,208
Shares issued under DRP:			
- Issued on 23 July 2014	(i)	**25,547**	-
- Issued on 1 August 2013	(ii)	**-**	37,166
- Issued on 13 November 2013	(iii)	**-**	15,536
Balance as at the end of the financial year		**2,572,457**	2,546,910

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

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

(i) During the financial year, the Company increased its issued and paid up share capital from RM2,546,909,962 to RM2,572,456,783 via the issuance of 25,546,821 new ordinary shares of RM1.00 each arising from the DRP relating to the single-tier final dividend of 10.30% in respect of the financial year ended 31 December 2013.

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
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30 RESERVES

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Retained profits	(a)	**6,939,829**	5,563,177	**415,461**	646,471
Share premium		**5,053,063**	4,888,541	**5,053,063**	4,888,541
Statutory reserve	(b)	**3,817,799**	3,577,647	**-**	-
AFS reserves	(c)	**191,619**	122,389	**-**	-
Translation reserves	(d)	**191,334**	12,211	**-**	-
Other reserves		**28,196**	28,196	**-**	-
		16,221,840	14,192,161	**5,468,524**	5,535,012

(a) Pursuant to the Finance Act, 2007 which was gazetted on 28 November 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Company, but are exempted from tax to the shareholders ("single-tier system").

As at 31 December 2014, the Company has sufficient tax exempt account balances to pay tax exempt dividends out of its retained earnings.

(b) Statutory reserve represents non-distributable profits held by:

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

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

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

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

The statutory reserve funds are not distributable as cash dividends.

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

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

NOTES TO THE FINANCIAL STATEMENTS
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31 NON-CONTROLLING INTERESTS ("NCI")

	Group	
	2014 RM'000	**2013 RM'000**
Balance as at the beginning of the financial year	**203,656**	223,265
Share of profit during the financial year	**25,464**	12,348
Exchange differences	**2,205**	4,750
Share of AFS reserves during the financial year, net of tax	**(12,440)**	5,554
Actuarial gain on defined benefit plan of subsidiaries, net of tax	**11**	-
Dividends paid	**(993)**	(10,442)
Acquisition of a subsidiary	**51,044**	-
Dilution of interest in subsidiaries	**21,389**	-
Acquisition of additional interests by NCI	**-**	431
Acquisition of additional interests from NCI	**(190,547)**	(32,250)
Balance as at the end of the financial year	**99,789**	203,656

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

(i) Summarised statements of financial position

	RHB OSK Rupiah Liquid Fund 2014 RM'000
Assets	
Cash and cash equivalents	**137**
Deposits and placements with banks and other financial institution	**101,589**
Financial assets HFT	**73,477**
Financial investments AFS	**705**
Other assets	**35**
Total assets	**175,943**
Liabilities	
Other liabilities	**62**
Total liabilities	**62**
Net assets	**175,881**
Accumulated NCI	**77,757**

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

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

(ii) Summarised income statements

	RHB OSK Rupiah Liquid Fund 1 July 2014 (date of acquisition) to 31 December 2014 RM'000
Interest income	6,356
Interest expense	-
Net interest income	6,356
Other operating income	127
Net income	6,483
Other operating expenses	(832)
Profit before taxation	5,651
Taxation	-
Net profit for the financial year	5,651

(iii) Summarised statements of cash flows

	RHB OSK Rupiah Liquid Fund 1 July 2014 (date of acquisition) to 31 December 2014 RM'000
Cash flows from operating activities	
Profit before taxation	5,651
Interest received	(1,972)
Net loss from disposal of financial assets HFT	44
Unrealised gain on financial assets HFT	(171)
Operating profit before working capital changes	3,552
Changes in operating assets/liabilities	(24,865)
Net cash used in operating activities	(21,313)
Net cash used in financing activities	(466)
Net cash from investing activities	21,856
Net increase in cash and cash equivalents	77
Effects of exchange rate differences	(46)
Cash and cash equivalents:	
- at the date of acquisition	106
- at the end of the financial year	137

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32 INTEREST INCOME

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Loans and advances	**5,863,498**	5,406,913	**-**	-
Money at call and deposits and placements with banks and other financial institutions	**222,062**	311,545	**559**	1,605
Securities purchased under resale agreements	**268**	3,891	**-**	-
Financial assets HFT	**48,449**	41,821	**-**	-
Financial investments AFS	**572,043**	462,231	**-**	-
Financial investments HTM	**746,599**	662,494	**-**	-
Others	**16,780**	12,023	**6,135**	401
	7,469,699	6,900,918	**6,694**	2,006
Of which:				
Interest income accrued on impaired financial assets	**167,849**	171,591	**-**	-

33 INTEREST EXPENSE

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Deposits and placements of banks and other financial institutions	**430,515**	294,271	**-**	-
Deposits from customers	**3,186,110**	2,792,028	**-**	-
Borrowings and senior debt securities	**167,888**	184,261	**128,154**	130,883
Subordinated obligations	**235,886**	212,684	**-**	-
Hybrid Tier-1 Capital Securities	**45,102**	45,078	**-**	-
Recourse obligation on loans sold to Cagamas	**46,418**	43,130	**-**	-
Others	**66,448**	54,980	**-**	-
	4,178,367	3,626,432	**128,154**	130,883

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34 OTHER OPERATING INCOME

	Note	Group		Company	
		2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Fee income					
Service charges and fees		**235,220**	281,671	**-**	-
Commission		**169,780**	150,461	**-**	-
Guarantee fees		**66,636**	48,707	**-**	-
Commitment fees		**56,381**	48,944	**-**	-
Net brokerage income		**362,875**	371,695	**-**	-
Fund management fees		**114,532**	97,310	**-**	-
Unit trust fee income		**45,849**	80,834	**-**	-
Corporate advisory fees		**161,611**	35,161	**-**	-
Underwriting and arrangement fees		**105,628**	131,512	**-**	-
Other fee income		**135,319**	87,283	**-**	-
		1,453,831	1,333,578	**-**	-
Net gain/(loss) arising from financial assets HFT					
- Net gain on disposal		**62,558**	27,415	**-**	-
- Unrealised net (loss)/gain on revaluation		**(30,775)**	8,130	**-**	-
- Gross dividend income		**8,526**	6,670	**-**	-
		40,309	42,215	**-**	-
Net gain on revaluation of derivatives		**6,982**	18,713	**-**	-
Net gain on fair value hedges	11	**2,374**	692	**-**	-
Net gain arising from financial investments AFS					
- Net gain on disposal		**50,851**	106,360	**-**	-
- Gross dividend income		**26,926**	21,890	**-**	-
		77,777	128,250	**-**	-
Net gain arising from financial investments HTM					
- Net gain on early redemption/disposal		**12,782**	10,658	**-**	-
Gross dividend income from subsidiaries		**-**	-	**206,956**	473,149

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

34 OTHER OPERATING INCOME (CONTINUED)

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Other income					
Net foreign exchange gain/(loss):					
- Realised		**325,069**	219,623	**(27,864)**	-
- Unrealised		**37,055**	113,459	**-**	(506)
Insurance underwriting surplus before management expenses		**144,223**	98,904	**-**	-
Net gain on disposal of property, plant and equipment		**17,686**	316	**-**	2
Rental income		**1,489**	3,712	**-**	-
Net loss on disposal of a subsidiary		**(247)**	-	**-**	-
Net gain on disposal of an associate	52(c)/52(l)	**8,202**	8,737	**-**	-
Other operating income		**76,434**	67,908	**-**	-
Other non-operating income		**7,430**	38,640	**-**	29,679
		617,341	551,299	**(27,864)**	29,175
		2,211,396	2,085,405	**179,092**	502,324

35 NET INCOME FROM ISLAMIC BANKING BUSINESS

	Group 2014 RM'000	Group 2013 RM'000
Income derived from investment of depositors' funds	**1,325,425**	1,108,231
Income derived from investment of shareholders' funds	**130,232**	118,967
	1,455,657	1,227,198
Income attributable to depositors	**(723,506)**	(636,326)
	732,151	590,872
Of which:		
Financing income earned on impaired financing and advances	**13,995**	16,971

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

36 OTHER OPERATING EXPENSES

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Personnel costs				
Salaries, bonuses, wages and allowances	**1,627,368**	1,393,200	**11,652**	17,111
Defined contribution plan	**223,598**	196,681	**1,649**	2,695
Other staff related costs	**176,604**	144,343	**239**	1,664
	2,027,570	1,734,224	**13,540**	21,470
Establishment costs				
Property, plant and equipment:				
- Depreciation	**115,282**	113,475	**216**	247
- Written off	**403**	459	**-**	-
Intangible assets:				
- Amortisation	**67,720**	56,133	**-**	-
- Written off	**99**	219	**-**	-
Information technology expenses	**159,349**	145,116	**5**	10
Repair and maintenance	**37,780**	40,843	**82**	150
Security and escorting charges	**52,031**	46,579	**10**	44
Rental of premises	**144,911**	136,990	**279**	1,160
Water and electricity	**38,183**	33,436	**58**	100
Rental of equipment	**11,501**	10,994	**-**	8
Insurance	**23,458**	19,717	**-**	1
Others	**15,757**	15,678	**-**	-
	666,474	619,639	**650**	1,720
Marketing expenses				
Sales commission	**139,243**	118,934	**-**	-
Advertisements and publicity	**83,687**	98,675	**1,239**	1,717
Others	**133,374**	133,484	**120**	276
	356,304	351,093	**1,359**	1,993

36 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Administration and general expenses				
Auditors' remuneration				
(i) Audit:				
Statutory audit:				
- Malaysia	**2,763**	2,676	**190**	190
- Overseas	**1,899**	1,731	**-**	-
Limited review	**430**	455	**-**	-
Other audit related	**300**	520	**-**	-
(ii) Non-audit:				
- Malaysia	**1,232**	1,325	**624**	27
Communication expenses	**153,874**	158,365	**156**	247
Legal and professional fees	**62,153**	40,304	**10,257**	23,102
Others	**138,169**	141,829	**1,376**	2,742
	360,820	347,205	**12,603**	26,308
	3,411,168	3,052,161	**28,152**	51,491

Included in the personnel costs of the Group are the Group Managing Director's remuneration (excluding estimated monetary value of benefits-in-kind) totaling RM6,093,000 (2013: RM3,173,000) as disclosed in Note 37.

Included in the administration and general expenses of the Group and Company are other Directors' remuneration (excluding estimated monetary value of benefits-in-kind) totaling RM3,525,000 (2013: RM3,352,000) and RM1,370,000 (2013: RM1,392,000) respectively as disclosed in Note 37.

37 DIRECTORS' REMUNERATION

	Group and Company			
	Salary and other remuneration, including meeting allowance RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
2014				
Group Managing Director				
Kellee Kam Chee Khiong	**2,343**	**36**	**3,750**	**6,129**
2013				
Group Managing Director				
Kellee Kam Chee Khiong	1,553	36	1,620	3,209

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37 DIRECTORS' REMUNERATION (CONTINUED)

	Group				Company			
	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others* RM'000	Total RM'000	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others* RM'000	Total RM'000
2014								
Non-Executive Directors								
Dato' Mohamed Khadar Merican	**493**	**31**	**215**	**739**	**180**	**31**	**37**	**248**
Tan Sri Azlan Zainol	**458**	**31**	**57**	**546**	**150**	**-**	**26**	**176**
Datuk Haji Faisal Siraj	**470**	**-**	**232**	**702**	**150**	**-**	**62**	**212**
Dato' Teo Chiang Liang	**270**	**-**	**116**	**386**	**150**	**-**	**62**	**212**
Datuk Seri Saw Choo Boon	**320**	**-**	**227**	**547**	**150**	**-**	**100**	**250**
Dato' Nik Mohamed Din Datuk Nik Yusoff	**311**	**-**	**28**	**339**	**150**	**-**	**23**	**173**
Mohamed Ali Ismaeil Ali AlFahim	**273**	**-**	**42**	**315**	**97**	**-**	**20**	**117**
Datuk Wira Jalilah Baba	**12**	**-**	**1**	**13**	**12**	**-**	**1**	**13**
	2,607	**62**	**918**	**3,587**	**1,039**	**31**	**331**	**1,401**
2013								
Non-Executive Directors								
Dato' Mohamed Khadar Merican	473	31	218	722	180	31	35	246
Tan Sri Azlan Zainol	476	31	57	564	150	-	21	171
Datuk Haji Faisal Siraj	425	-	193	618	150	-	55	205
Dato' Teo Chiang Liang	270	-	118	388	150	-	54	204
Datuk Seri Saw Choo Boon	273	-	238	511	150	-	101	251
Datuk Wira Jalilah Baba	150	-	26	176	150	-	26	176
Dato' Nik Mohamed Din Datuk Nik Yusoff	413	-	22	435	150	-	20	170
	2,480	62	872	3,414	1,080	31	312	1,423

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

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

38 ALLOWANCE FOR IMPAIRMENT ON LOANS, FINANCING AND OTHER LOSSES

	Group	
	2014 RM'000	2013 RM'000
Allowance for impaired loans and financing:		
- Individual impairment allowance (written back)/made	**(27,937)**	297,254
- Collective impairment allowance made	**405,898**	194,069
Impaired loans and financing recovered	**(377,039)**	(330,608)
Bad debts written off	**204,425**	256,832
Allowance made for impairment on other debtors	**895**	30,414
	206,242	447,961

39 IMPAIRMENT LOSSES WRITTEN BACK ON OTHER ASSETS

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Charge for the financial year:				
- Financial investments AFS	**15,601**	24,516	**-**	-
- Financial investments HTM	**2,817**	-	**-**	-
- Property, plant and equipment	**169**	-	**-**	-
- Intangible assets	**3,321**	-	**-**	-
- Foreclosed properties	**-**	275	**-**	-
- Investments in subsidiaries	**-**	-	**2,717**	-
	21,908	24,791	**2,717**	-
Reversal for the financial year:				
- Financial investments AFS	**(124,229)**	(11,496)	**-**	-
- Financial investments HTM	**(13,567)**	(31,465)	**-**	-
- Foreclosed properties	**-**	(355)	**-**	-
- Property, plant and equipment	**(1,421)**	(379)	**-**	-
- Waiver of intercompany balances	**-**	-	**(5,545)**	-
	(139,217)	(43,695)	**(5,545)**	-
	(117,309)	(18,904)	**(2,828)**	-

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

40 TAXATION

	Note	Group 2014 RM'000	Group 2013 RM'000	Company 2014 RM'000	Company 2013 RM'000
Income tax based on profit for the financial year:					
- Malaysian income tax		**680,961**	622,864	**61**	15,133
- Overseas tax		**34,937**	9,839	**-**	-
Deferred tax	14	**(21,919)**	3,480	**1,201**	(159)
		693,979	636,183	**1,262**	14,974
(Over)/under provision in respect of prior financial years		**(22,390)**	(8,954)	**(276)**	324
		671,589	627,229	**986**	15,298

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

	Group 2014 %	Group 2013 %	Company 2014 %	Company 2013 %
Tax at Malaysian statutory tax rate	**25.0**	25.0	**25.0**	25.0
Tax effects in respect of:				
Effects of different tax rate in Labuan/other countries	**(0.6)**	(0.2)	**-**	-
Non-taxable income	**(1.4)**	(0.8)	**(160.3)**	(27.3)
Non-allowable expenses	**2.4**	1.9	**139.2**	7.0
Utilisation of unabsorbed business losses previously not recognised	**-**	(0.1)	**-**	-
(Over)/under provision in respect of prior financial years	**(0.8)**	(0.4)	**(0.9)**	0.1
	24.6	25.4	**3.0**	4.8

	Group 2014 RM'000	Group 2013 RM'000
Tax savings as a result of the utilisation of tax losses brought forward from previous years from which the related credit is recognised during the financial year	**-**	31

41 EARNINGS PER SHARE ("EPS")

(a) Basic earnings per share

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

	Group	
	2014 RM'000	2013 RM'000
Net profit attributable to equity holders	**2,038,000**	1,831,190
Weighted average number of ordinary shares in issue ('000)	**2,558,249**	2,511,873
Basic EPS (sen)	**79.7**	72.9

(b) Diluted earnings per share

The diluted EPS of the Group is calculated by dividing the net profit attributable to equity holders of the Company for the financial year ended 31 December 2014 by the weighted average number of ordinary shares in issue and adjusted for the number of shares that could have been issued under the approved DRP scheme of the Company.

In the diluted EPS calculation, it has been assumed that 100% of the electable portion of the declared interim dividend payment under the DRP will be exercised into new ordinary shares of RM1.00 each in the Company. The new shares will be issued at an assumed price which is equivalent to the 5-day volume weighted average price of the Company's shares as at 31 December 2014 after applying a discount of not more than 10%. These calculations serve to determine the number of dilutive shares to be added to the weighted average ordinary shares in issue for the purpose of computing the dilution. No adjustment has been made to the net profit attributable to the equity holders of the Company for the financial year ended 31 December 2014.

The dilution effect on the basic EPS arising from the DRP is immaterial. As a result, the diluted EPS is equal to the basic EPS for the financial year ended 31 December 2014.

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

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

	Group		
	Before tax RM'000	Tax benefits RM'000	Net of tax RM'000
2014			
Financial investments AFS			
- Fair value gain on revaluation, net of transfer to income statements	**72,046**	**(15,256)**	**56,790**
Actuarial gain on defined benefit plan in subsidiary companies	**1,290**	**(322)**	**968**
	73,336	**(15,578)**	**57,758**
2013			
Financial investments AFS			
- Fair value loss on revaluation, net of transfer to income statements	(142,696)	36,302	(106,394)

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43 ORDINARY DIVIDENDS

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

	Group and Company			
	2014		2013	
	Dividend per share %	Total dividend RM'000	Dividend per share %	Total dividend RM'000
Ordinary shares:				
Interim dividend - 2014/2013	**6.00%**	**154,347**	6.00%	151,882
Proposed final dividend - 2013	**-**	**-**	10.30%	262,332
	6.00%	**154,347**	16.30%	414,214

The Directors have declared a single-tier interim dividend of 6.00% amounting to RM154,347,000 in respect of the financial year ended 31 December 2014. The interim dividend was approved by the Board of Directors on 29 January 2015.

Subject to the relevant regulatory approvals being obtained, the Board of Directors, in its absolute discretion, recommends that the shareholders of the Company be given an option to elect to reinvest the entire declared single-tier interim dividend into new ordinary shares of RM1.00 each in the Company in accordance with the approved DRP scheme of the Company.

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

The Directors do not proposed any final dividend for the financial year ended 31 December 2014.

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

	Group and Company			
	2014		2013	
	Dividend per share %	Amount of dividends, single-tier RM'000	Dividend per share %	Amount of dividends, single-tier RM'000
Ordinary shares				
Interim dividend - 2013	**-**	**-**	6.00%	151,882
Final dividend - 2013/2012	**10.30%**	**262,332**	16.09%	401,318
	10.30%	**262,332**	22.09%	553,200

44 COMMITMENTS AND CONTINGENCIES

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

The commitments and contingencies comprise the following:

	2014			2013		
Group	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes#	**2,659,088**	**2,628,097**	**1,656,364**	3,738,396	3,705,381	2,144,445
Transaction-related contingent items#	**4,829,166**	**2,388,120**	**1,308,323**	3,035,866	1,524,593	995,458
Short term self-liquidating trade-related contingencies	**1,822,569**	**362,511**	**177,431**	1,567,318	311,555	175,489
Obligations under underwriting agreements	**-**	**-**	**-**	343,648	171,824	123,356
Lending of banking subsidiaries' securities or the posting of securities as collateral by banking subsidiaries, including instances where these arise out of repo-style transactions	**517,610**	**517,610**	**27,897**	-	-	-
Irrevocable commitments to extend credit:						
- Maturity not exceeding one year	**2,701,468**	**399,169**	**144,743**	12,283,581	6,181,439	4,611,026
- Maturity exceeding one year	**30,652,168**	**14,280,346**	**9,878,218**	27,221,111	14,566,561	10,421,885
Foreign exchange-related contracts^:						
- Less than one year	**28,493,237**	**922,273**	**556,942**	11,477,071	257,638	199,534
- One year to less than five years	**11,522,508**	**1,679,778**	**760,665**	8,496,637	1,259,794	461,462
- More than five years	**469,108**	**596,943**	**444,525**	-	-	-
Equity related contracts^:						
- Less than one year	**15,508**	**5,844**	**5,844**	-	-	-
Interest rate-related contracts^:						
- Less than one year	**5,959,805**	**14,442**	**4,211**	4,780,460	10,730	4,364
- One year to less than five years	**27,736,220**	**814,933**	**281,190**	21,957,869	674,566	265,257
- More than five years	**987,920**	**73,660**	**34,400**	1,475,893	103,342	38,207
Any commitments that are unconditionally cancelled at any time by the banking subsidiaries without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**15,137,896**	**605,393**	**240,215**	3,854,405	640,656	249,790
	133,504,271	**25,289,119**	**15,520,968**	100,232,255	29,408,079	19,690,273

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

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

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

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44 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

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

(ii) Its Islamic banking subsidiary, which is computed in accordance with BNM's Capital Adequacy Framework for Islamic Banks ("CAFIB"): Standardised Approach for Credit and Market Risk and Basic Indicator Approach for Operational Risk ("Basel II"); and

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

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

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

	Group	
	2014 RM'000	**2013 RM'000**
Corporate guarantee in favour of client's trading facilities granted by a subsidiary	**68,000**	68,000

	Company	
	2014 RM'000	**2013 RM'000**
Corporate guarantee provided to licensed banks for credit facilities granted to subsidiaries	**214,243**	327,742
Corporate guarantee in favour of client's trading facilities granted by a subsidiary	**68,000**	68,000
Letter of undertaking in favour of Monetary Authority of Singapore provided for a subsidiary	**132,315**	129,680
	414,558	525,422

45 NON-CANCELLABLE OPERATING LEASE COMMITMENTS

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

	Group	
	2014 RM'000	**2013 RM'000**
Rental of premises:		
- Within one year	**82,162**	63,200
- Between one to five years	**69,377**	72,208
- More than five years	**97**	1,207
	151,636	136,615

NOTES TO THE FINANCIAL STATEMENTS
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46 CAPITAL COMMITMENTS

	Note	Group 2014 RM'000	Group 2013 RM'000
Capital expenditure for property, plant and equipment:			
- Authorised and contracted for		**109,535**	53,052
- Authorised but not contracted for		**202,131**	216,435
		311,666	269,487
Proposed acquisition of PT Bank Mestika Dharma	52(a)	**-**	538,620
		311,666	808,107

47 RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

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

Related parties	Relationship
Employees Provident Fund ("EPF")	Substantial shareholder, a fund body that is significantly influenced by the government
Subsidiaries, associates and joint ventures of EPF as disclosed in its financial statements	Reporting entities that EPF has control or significant influence
Subsidiaries of the Company as disclosed in Note 15	Subsidiaries
Key management personnel	The key management personnel of the Group and the Company consists of: - All Directors of the Company and its key subsidiaries; and - Member of the Group Management Committee ("GMC")
Related parties of key management personnel (deemed as related to the Company)	(i) Close family members and dependents of key management personnel; and
	(ii) Entities that are controlled, jointly controlled or significantly influenced by, or for which voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

(b) Significant related party balances and transactions

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

In addition to related party disclosures mentioned in Note 12, set out below are other significant related party transactions and balances.

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

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2014

47 RELATED PARTY TRANSACTIONS (CONTINUED)

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

Group	2014 Key management personnel RM'000	2014 EPF and EPF Group of companies RM'000	2013 Key management personnel RM'000	2013 EPF and EPF Group of companies RM'000
Income				
Interest on loans, advances and financing	**220**	**50,691**	190	77,658
Fees on loans, advances and financing	**4**	**11,598**	2	996
Insurance premium	**33**	**-**	205	9,064
Brokerage fees	**-**	**18,024**	-	20,831
Other income	**-**	**14,964**	-	7,064
	257	**95,277**	397	115,613
Expenses				
Interest on deposits from customers	**1,264**	**12,734**	578	21,011
Other expenses	**38**	**-**	189	-
Rental of premises	**11,038**	**-**	11,237	-
	12,340	**12,734**	12,004	21,011
Amounts due from				
Loans, advances and financing	**8,776**	**1,280,989**	4,669	1,892,280
Clients' and brokers' balances	**-**	**54,400**	-	-
Financial assets HFT	**-**	**-**	-	140,345
Financial investments AFS	**-**	**145,631**	-	35,800
Other assets	**-**	**1,142**	3,088	4,754
	8,776	**1,482,162**	7,757	2,073,179
Amounts due to				
Deposits from customers	**73,295**	**972,843**	85,024	2,753,978
Clients' and brokers' balances	**9,073**	**103,825**	-	4,238
Other liabilities	**-**	**-**	3	-
	82,368	**1,076,668**	85,027	2,758,216

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

47 RELATED PARTY TRANSACTIONS (CONTINUED)

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

	Subsidiary companies	
Company	2014 RM'000	2013 RM'000
Income		
Interest on deposits and placements with other financial institutions	**520**	1,572
Waiver of intercompany balances	**5,545**	-
Other income	**-**	401
	6,065	1,973
Expenses		
Interest on borrowings	**36,977**	12,772
Rental of premises	**179**	1,056
Legal and professional fees	**2,691**	5,793
Security and escorting charges	**10**	44
Personnel costs	**15**	44
Other expenses	**17**	633
	39,889	20,342
Amounts due from		
Cash and short term funds	**24,940**	16,973
Intercompany balances	**93**	800
	25,033	17,773
Amounts due to		
Intercompany balances	**1,799**	8,960
Borrowings	**1,055,505**	745,642
	1,057,304	754,602

47 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel

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

	Group		Company	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Short term employee benefits:				
- Fees	**2,607**	2,480	**1,039**	1,080
- Salary and other remuneration	**26,094**	39,956	**6,564**	3,689
- Contribution to EPF	**3,886**	4,626	**1,111**	595
- Benefits-in-kind	**213**	918	**67**	36
	32,800	47,980	**8,781**	5,400

The above includes Directors' remuneration as disclosed in Note 37.

	Group	
	2014 RM'000	2013 RM'000
Approved limit on loans, advances and financing for key management personnel	**27,722**	24,874

48 SEGMENT REPORTING

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

In line with the Group's internal management reporting framework and re-alignment of the Group's management structure, the operations of Islamic Banking Business is now under the purview and responsibility of Corporate and Investment Banking ("CIB"), Retail Banking and Business Banking segment. Thus, the operating results and financial position of such businesses are now reported under CIB, Retail Banking and Business Banking segment respectively. Previously, it was reported under Islamic Banking Business segment.

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

48 SEGMENT REPORTING (CONTINUED)

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

(a) CIB

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

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

This segment also offers stockbroking and investment banking products and services to the Group's regional customers in Singapore, Hong Kong, Indonesia and Thailand.

(b) Retail Banking

Retail Banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgages, non-residential mortgages, hire purchase, purchase of securities, credit cards and other personal loans and financing), remittances, deposits collection and investment related products.

(c) Business Banking

Business Banking caters for funding needs as well as deposit collection from small and medium sized enterprises and wholesale clients.

(d) Group Treasury

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

(e) Group International Business

Group International Business primarily focuses on providing commercial banking related products and services tailored to the specific needs of the customers in foreign countries in which the Group has operations. The Group currently has foreign presences in Singapore, Thailand, Brunei, Cambodia and Lao.

(f) Support Center and Others

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

The business segment results are prepared based on the Group's internal management reporting, which reflects the organisation's management reporting structure. Internal allocation of costs, for example, back office support, centralised cost, funding centre and the application of transfer pricing, where appropriate, has been used in preparing the segmental reporting.

During the financial year, no one group of related customers accounted for more than 10% of the Group's revenue.

NOTES TO THE FINANCIAL STATEMENTS
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48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis

	CIB RM'000	Retail Banking RM'000	Business Banking RM'000	Group Treasury RM'000	Group International Business RM'000	Support Centre and Others RM'000	Inter-Segment Elimination RM'000	Total RM'000
2014								
External revenue	2,021,112	2,544,795	900,937	580,384	422,536	(234,885)	-	6,234,879
Inter-segment revenue	32,300	21,078	35	49,618	4,570	38,241	(145,842)	-
Segment revenue	2,053,412	2,565,873	900,972	630,002	427,106	(196,644)	(145,842)	6,234,879
Other operating expenses	(1,150,539)	(1,359,881)	(437,530)	(163,242)	(304,218)	(141,600)	145,842	(3,411,168)
Including:								
Depreciation of property, plant and equipment	(23,802)	(64,194)	(6,596)	(2,725)	(8,953)	(9,012)	-	(115,282)
Amortisation of intangible assets	(25,280)	(24,920)	(9,285)	(5,017)	(3,218)	-	-	(67,720)
Allowance for impairment on loans, financing and other losses	235,519	(348,107)	(58,633)	(237)	(18,571)	(16,213)	-	(206,242)
Impairment losses written back/ (made) on other assets	127,850	-	623	(11,385)	1,373	(1,152)	-	117,309
	1,266,242	857,885	405,432	455,138	105,690	(355,609)	-	2,734,778
Share of results of associates								(105)
Share of results of joint ventures								380
Profit before taxation								2,735,053
Taxation								(671,589)
Net profit for the financial year								2,063,464

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

48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (Continued)

	CIB RM'000	Retail Banking RM'000	Business Banking RM'000	Group Treasury RM'000	Group International Business RM'000	Support Centre and Others RM'000	Total RM'000
2014							
Segment assets	52,942,278	68,038,286	18,890,063	54,416,309	22,755,613	937,114	217,979,663
Investments in associates and joint ventures							21,021
Tax recoverable							162,181
Deferred tax assets							38,465
Unallocated assets							1,153,106
Total assets							219,354,436
Segment liabilities	34,908,688	44,883,328	13,671,396	69,366,388	16,568,209	7,803,562	187,201,571
Tax liabilities							57,321
Deferred tax liabilities							53,041
Borrowings and senior debt securities							5,685,352
Subordinated obligations							6,099,402
Hybrid Tier-1 Capital Securities							601,515
Unallocated liabilities							762,148
Total liabilities							200,460,350
Other segment items:							
Capital expenditure	52,430	100,621	27,527	9,052	42,100	4,773	236,503

48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (Continued)

	CIB RM'000	Retail Banking RM'000	Business Banking RM'000	Group Treasury RM'000	Group International Business RM'000	Support Centre and Others RM'000	Inter-Segment Elimination RM'000	Total RM'000
2013								
External revenue	1,878,865	2,430,081	827,171	509,640	319,934	(14,928)	-	5,950,763
Inter-segment revenue	27,313	11,251	-	8,974	8,916	15,566	(72,020)	-
Segment revenue	1,906,178	2,441,332	827,171	518,614	328,850	638	(72,020)	5,950,763
Other operating expenses	(980,265)	(1,251,012)	(400,578)	(130,797)	(243,918)	(117,611)	72,020	(3,052,161)
Including:								
Depreciation of property, plant and equipment	(25,144)	(65,960)	(6,666)	(2,268)	(6,971)	(6,466)	-	(113,475)
Amortisation of intangible assets	(22,029)	(18,704)	(8,503)	(3,501)	(1,822)	(1,574)	-	(56,133)
Allowance for impairment on loans, financing and other losses	(146,144)	(211,482)	(21,549)	-	(18,262)	(50,524)	-	(447,961)
Impairment losses written back on other assets	18,096	79	26	324	379	-	-	18,904
	797,865	978,917	405,070	388,141	67,049	(167,497)	-	2,469,545
Share of results of associates								795
Share of results of joint ventures								427
Profit before taxation								2,470,767
Taxation								(627,229)
Net profit for the financial year								1,843,538

48 SEGMENT REPORTING (CONTINUED)

(a) Segment analysis (Continued)

	CIB RM'000	Retail Banking RM'000	Business Banking RM'000	Group Treasury RM'000	Group International Business RM'000	Support Centre and Others RM'000	Total RM'000
2013							
Segment assets	48,337,466	59,162,237	16,162,419	49,766,609	15,706,504	597,206	189,732,441
Investments in associates and joint ventures							20,949
Tax recoverable							148,677
Deferred tax assets							31,225
Unallocated assets							1,156,615
Total assets							191,089,907
Segment liabilities	30,492,105	41,530,299	11,897,733	60,555,759	12,536,052	5,559,402	162,571,350
Tax liabilities							29,767
Deferred tax liabilities							51,814
Borrowings and senior debt securities							4,546,825
Subordinated obligations							4,580,967
Hybrid Tier-1 Capital Securities							601,201
Unallocated liabilities							1,765,256
Total liabilities							174,147,180
Other segment items:							
Capital expenditure	19,425	84,500	14,319	11,651	21,185	2,380	153,460

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

48 SEGMENT REPORTING (CONTINUED)

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

	Revenue RM'000	Segment assets RM'000	Capital expenditure RM'000
2014			
Malaysia	**5,417,699**	**194,474,298**	**171,572**
Outside Malaysia	**817,180**	**24,880,138**	**64,931**
	6,234,879	**219,354,436**	**236,503**
2013			
Malaysia	5,305,263	172,304,312	132,275
Outside Malaysia	645,500	18,785,595	21,185
	5,950,763	191,089,907	153,460

49 CAPITAL ADEQUACY RATIO

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

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

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

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

49 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Bank@	
	2014 RM'000	2013 RM'000
Common Equity Tier I ("CET I")/Tier I Capital		
Paid-up ordinary share capital	**3,365,486**	3,318,085
Share premium	**136,162**	8,563
Retained profits	**6,860,657**	5,424,998
Other reserves	**3,589,300**	3,492,002
AFS reserves	**218,816**	179,873
	14,170,421	12,423,521
Less:		
Goodwill	**(905,519)**	(905,519)
Intangible assets (include associated deferred tax liabilities)	**(166,462)**	(109,845)
55% of cumulative gains of AFS financial instruments	**(120,349)**	(98,930)
Shortfall of eligible provisions to expected losses under the IRB approach	**(307,612)**	(280,768)
Investments in subsidiaries*	**(332,839)**	-
Other deductions#	**(29,667)**	(17,374)
Total CET I Capital	**12,307,973**	11,011,085
Hybrid Tier-1 Capital Securities**	**480,000**	540,000
Total Tier I Capital	**12,787,973**	11,551,085
Tier II Capital		
Subordinated obligations***	**3,200,000**	3,600,000
Subordinated obligations meeting all inclusion	**1,000,000**	-
Collective impairment allowance^	**258,406**	269,973
	4,458,406	3,869,973
Less:		
Investments in subsidiaries*	**(1,331,358)**	(1,539,997)
Total Tier II Capital	**3,127,048**	2,329,976
Total Capital	**15,915,021**	13,881,061

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

49 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Bank@	
	2014 %	2013 %
Capital ratios		
Before proposed dividends:		
CET I Capital Ratio	**11.678%**	11.103%
Tier I Capital Ratio	**12.133%**	11.647%
Total Capital Ratio	**15.100%**	13.997%
After proposed dividends:		
CET I Capital Ratio	**11.124%**	11.103%
Tier I Capital Ratio	**11.580%**	11.647%
Total Capital Ratio	**14.547%**	13.997%

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

* Investments in subsidiaries are subject to the gradual deduction in the calculation under CET I Capital effective from 1 January 2014 as prescribed under paragraph 36.15 of the BNM's Capital Adequacy Framework (Capital Components).

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

** Hybrid Tier-1 Capital Securities that are recognised as Tier I capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM's Capital Adequacy Framework (Capital Components).

*** Subordinated obligations that are recognised as Tier II capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM's Capital Adequacy Framework (Capital Components).

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

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

49 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Islamic Bank	
	2014 RM'000	2013 RM'000
CET I/Tier I Capital		
Paid-up ordinary share capital	**1,173,424**	1,173,424
Retained profits	**553,560**	441,401
Other reserves	**553,765**	441,609
AFS reserves	**(28,352)**	(29,302)
	2,252,397	2,027,132
Less:		
Net deferred tax assets	**(15,497)**	(17,281)
Intangible assets (include associated deferred tax liabilities)	**(1,119)**	(5,580)
Other deductions#	**(551)**	(92)
Total CET I Capital/Total Tier I Capital	**2,235,230**	2,004,179
Tier II Capital		
Collective impairment allowance^	**100,832**	81,059
Subordinated sukuk*	**500,000**	-
Total Tier II Capital	**600,832**	81,059
Total Capital	**2,836,062**	2,085,238
Capital ratios		
Before proposed dividends:		
CET I Capital Ratio	**12.875%**	13.864%
Tier I Capital Ratio	**12.875%**	13.864%
Total Capital Ratio	**16.336%**	14.424%
After proposed dividends:		
CET I Capital Ratio	**12.875%**	13.864%
Tier I Capital Ratio	**12.875%**	13.864%
Total Capital Ratio	**16.336%**	14.424%

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

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

* Qualify as Tier II capital as specified in the BNM's Capital Adequacy Framework for Islamic Bank (Capital Components).

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

49 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Investment Bank	
	2014 RM'000	2013 RM'000
CET I/Tier I Capital		
Paid-up ordinary share capital	**818,646**	818,646
Share premium	**1,515,150**	1,515,150
Retained profits	**290,106**	176,310
Other reserves	**406,544**	278,549
AFS reserves	**(11,933)**	(32,510)
	3,018,513	2,756,145
Less:		
Goodwill	**(1,118,418)**	(1,118,418)
Investments in subsidiaries*	**(283,162)**	-
Intangible assets (include associated deferred tax liabilities)	**(29,718)**	(42,967)
Securitisation exposure subject to deductions	**-**	(1,744)
Other deductions	**(234)**	(2,019)
Deferred tax assets	**(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/Total Tier I Capital	**981,124**	1,025,574
Tier II Capital		
Subordinated obligations**	**539,765**	545,000
Collective impairment allowance^	**10,916**	7,714
	550,681	552,714
Less:		
Investments in subsidiaries and associates*	**(550,681)**	(552,714)
Total Tier II Capital	**-**	-
Total Capital	**981,124**	1,025,574

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

49 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Investment Bank	
	2014 %	2013 %
Capital ratios		
Before proposed dividends:		
CET I Capital Ratio	**26.337%**	24.556%
Tier I Capital Ratio	**26.337%**	24.556%
Total Capital Ratio	**26.337%**	24.556%
After proposed dividends:		
CET I Capital Ratio	**26.337%**	24.556%
Tier I Capital Ratio	**26.337%**	24.556%
Total Capital Ratio	**26.337%**	24.556%

* Investments in subsidiaries are subject to the gradual deduction in the calculation under CET I Capital effective from 1 January 2014 as prescribed under paragraph 36.15 of the BNM's Capital Adequacy Framework (Capital Components).

\# 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).

** Subordinated obligations that are recognised as Tier II capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM's Capital Adequacy Framework (Capital Components).

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

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

	RHB Bank@ RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
2014			
Credit risk	**94,067,828**	**16,316,757**	**2,448,720**
Market risk	**3,369,497**	**124,357**	**284,376**
Operational risk	**7,957,062**	**918,886**	**992,064**
Total risk-weighted assets	**105,394,387**	**17,360,000**	**3,725,160**

49 CAPITAL ADEQUACY RATIO (CONTINUED)

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

	RHB Bank@ RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
2013			
Credit risk	88,598,853	13,511,201	2,518,192
Market risk	2,899,375	160,838	1,070,638
Operational risk	7,670,991	783,884	587,482
Total risk-weighted assets	99,169,219	14,455,923	4,176,312

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

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

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

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

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

	2014 %	2013 %
Before deducting proposed dividends:		
- Core capital ratio	**#**	#
- Solvency ratio	**17.042%**	18.987%
After deducting proposed dividends:		
- Core capital ratio	**#**	#
- Solvency ratio	**17.042%**	18.987%

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

No equivalent ratio in Cambodia.

NOTES TO THE FINANCIAL STATEMENTS
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50 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 generate profits consistently while sustaining competitive advantage, and is thus a central part of the financial and operational management of the Group.

The Group's Risk Management Framework governs the management of risks in the Group as follows:

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. An Islamic Risk Management Committee ("IRMC") has also been established to assist the Board of Directors of RHB Islamic Bank on issues relevant and unique to Islamic finance.

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

50 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)

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.

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 Group to manage capital constraints and shareholders' expectations. The risk appetite is a key component of the management of risks and describes the types and level of risk that the Group is 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.

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

RHB CAPITAL BERHAD

Liquidity risk

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

RHB CAPITAL BERHAD (CONTINUED)

Interest rate risk

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

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

Major Areas of Risk

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

(i) Market risk - the risk of loss arising from adverse movements in market indicators, such as interest/profit rate, credit spreads, equity prices, currency exchange rates and commodity prices.

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

(iii) Credit risk - the risk 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 banking subsidiaries direct lending/financing obligations, trade finance and its funding, investment and trading activities.

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

To mitigate the various business risks of the banking subsidiaries, 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 banking subsidiaries' financial market activities as well as to identify potential risk areas early in order to mitigate against any adverse effects arising from market volatility.

- The 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.

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Market Risk (Continued)

- The banking subsidiaries 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, VaR, trading and notional limit set in accordance with the size of positions and risk tolerance appetites.

- Periodic stress testing are applied to the banking subsidiaries to ascertain market risk under abnormal market conditions.

Liquidity Risk

- The Group ALCO plays a fundamental role in the asset and liability management of the banking subsidiaries, and establishes strategies to assist in controlling and reducing any potential exposures to liquidity risk.

- The liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.

- Limits on the minimum portion of maturing funds available to meet obligations and the minimum level of inter-bank and other borrowing facilities are set to ensure adequate cover for withdrawals arising from unexpected levels of demand.

- Defined liquidity management ratios are maintained and monitored.

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

- The Group has established a Liquidity Incident Management Master Plan to manage any potential adverse liquidity incidences, and which can be implemented on a timely basis so that appropriate actions can be taken to mitigate against any unexpected market developments.

Credit Risk

- The 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.

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

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

Credit Risk (Continued)

- The Group also ensures that internal processes and credit underwriting standards are adhered to before credit proposal are approved. All credit proposals are first evaluated by the originating business units before 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 Group's credit risk management, decision-making process and regulatory capital calculations. Client's accounts are reviewed at regular intervals and weakening credit are transferred to Loan Recovery for more effective management.

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

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

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

Operational Risk

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

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

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

- 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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category

	Group				
	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Total RM'000
2014					
ASSETS					
Cash and short term funds	16,236,908	-	-	-	16,236,908
Securities purchased under resale agreements	491,510	-	-	-	491,510
Deposits and placements with banks and other financial institutions	2,298,588	-	-	-	2,298,588
Financial assets HFT	-	2,930,681	-	-	2,930,681
Financial investments AFS	-	-	19,602,176	-	19,602,176
Financial investments HTM	-	-	-	20,469,831	20,469,831
Loans, advances and financing	140,693,003	-	-	-	140,693,003
Clients' and brokers' balances	1,525,147	-	-	-	1,525,147
Reinsurance assets	332,113	-	-	-	332,113
Other financial assets	1,412,627	-	-	-	1,412,627
Derivative assets	-	1,285,230	-	-	1,285,230
	162,989,896	4,215,911	19,602,176	20,469,831	207,277,814

	Group		
	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
2014			
LIABILITIES			
Deposits from customers	-	157,133,993	157,133,993
Deposits and placements of banks and other financial institutions	-	21,349,618	21,349,618
Obligations on securities sold under repurchase agreements	-	508,416	508,416
Obligations on securities borrowed	-	113,780	113,780
Bills and acceptances payables	-	614,031	614,031
Clients' and brokers' balances	-	1,214,065	1,214,065
General insurance contract liabilities	-	775,699	775,699
Other financial liabilities	-	1,320,618	1,320,618
Derivative liabilities	1,224,684	-	1,224,684
Recourse obligation on loans sold to Cagamas	-	3,315,335	3,315,335
Borrowings and senior debt securities	-	5,685,352	5,685,352
Subordinated obligations	-	6,099,402	6,099,402
Hybrid Tier-1 Capital Securities	-	601,515	601,515
	1,224,684	198,731,824	199,956,508

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category (Continued)

	Group				
	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Total RM'000
2013					
ASSETS					
Cash and short term funds	9,998,667	-	-	-	9,998,667
Securities purchased under resale agreements	217,475	-	-	-	217,475
Deposits and placements with banks and other financial institutions	2,773,314	-	-	-	2,773,314
Financial assets HFT	-	4,037,728	-	-	4,037,728
Financial investments AFS	-	-	16,930,513	-	16,930,513
Financial investments HTM	-	-	-	22,778,009	22,778,009
Loans, advances and financing	119,542,545	-	-	-	119,542,545
Clients' and brokers' balances	2,573,583	-	-	-	2,573,583
Reinsurance assets	260,952	-	-	-	260,952
Other financial assets	848,938	-	-	-	848,938
Derivative assets	-	459,033	-	-	459,033
	136,215,474	4,496,761	16,930,513	22,778,009	180,420,757

	Group		
	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
2013			
LIABILITIES			
Deposits from customers	-	137,741,241	137,741,241
Deposits and placements of banks and other financial institutions	-	16,998,355	16,998,355
Obligations on securities sold under repurchase agreements	-	566,621	566,621
Obligations on securities borrowed	-	31,734	31,734
Bills and acceptances payables	-	2,076,481	2,076,481
Clients' and brokers' balances	-	2,315,810	2,315,810
General insurance contract liabilities	-	662,211	662,211
Other financial liabilities	-	987,394	987,394
Derivative liabilities	348,063	-	348,063
Recourse obligation on loans sold to Cagamas	-	2,269,353	2,269,353
Borrowings and senior debt securities	-	4,546,825	4,546,825
Subordinated obligations	-	4,580,967	4,580,967
Hybrid Tier-1 Capital Securities	-	601,201	601,201
	348,063	173,378,193	173,726,256

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category (Continued)

	Company	
	Loans and receivables	
	2014 RM'000	2013 RM'000
Cash and short term funds	**24,940**	16,973
Deposits and placements with banks and other financial institutions	**1,017**	983
Amounts due from subsidiaries	**93**	800
Other financial assets	**2**	114,854
	26,052	133,610

	Company	
	Other financial liabilities at amortised cost	
	2014 RM'000	2013 RM'000
Other financial liabilities	**12,340**	6,244
Amounts due to subsidiaries	**1,799**	8,960
Borrowings	**3,111,433**	2,936,600
	3,125,572	2,951,804

(c) Market Risk

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

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

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (Continued)

(i) Interest/Profit rate sensitivity analysis

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

	2014		2013	
	Impact on profit after tax RM'000	Impact on equity RM'000	Impact on profit after tax RM'000	Impact on equity RM'000
Group				
+100 bps	**(61,796)**	**(484,742)**	(88,696)	(496,964)
–100 bps	**67,140**	**516,962**	93,986	530,880
Company				
+100 bps	**(18,127)**	**-**	(12,469)	-
–100 bps	**18,127**	**-**	12,469	-

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 AFS portfolio arising from the shift in the interest/profit rate.

(ii) Foreign currency sensitivity analysis

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

	Group
	Impact on profit after tax RM'000
2014	
+5%	**11,722**
–5%	**(11,722)**
2013	
+5%	18,698
–5%	(18,698)

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (Continued)

Interest/Profit rate risk

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

Group	Non-trading book							Trading book	Total
	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	RM'000	RM'000
2014									
ASSETS									
Cash and short term funds	13,154,083	-	-	-	-	-	3,082,825	-	16,236,908
Securities purchased under resale agreements	491,457	-	-	-	-	-	53	-	491,510
Deposits and placements with banks and other financial institutions	260,509	819,903	656,034	140,304	417,494	-	4,344	-	2,298,588
Financial assets HFT	-	-	-	-	-	-	-	2,930,681	2,930,681
Financial investments AFS	564,513	692,201	702,728	771,679	7,673,679	8,358,023	839,353	-	19,602,176
Financial investments HTM	1,485,251	602,811	1,458,320	683,485	4,369,623	11,794,045	76,296#	-	20,469,831
Loans, advances and financing									
- performing	94,312,072	14,856,357	3,288,538	969,155	6,686,885	19,158,664	295,282	-	139,566,953
- impaired	-	-	-	-	-	-	1,126,050*	-	1,126,050
Clients' and brokers' balances	36,327	-	-	-	-	-	1,488,820	-	1,525,147
Reinsurance assets	-	-	-	-	-	-	332,113	-	332,113
Other assets	1,157	12	67,341	2,281	66,512	3,420	1,401,266	-	1,541,989
Derivative assets	-	-	-	-	-	1,987	-	1,283,243	1,285,230
Statutory deposits	-	-	-	-	-	-	5,421,007	-	5,421,007
Tax recoverable	-	-	-	-	-	-	162,181	-	162,181
Deferred tax assets	-	-	-	-	-	-	38,465	-	38,465
Investments in associates and joint ventures	-	-	-	-	-	-	21,021	-	21,021
Property, plant and equipment	-	-	-	-	-	-	1,030,681	-	1,030,681
Goodwill and intangible assets	-	-	-	-	-	-	5,273,905	-	5,273,905
TOTAL ASSETS	110,305,369	16,971,284	6,172,961	2,566,904	19,214,193	39,316,139	20,593,662	4,213,924	219,354,436

\# Included impairment loss.

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (Continued)

Interest/Profit rate risk (Continued)

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

	Non-trading book								
Group	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
2014									
LIABILITIES									
Deposits from customers	67,236,702	25,014,324	20,065,004	20,328,029	788,575	17,629	23,683,730	-	157,133,993
Deposits and placements of banks and other financial institutions	8,263,809	8,099,132	3,563,553	473,597	613,777	274,609	61,141	-	21,349,618
Obligations on securities sold under repurchase agreements	18,910	-	-	489,506	-	-	-	-	508,416
Obligations on securities borrowed	-	-	-	-	94,123	19,482	175	-	113,780
Bills and acceptances payable	376,535	60,061	-	-	-	-	177,435	-	614,031
Clients' and brokers' balances	3,224	-	-	-	-	-	1,210,841	-	1,214,065
General insurance contract liabilities	-	-	-	-	-	-	775,699	-	775,699
Other liabilities	109	35,824	49,739	583	-	168	1,627,675	-	1,714,098
Derivative liabilities	-	-	-	-	-	-	-	1,224,684	1,224,684
Recourse obligation on loans sold to Cagamas	-	-	-	-	1,576,631	1,725,000	13,704	-	3,315,335
Tax liabilities	-	-	-	-	-	-	57,321	-	57,321
Deferred tax liabilities	-	-	-	-	-	-	53,041	-	53,041
Borrowings and senior debt securities	841,912	787,891	446,678	406,818	1,976,488	1,198,693	26,872	-	5,685,352
Subordinated obligations	-	-	900,000	-	3,343,187	1,800,000	56,215	-	6,099,402
Hybrid Tier-1 Capital Securities	-	-	-	-	-	593,349	8,166	-	601,515
TOTAL LIABILITIES	76,741,201	33,997,232	25,024,974	21,698,533	8,392,781	5,628,930	27,752,015	1,224,684	200,460,350
Shareholders' funds	-	-	-	-	-	-	18,794,297	-	18,794,297
NCI	-	-	-	-	-	-	99,789	-	99,789
TOTAL LIABILITIES AND EQUITY	76,741,201	33,997,232	25,024,974	21,698,533	8,392,781	5,628,930	46,646,101	1,224,684	219,354,436
On-balance sheet interest sensitivity gap	33,564,168	(17,025,948)	(18,852,013)	(19,131,629)	10,821,412	33,687,209			
Off-balance sheet interest sensitivity gap	(165,072)	(546,266)	(1,568,547)	(27,246)	2,749,159	1,589,535			
TOTAL INTEREST SENSITIVITY GAP	33,399,096	(17,572,214)	(20,420,560)	(19,158,875)	13,276,571	35,276,744			

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (Continued)

Interest/Profit rate risk (Continued)

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

Group	Non-trading book							Trading book	Total
	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	RM'000	RM'000
2013									
ASSETS									
Cash and short term funds	7,995,980	60,031	-	-	-	-	1,942,656	-	9,998,667
Securities purchased under resale agreements	217,459	-	-	-	-	-	16	-	217,475
Deposits and placements with banks and other financial institutions	23,156	1,608,449	364,940	90,385	195,885	356,370	134,129	-	2,773,314
Financial assets HFT	-	-	-	-	-	-	-	4,037,728	4,037,728
Financial investments AFS	1,615,780	2,200,907	1,848,078	290,920	1,397,926	8,987,967	588,935	-	16,930,513
Financial investments HTM	965,064	2,078,843	669,709	1,313,405	3,450,556	14,221,715	78,717#	-	22,778,009
Loans, advances and financing									
- performing	75,445,991	8,945,418	3,585,120	3,288,703	7,017,718	19,884,985	131,635	-	118,299,570
- impaired	-	-	-	-	-	-	1,242,975*	-	1,242,975
Clients' and brokers' balances	13,239	-	-	-	-	-	2,560,344	-	2,573,583
Reinsurance assets	-	-	-	-	-	-	260,952	-	260,952
Other assets	-	-	-	6	-	174	887,644	-	887,824
Derivative assets	-	-	-	-	-	-	-	459,033	459,033
Statutory deposits	-	-	-	-	-	-	4,171,462	-	4,171,462
Tax recoverable	-	-	-	-	-	-	148,677	-	148,677
Deferred tax assets	-	-	-	-	-	-	31,225	-	31,225
Investments in associates and joint ventures	-	-	-	-	-	-	20,949	-	20,949
Property, plant and equipment	-	-	-	-	-	-	1,020,481	-	1,020,481
Goodwill and intangible assets	-	-	-	-	-	-	5,237,470	-	5,237,470
TOTAL ASSETS	86,276,669	14,893,648	6,467,847	4,983,419	12,062,085	43,451,211	18,458,267	4,496,761	191,089,907

\# Included impairment loss.

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (Continued)

Interest/Profit rate risk (Continued)

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

	Non-trading book								
Group	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
2013									
LIABILITIES									
Deposits from customers	61,194,370	23,270,459	16,751,254	12,217,696	438,581	29,072	23,839,809	-	137,741,241
Deposits and placements of banks and other financial institutions	7,554,423	6,816,620	1,163,859	464,139	292,256	649,400	57,658	-	16,998,355
Obligations on securities sold under repurchase agreements	399,923	-	164,084	-	-	-	2,614	-	566,621
Obligations on securities borrowed	-	-	-	-	-	31,734	-	-	31,734
Bills and acceptances payable	773,800	860,008	145,376	-	-	-	297,297	-	2,076,481
Clients' and brokers' balances	1,812,485	-	-	-	-	-	503,325	-	2,315,810
General insurance contract liabilities	-	-	-	-	-	-	662,211	-	662,211
Other liabilities	-	-	-	-	-	-	1,326,737	-	1,326,737
Derivative liabilities	-	-	155	804	1,959	69	-	345,076	348,063
Recourse obligation on loans sold to Cagamas	-	-	-	500,000	457,678	1,301,664	10,011	-	2,269,353
Tax liabilities	-	-	-	-	-	-	29,767	-	29,767
Deferred tax liabilities	-	-	-	-	-	-	51,814	-	51,814
Borrowings and senior debt securities	137,185	1,045,206	926,046	439,345	350,000	1,640,235	8,808	-	4,546,825
Subordinated obligations	-	-	-	-	1,258,871	3,293,271	28,825	-	4,580,967
Hybrid Tier-1 Capital Securities	-	-	-	-	-	593,035	8,166	-	601,201
TOTAL LIABILITIES	71,872,186	31,992,293	19,150,774	13,621,984	2,799,345	7,538,480	26,827,042	345,076	174,147,180
Shareholders' funds	-	-	-	-	-	-	16,739,071	-	16,739,071
NCI	-	-	-	-	-	-	203,656	-	203,656
TOTAL LIABILITIES AND EQUITY	71,872,186	31,992,293	19,150,774	13,621,984	2,799,345	7,538,480	43,769,769	345,076	191,089,907
On-balance sheet interest sensitivity gap	14,404,483	(17,098,645)	(12,682,927)	(8,638,565)	9,262,740	35,912,731			
Off-balance sheet interest sensitivity gap	(2,122,407)	(518,511)	(1,682,804)	750,887	1,512,743	2,087,738			
TOTAL INTEREST SENSITIVITY GAP	12,282,076	(17,617,156)	(14,365,731)	(7,887,678)	10,775,483	38,000,469			

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (Continued)

Interest/Profit rate risk (Continued)

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

	Non-trading book								
Company	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
2014									
ASSETS									
Cash and short term funds	24,500	-	-	-	-	-	440	-	24,940
Deposits and placements with banks and other financial institutions	-	391	438	175	-	-	13	-	1,017
Other assets	-	-	-	-	-	-	3,637	-	3,637
Amounts due from subsidiaries	-	-	-	-	-	-	93	-	93
Tax recoverable	-	-	-	-	-	-	94,219	-	94,219
Investments in subsidiaries	-	-	-	-	-	-	11,042,345	-	11,042,345
Property, plant and equipment	-	-	-	-	-	-	322	-	322
TOTAL ASSETS	24,500	391	438	175	-	-	11,141,069	-	11,166,573
Other liabilities	-	-	-	-	-	-	12,340	-	12,340
Amounts due to subsidiaries	-	-	-	-	-	-	1,799	-	1,799
Deferred tax liabilities	-	-	-	-	-	-	20	-	20
Borrowings	1,028,000	1,467,000	250,000	350,000	-	-	16,433	-	3,111,433
TOTAL LIABILITIES	1,028,000	1,467,000	250,000	350,000	-	-	30,592	-	3,125,592
Total equity	-	-	-	-	-	-	8,040,981	-	8,040,981
TOTAL LIABILITIES AND EQUITY	1,028,000	1,467,000	250,000	350,000	-	-	8,071,573	-	11,166,573
On-balance sheet interest sensitivity gap	(1,003,500)	(1,466,609)	(249,562)	(349,825)	-				
Off-balance sheet interest sensitivity gap	-	-	-	-	-				
TOTAL INTEREST SENSITIVITY GAP	(1,003,500)	(1,466,609)	(249,562)	(349,825)	-				

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (Continued)

Interest/Profit rate risk (Continued)

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

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk

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

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

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

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
2014								
ASSETS								
Cash and short term funds	9,311,595	6,925,313	-	-	-	-	-	16,236,908
Securities purchased under resale agreements	491,510	-	-	-	-	-	-	491,510
Deposits and placements with banks and other financial institutions	26,338	234,171	806,167	644,293	170,124	417,495	-	2,298,588
Financial assets HFT	-	490,662	454,541	177,308	17,588	1,344,984	445,598	2,930,681
Financial investments AFS	61,063	449,143	748,351	740,184	772,594	15,889,645	941,196	19,602,176
Financial investments HTM	263,891	1,136,044	681,074	1,511,732	684,547	16,192,543	-	20,469,831
Loans, advances and financing	5,019,729	7,739,116	6,508,156	4,289,689	4,517,537	112,618,776	-	140,693,003
Clients' and brokers' balances	1,067,603	457,544	-	-	-	-	-	1,525,147
Reinsurance assets	-	-	-	-	332,113	-	-	332,113
Other assets	294,886	89,786	132,071	137,256	88,704	493,781	305,505	1,541,989
Derivative assets	5,098	81,090	57,257	135,911	206,135	799,739	-	1,285,230
Statutory deposits	-	-	-	-	-	-	5,421,007	5,421,007
Tax recoverable	-	-	-	-	-	-	162,181	162,181
Deferred tax assets	-	-	-	-	-	-	38,465	38,465
Investments in associates and joint ventures	-	-	-	-	-	-	21,021	21,021
Property, plant and equipment	-	-	-	-	-	-	1,030,681	1,030,681
Goodwill and intangible assets	-	-	-	-	-	-	5,273,905	5,273,905
TOTAL ASSETS	**16,541,713**	**17,602,869**	**9,387,617**	**7,636,373**	**6,789,342**	**147,756,963**	**13,639,559**	**219,354,436**

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (Continued)

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

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
2014								
LIABILITIES								
Deposits from customers	50,669,243	39,607,414	25,252,743	20,789,615	20,019,731	795,247	-	157,133,993
Deposits and placements of banks and other financial institutions	3,163,129	4,977,744	8,239,953	3,603,442	476,964	888,386	-	21,349,618
Obligations on securities sold under repurchase agreements	-	18,910	-	-	489,506	-	-	508,416
Obligations on securities borrowed	-	-	-	-	-	113,780	-	113,780
Bills and acceptances payable	292,682	261,288	60,061	-	-	-	-	614,031
Clients' and brokers' balances	850,813	363,252	-	-	-	-	-	1,214,065
General insurance contract liabilities	-	-	-	-	775,699	-	-	775,699
Other liabilities	106,998	607,380	176,332	90,784	137,085	232,356	363,163	1,714,098
Derivative liabilities	63,499	65,644	150,540	94,361	107,555	743,085	-	1,224,684
Recourse obligation on loans sold to Cagamas	-	-	2,645	4,825	-	3,307,865	-	3,315,335
Tax liabilities	-	-	-	-	-	-	57,321	57,321
Deferred tax liabilities	-	-	-	-	-	-	53,041	53,041
Borrowings and senior debt securities	45,560	858,039	736,718	462,945	406,910	3,175,180	-	5,685,352
Subordinated obligations	-	24,061	-	932,153	-	5,143,188	-	6,099,402
Hybrid Tier-1 Capital Securities	-	-	7,542	638	-	593,335	-	601,515
TOTAL LIABILITIES	55,191,924	46,783,732	34,626,534	25,978,763	22,413,450	14,992,422	473,525	200,460,350
Shareholders' funds	-	-	-	-	-	-	18,794,297	18,794,297
NCI	-	-	-	-	-	-	99,789	99,789
TOTAL LIABILITIES AND EQUITY	55,191,924	46,783,732	34,626,534	25,978,763	22,413,450	14,992,422	19,367,611	219,354,436

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (Continued)

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

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
2013								
ASSETS								
Cash and short term funds	5,541,808	4,456,859	-	-	-	-	-	9,998,667
Securities purchased under resale agreements	217,475	-	-	-	-	-	-	217,475
Deposits and placements with banks and other financial institutions	128,214	23,156	1,613,323	365,833	90,532	552,256	-	2,773,314
Financial assets HFT	-	375,583	1,191,599	653,556	-	1,542,083	274,907	4,037,728
Financial investments AFS	97,324	478,756	622,406	298,374	697,730	13,859,101	876,822	16,930,513
Financial investments HTM	500,853	349,648	2,174,531	768,924	1,503,705	17,480,348	-	22,778,009
Loans, advances and financing	4,475,200	5,090,682	5,658,698	4,199,979	5,253,871	94,864,115	-	119,542,545
Clients' and brokers' balances	1,801,508	772,075	-	-	-	-	-	2,573,583
Reinsurance assets	-	-	-	-	260,952	-	-	260,952
Other assets	59,651	70,564	22,296	108,477	13,888	333,267	279,681	887,824
Derivative assets	4,057	13,662	64,972	33,612	21,394	321,336	-	459,033
Statutory deposits	-	-	-	-	-	-	4,171,462	4,171,462
Tax recoverable	-	-	-	-	-	-	148,677	148,677
Deferred tax assets	-	-	-	-	-	-	31,225	31,225
Investments in associates and joint ventures	-	-	-	-	-	-	20,949	20,949
Property, plant and equipment	-	-	-	-	-	-	1,020,481	1,020,481
Goodwill and intangible assets	-	-	-	-	-	-	5,237,470	5,237,470
TOTAL ASSETS	12,826,090	11,630,985	11,347,825	6,428,755	7,842,072	128,952,506	12,061,674	191,089,907

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (Continued)

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

Group	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
2013								
LIABILITIES								
Deposits from customers	50,930,523	33,842,556	23,303,059	16,684,508	12,510,995	469,600	-	137,741,241
Deposits and placements of banks and other financial institutions	2,153,073	5,181,271	6,838,801	1,171,728	466,550	1,186,932	-	16,998,355
Obligations on securities sold under repurchase agreements	-	401,523	-	165,098	-	-	-	566,621
Obligations on securities borrowed	-	-	-	-	-	31,734	-	31,734
Bills and acceptances payable	488,542	582,555	860,008	145,376	-	-	-	2,076,481
Clients' and brokers' balances	1,621,319	694,491	-	-	-	-	-	2,315,810
General insurance contract liabilities	-	-	-	-	662,211	-	-	662,211
Other liabilities	101,558	282,803	229,950	82,395	127,947	171,946	330,138	1,326,737
Derivative liabilities	2,524	28,304	29,842	11,504	26,959	248,930	-	348,063
Recourse obligation on loans sold to Cagamas	-	561	2,782	-	500,000	1,766,010	-	2,269,353
Tax liabilities	-	-	-	-	-	-	29,767	29,767
Deferred tax liabilities	-	-	-	-	-	-	51,814	51,814
Borrowings and senior debt securities	106,204	30,981	735,181	728,517	492,621	2,453,321	-	4,546,825
Subordinated obligations	-	-	-	28,825	9,673	4,542,469	-	4,580,967
Hybrid Tier-1 Capital Securities	-	-	7,542	638	-	593,021	-	601,201
TOTAL LIABILITIES	55,403,743	41,045,045	32,007,165	19,018,589	14,796,956	11,463,963	411,719	174,147,180
Shareholders' funds	-	-	-	-	-	-	16,739,071	16,739,071
NCI	-	-	-	-	-	-	203,656	203,656
TOTAL LIABILITIES AND EQUITY	55,403,743	41,045,045	32,007,165	19,018,589	14,796,956	11,463,963	17,354,446	191,089,907

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (Continued)

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

Company	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
2014								
ASSETS								
Cash and short term funds	24,940	-	-	-	-	-	-	24,940
Deposits and placements with banks and other financial institutions	-	-	392	438	187	-	-	1,017
Other assets	-	-	-	3,582	-	-	55	3,637
Amounts due from subsidiaries	-	-	-	-	-	-	93	93
Tax recoverable	-	-	-	-	-	-	94,219	94,219
Investments in subsidiaries	-	-	-	-	-	-	11,042,345	11,042,345
Property, plant and equipment	-	-	-	-	-	-	322	322
TOTAL ASSETS	24,940	-	392	4,020	187	-	11,137,034	11,166,573
LIABILITIES								
Other liabilities	-	-	12,309	-	-	-	31	12,340
Amounts due to subsidiaries	-	-	-	-	-	-	1,799	1,799
Deferred tax liabilities	-	-	-	-	-	-	20	20
Borrowings	-	1,041,942	1,469,399	250,000	350,092	-	-	3,111,433
TOTAL LIABILITIES	-	1,041,942	1,481,708	250,000	350,092	-	1,850	3,125,592
Total equity	-	-	-	-	-	-	8,040,981	8,040,981
TOTAL LIABILITIES AND EQUITY	-	1,041,942	1,481,708	250,000	350,092	-	8,042,831	11,166,573

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (Continued)

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

Company	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
2013								
ASSETS								
Cash and short term funds	16,973	-	-	-	-	-	-	16,973
Deposits and placements with banks and other financial institutions	-	-	380	432	171	-	-	983
Other assets	-	-	-	-	-	-	118,478	118,478
Amounts due from subsidiaries	-	-	-	-	-	-	800	800
Tax recoverable	-	-	-	-	-	-	93,933	93,933
Deferred tax assets	-	-	-	-	-	-	1,181	1,181
Investments in subsidiaries	-	-	-	-	-	-	10,801,052	10,801,052
Property, plant and equipment	-	-	-	-	-	-	326	326
TOTAL ASSETS	16,973	-	380	432	171	-	11,015,770	11,033,726
LIABILITIES								
Other liabilities	-	-	-	-	-	-	6,244	6,244
Amounts due to subsidiaries	-	-	-	-	-	-	8,960	8,960
Borrowings	-	264,689	751,810	1,130,756	439,345	350,000	-	2,936,600
TOTAL LIABILITIES	-	264,689	751,810	1,130,756	439,345	350,000	15,204	2,951,804
Total equity	-	-	-	-	-	-	8,081,922	8,081,922
TOTAL LIABILITIES AND EQUITY	-	264,689	751,810	1,130,756	439,345	350,000	8,097,126	11,033,726

50 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							
Deposits from customers	90,474,965	46,538,678	20,475,572	1,316,410	1,975,145	-	160,780,770
Deposits and placements of banks and other financial institutions	8,325,195	11,857,522	495,567	698,686	279,288	-	21,656,258
Obligations on securities sold under repurchase agreements	18,910	-	493,654	-	-	-	512,564
Obligations on securities borrowed	-	-	-	94,170	8,819	10,792	113,781
Bills and acceptances payable	554,169	60,270	-	-	-	-	614,439
Clients' and brokers' balances	1,214,065	-	-	-	-	-	1,214,065
General insurance contract liabilities	-	-	337,145	132,436	21,338	24,041	514,960
Other financial liabilities	703,480	297,005	76,958	173,449	33,563	36,163	1,320,618
Derivative liabilities:							
- Gross settled derivatives:							
- Inflow	(1,726,940)	(5,852,939)	(1,496,015)	(3,813,679)	(2,831,877)	(289,164)	(16,010,614)
- Outflow	1,840,337	6,000,207	1,454,754	4,011,619	2,915,382	243,849	16,466,148
Net settled derivatives	(1,036)	7,831	40,241	(6,393)	(26,818)	66	13,891
Recourse obligation on loans sold to Cagamas	23,363	141,401	166,089	1,621,679	1,884,895	-	3,837,427
Borrowings and senior debt securities	887,901	1,264,841	461,756	2,130,763	1,250,811	17,541	6,013,613
Subordinated obligations	24,950	1,022,709	623,025	3,053,026	1,827,700	308,400	6,859,810
Hybrid Tier-1 Capital Securities	-	22,394	22,394	89,575	669,775	-	804,138
TOTAL LIABILITIES	**102,339,359**	**61,359,919**	**23,151,140**	**9,501,741**	**8,008,021**	**351,688**	**204,711,868**

50 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							
Deposits from customers	84,661,117	40,461,784	12,814,404	457,869	34,852	-	138,430,026
Deposits and placements of banks and other financial institutions	7,533,923	8,054,838	484,123	324,925	717,687	-	17,115,496
Obligations on securities sold under repurchase agreements	401,926	165,903	-	-	-	-	567,829
Obligations on securities borrowed	-	-	-	-	13,838	17,896	31,734
Bills and acceptances payable	1,071,098	1,005,383	-	-	-	-	2,076,481
Clients' and brokers' balances	2,315,810	-	-	-	-	-	2,315,810
General insurance contract liabilities	-	-	298,236	75,550	11,021	47,902	432,709
Other financial liabilities	389,368	252,357	93,548	204,040	21,757	26,324	987,394
Derivative liabilities:							
- Gross settled derivatives:							
- Inflow	(1,783,686)	(1,423,592)	(912,465)	(1,533,604)	(3,074,719)	-	(8,728,066)
- Outflow	1,818,237	1,423,548	884,056	1,384,541	3,172,506	-	8,682,888
- Net settled derivatives	6,237	10,363	24,722	18,414	(8,996)	1,624	52,364
Recourse obligation on loans sold to Cagamas	25,391	113,252	640,015	912,728	791,472	-	2,482,858
Borrowings and senior debt securities	137,350	1,511,885	616,055	641,159	1,849,785	70,205	4,826,439
Subordinated obligations	-	110,349	110,407	1,399,825	3,534,497	342,000	5,497,078
Hybrid Tier-1 Capital Securities	-	22,394	22,394	89,575	89,575	669,775	893,713
TOTAL LIABILITIES	96,576,771	51,708,464	15,075,495	3,975,022	7,153,275	1,175,726	175,664,753

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (Continued)

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

	Company				
	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	Total RM'000
2014					
Other financial liabilities	**12,340**	**-**	**-**	**-**	**12,340**
Amounts due to subsidiaries	**1,799**	**-**	**-**	**-**	**1,799**
Borrowings	**1,149,930**	**1,637,857**	**358,377**	**-**	**3,146,164**
TOTAL LIABILITIES	**1,164,069**	**1,637,857**	**358,377**	**-**	**3,160,303**
2013					
Other financial liabilities	6,244	-	-	-	6,244
Amounts due to subsidiaries	8,960	-	-	-	8,960
Borrowings	265,531	1,902,866	471,996	366,867	3,007,260
TOTAL LIABILITIES	280,735	1,902,866	471,996	366,867	3,022,464

50 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			
Direct credit substitutes	**617,764**	**2,041,324**	**2,659,088**
Transaction-related contingent items	**719,300**	**4,109,866**	**4,829,166**
Short term self-liquidating trade-related contingencies	**869,837**	**952,732**	**1,822,569**
Lending of banking subsidiaries' securities or the posting of securities as collateral by banking subsidiaries, including instances where these arise out of repo-style transactions	**-**	**517,610**	**517,610**
Irrevocable commitments to extend credit	**2,701,468**	**30,652,168**	**33,353,636**
Any commitments that are unconditionally cancelled at any time by the banking subsidiaries without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**350,742**	**14,787,154**	**15,137,896**
TOTAL COMMITMENTS AND CONTINGENCIES	**5,259,111**	**53,060,854**	**58,319,965**
2013			
Direct credit substitutes	1,848,484	1,889,912	3,738,396
Transaction-related contingent items	456,457	2,579,409	3,035,866
Short term self-liquidating trade-related contingencies	1,256,615	310,703	1,567,318
Obligations under underwriting agreements	343,648	-	343,648
Irrevocable commitments to extend credit	12,283,581	27,221,111	39,504,692
Any commitments that are unconditionally cancelled at any time by the banking subsidiaries without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	247,877	3,606,528	3,854,405
TOTAL COMMITMENTS AND CONTINGENCIES	16,436,662	35,607,663	52,044,325

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

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk

(i) Maximum exposure to credit risk

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

	Group	
	2014 RM'000	**2013 RM'000**
Credit risk exposure relating to on-balance sheet assets:		
Short term funds (exclude cash in hand)	**15,622,004**	9,372,857
Securities purchased under resale agreements	**491,510**	217,475
Deposits and placements with banks and other financial institutions	**2,298,588**	2,773,314
Financial assets and investments (exclude shares, unit trust and perpetual notes/Sukuk):		
- HFT	**2,485,083**	3,762,821
- AFS	**18,660,981**	16,053,691
- HTM	**20,469,831**	22,778,009
Loans, advances and financing	**140,693,003**	119,542,545
Clients' and brokers' balances	**1,525,147**	2,573,583
Reinsurance assets	**241,647**	181,461
Other financial assets	**1,412,627**	848,938
Derivative assets	**1,285,230**	459,033
	205,185,651	178,563,727
Credit risk exposure relating to off-balance sheet items:		
- Commitments and contingencies	**58,319,965**	52,044,325
Total maximum credit risk exposure	**263,505,616**	230,608,052

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (Continued)

(i) Maximum exposure to credit risk (Continued)

	Company	
	2014 RM'000	**2013 RM'000**
Credit risk exposure relating to:		
Short term funds (exclude cash in hand)	**24,940**	16,973
Deposits and placements with banks and other financial institutions	**1,017**	983
Amounts due from subsidiaries	**93**	800
Other financial assets	**2**	114,854
Total maximum credit risk exposure	**26,052**	133,610

(ii) Collaterals

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

(a) Fixed deposits, Mudharabah General Investment Account, Commodity Murabahah Deposit-i, Negotiable Instruments of Deposits, Islamic Negotiable Instruments of Deposits, Foreign Currency Deposits and Cash deposits/margins
(b) Land and/or buildings
(c) Vessels and automobiles
(d) Quoted shares, unit trusts, government bonds and securities and private debt securities
(e) Other tangible business assets, such as inventory and equipment

The Group also accept non-tangible securities as support, such as guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract proceeds, Endowment Life Policies with Cash Surrender Value, which are subject to internal guidelines on eligibility.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing and clients' and brokers' balances are 67.1% (2013: 72.4%) and 97.4% (2013: 97.3%) respectively. The financial effect of collateral held for the remaining on-balance sheet assets are insignificant.

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (Continued)

(iii) Credit quality

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

Credit quality description is summarised as follows:

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

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

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

(a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

	Group	
	2014 RM'000	**2013 RM'000**
Neither past due nor impaired	**133,058,861**	112,283,828
Past due but not impaired	**6,508,092**	6,015,742
Individually impaired	**2,892,367**	3,426,629
Gross loans, advances and financing (inclusive of fair value changes arising from fair value hedges)	**142,459,320**	121,726,199
Less: Individual impairment allowance	**(417,232)**	(903,388)
Collective impairment allowance	**(1,349,085)**	(1,280,266)
Net loans, advances and financing	**140,693,003**	119,542,545

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (Continued)

(iii) Credit quality (Continued)

(a) Loans, advances and financing (Continued)

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

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

	Group	
	2014 RM'000	2013 RM'000
Good	**77,423,153**	67,849,767
Fair	**9,465,522**	7,718,410
No Rating	**46,170,186**	36,715,651
Neither past due nor impaired	**133,058,861**	112,283,828

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

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

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

	Group	
	2014 RM'000	2013 RM'000
Past due up to 30 days	**2,139,972**	2,061,945
Past due 31 to 60 days	**3,109,479**	2,734,381
Past due 61 to 90 days	**1,258,641**	1,219,416
Past due but not impaired	**6,508,092**	6,015,742

(iii) Impaired loans, advances and financing

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

	Group	
	2014 RM'000	2013 RM'000
Individually impaired loans	**2,892,367**	3,426,629

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (Continued)

(iii) Credit quality (Continued)

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

Group	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Reinsurance assets RM'000	Other financial assets RM'000	Derivative assets RM'000
2014									
Neither past due nor impaired	**17,920,592**	**491,510**	**2,485,083**	**18,632,749**	**20,461,489**	**1,507,048**	**241,647**	**1,406,938**	**1,285,230**
Past due but not impaired	**-**	**-**	**-**	**-**	**-**	**12,436**	**-**	**5,368**	**-**
Impaired	**-**	**-**	**-**	**305,837**	**282,436**	**48,619**	**-**	**6,129**	**-**
	17,920,592	**491,510**	**2,485,083**	**18,938,586**	**20,743,925**	**1,568,103**	**241,647**	**1,418,435**	**1,285,230**
Less: Impairment losses	**-**	**-**	**-**	**(277,605)**	**(274,094)**	**(42,956)**	**-**	**(5,808)**	**-**
	17,920,592	**491,510**	**2,485,083**	**18,660,981**	**20,469,831**	**1,525,147**	**241,647**	**1,412,627**	**1,285,230**
2013									
Neither past due nor impaired	12,146,171	217,475	3,731,371	15,917,394	22,764,842	2,441,569	181,461	848,938	459,033
Past due but not impaired	-	-	-	-	-	127,749	-	-	-
Impaired	-	-	40,000	601,838	287,684	46,755	-	12,037	-
	12,146,171	217,475	3,771,371	16,519,232	23,052,526	2,616,073	181,461	860,975	459,033
Less: Impairment losses	-	-	(8,550)	(465,541)	(274,517)	(42,490)	-	(12,037)	-
	12,146,171	217,475	3,762,821	16,053,691	22,778,009	2,573,583	181,461	848,938	459,033

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (Continued)

(iii) Credit quality (Continued)

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

	Company		
	Short term funds and deposits and placements with banks and other financial institutions RM'000	Amounts due from subsidiaries RM'000	Other financial assets RM'000
2014			
Neither past due nor impaired	**25,957**	**93**	**2**
2013			
Neither past due nor impaired	17,956	800	114,854

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (Continued)

(iii) Credit quality (Continued)

(c) Analysis of short term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets that are neither past due nor impaired by rating agency definition are as follows:

Group	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Reinsurance assets RM'000	Other financial assets RM'000	Derivative assets RM'000
2014									
AAA to AA3	1,969,053	376,418	855,649	8,098,387	4,689,770	-	1,248	121	299,688
A1 to A3	228,081	115,092	37,792	1,891,997	249,957	-	211,090	-	166,881
Baa1 to Baa3	-	-	-	968,642	296,850	-	1,873	-	230
P1 to P3	10,903,971	-	223,860	-	-	-	-	57,931	1,421
Non-rated including:	4,819,487	-	1,367,782	7,673,723	15,224,912	1,507,048	27,436	1,348,886	817,010
- Bank Negara Malaysia	3,803,056	-	-	-	-	-	-	-	-
- Malaysian Government Securities	-	-	557,950	1,168,982	2,343,015	-	-	-	-
- Malaysian Government Investment Issues	-	-	728,287	2,413,705	5,710,589	-	-	-	-
- Private debt securities	-	-	3,841	3,251,465	4,311,169	-	-	-	-
- Bankers' acceptances and Islamic accepted notes	-	-	-	73,627	-	-	-	-	-
- Khazanah bonds	-	-	-	58,123	101,835	-	-	-	-
- Negotiable instruments of deposits	-	-	-	649,516	2,027,550	-	-	-	-
- Others	1,016,431	-	77,704	58,305	730,754	1,507,048	27,436	1,348,886	817,010
	17,920,592	491,510	2,485,083	18,632,749	20,461,489	1,507,048	241,647	1,406,938	1,285,230

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (Continued)

(iii) Credit quality (Continued)

(c) Analysis of short term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets that are neither past due nor impaired by rating agency definition are as follows: (Continued)

Group	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT RM'000	Financial investments AFS RM'000	Financial investments HTM RM'000	Clients' and brokers' balances RM'000	Reinsurance assets RM'000	Other financial assets RM'000	Derivative assets RM'000
2013									
AAA to AA3	1,377,697	217,475	951,453	6,806,288	5,357,124	-	5,479	-	175,340
A1 to A3	773,090	-	50,757	1,728,279	343,418	-	143,801	-	92,636
Baa1 to Baa3	466,161	-	40,073	781,116	312,840	-	7	-	1,967
P1 to P3	5,053,936	-	19,897	-	-	-	-	-	44,907
Non-rated including:	4,475,287	-	2,669,191	6,601,711	16,751,460	2,441,569	32,174	848,938	144,183
- Bank Negara Malaysia	3,535,745	-	1,151,172	-	-	-	-	-	-
- Malaysian Government Securities	-	-	498,989	1,051,413	2,639,090	-	-	-	-
- Malaysian Government Investment Issues	-	-	266,950	2,078,025	6,833,778	-	-	-	-
- Private debt securities	-	-	553,394	2,207,319	4,229,710	-	-	-	-
- Bankers' acceptances and Islamic accepted notes	-	-	-	378,121	33,634	-	-	-	-
- Khazanah bonds	-	-	-	63,654	79,176	-	-	-	-
- Negotiable instruments of deposits	-	-	198,686	503,046	2,449,025	-	-	-	-
- Others	939,542	-	-	320,133	487,047	2,441,569	32,174	848,938	144,183
	12,146,171	217,475	3,731,371	15,917,394	22,764,842	2,441,569	181,461	848,938	459,033

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

(e) Credit Risk (Continued)

(iii) Credit quality (Continued)

(c) Analysis of short term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets that are neither past due nor impaired by rating agency definition are as follows: (Continued)

	Company		
	Short term funds and deposits and placements with banks and other financial institutions RM'000	Amounts due from subsidiaries RM'000	Other financial assets RM'000
2014			
A1-A3	**1,017**	**45**	**-**
P1	**24,940**	**-**	**-**
Non-rated	**-**	**48**	**2**
	25,957	**93**	**2**
2013			
A1-A3	983	550	-
P1	16,973	-	-
Non-rated	-	250	114,854
	17,956	800	114,854

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (Continued)

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

Group	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT~ RM'000	Financial investments AFS@ RM'000	Financial investments HTM RM'000	Loans, advances and financing# RM'000	Clients' and brokers' balances^ RM'000	Reinsurance assets RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
2014											
Agriculture, hunting, forestry and fishing	-	-	-	1,480,473	191,230	5,152,516	-	-	485,640	1,654,640	8,964,499
Mining and quarrying	-	-	-	24,727	-	1,419,460	-	-	-	1,616,488	3,060,675
Manufacturing	-	-	40,000	371,016	164,540	8,394,916	-	-	46,185	8,663,615	17,680,272
Electricity, gas and water	-	-	1	1,207,402	1,249,093	2,689,109	-	-	230	882,273	6,028,108
Construction	-	-	49,870	555,492	617,997	6,518,969	-	-	16,751	6,653,183	14,412,262
Real estate	-	-	-	335,496	180,570	4,422,784	-	-	-	2,399,642	7,338,492
Purchase of landed property	-	-	-	-	-	7,540,954	-	-	-	13,527,996	21,068,950
Wholesale & retail trade and restaurant & hotel	-	-	-	5,093	-	-	-	-	-	211	5,304
General commerce	-	-	-	75,311	599,022	9,150,654	-	-	896	5,812,352	15,638,235
Transport, storage and communication	-	-	-	1,110,206	1,062,181	7,943,227	-	-	4,277	1,625,052	11,744,943
Finance, insurance and business services	13,958,753	171,030	575,546	9,093,470	5,191,383	14,991,616	-	241,647	878,769	5,895,161	50,997,375
Government and government agencies	3,862,822	320,480	1,815,602	4,243,363	10,907,794	7,263,677	-	-	-	6,623	28,420,361
Purchase of securities	-	-	-	455	-	1,232,727	1,531,289	-	-	3,033,897	5,798,368
Purchase of transport vehicles	-	-	-	-	-	128	-	-	-	151,950	152,078
Consumption credit	-	-	-	-	-	2,184,209	-	-	-	4,558,959	6,743,168
Others	99,017	-	4,064	158,477	306,021	63,137,142	-	-	1,265,109	1,837,923	66,807,753
	17,920,592	491,510	2,485,083	18,660,981	20,469,831	142,042,088	1,531,289	241,647	2,697,857	58,319,965	264,860,843

~ Excludes equity instrument amounting to RM445,598,000.
@ Excludes equity instrument amounting to RM941,195,000.
# Excludes collective impairment allowance amounting to RM1,349,085,000.
^ Excludes collective impairment allowance of RM6,142,000.
* Other financial assets include other assets amounting to RM1,412,627,000 and derivative assets amounting to RM1,285,230,000.

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (Continued)

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

Group	Short term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets HFT ~ RM'000	Financial investments AFS @ RM'000	Financial investments HTM RM'000	Loans, advances and financing# RM'000	Clients' and brokers' balances^ RM'000	Reinsurance assets RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
2013											
Agriculture, hunting, forestry and fishing	-	-	10,136	1,394,516	282,893	4,361,880	-	-	81,224	1,426,590	7,557,239
Mining and quarrying	-	-	-	24,092	-	623,822	-	-	-	1,219,089	1,867,003
Manufacturing	-	-	39,822	162,761	68,826	8,704,843	-	-	1,090	8,705,375	17,682,717
Electricity, gas and water	-	-	10,031	1,079,898	1,155,272	2,805,843	-	-	9,668	693,414	5,754,126
Construction	-	-	193,951	440,803	848,204	4,496,159	-	-	-	5,666,065	11,645,182
Real estate	-	-	-	242,660	241,110	2,718,855	-	-	-	962,265	4,164,890
Purchase of landed property	-	-	-	-	-	5,798,104	-	-	-	10,772,856	16,570,960
General commerce	-	-	6,345	84,420	405,650	7,951,384	-	-	-	5,731,075	14,178,874
Transport, storage and communication	-	-	184,149	810,140	615,920	5,045,650	-	-	1,000	1,719,522	8,376,381
Finance, insurance and business services	8,017,521	-	1,710,497	6,639,566	4,772,557	12,325,793	-	181,461	134,126	4,244,448	38,025,969
Government and government agencies	4,128,650	217,475	1,570,832	4,781,864	14,007,888	8,283,937	-	-	-	-	32,990,646
Purchase of securities	-	-	-	-	-	1,099,764	2,577,758	-	-	3,398,151	7,075,673
Purchase of transport vehicles	-	-	-	-	-	44	-	-	-	742,059	742,103
Consumption credit	-	-	-	-	-	1,993,864	-	-	-	4,721,158	6,715,022
Others	-	-	37,058	392,971	379,689	54,612,869	-	-	1,080,863	2,042,258	58,545,708
	12,146,171	217,475	3,762,821	16,053,691	22,778,009	120,822,811	2,577,758	181,461	1,307,971	52,044,325	231,892,493

~ Excludes equity instrument amounting to RM274,907,000.
@ Excludes equity instrument amounting to RM876,822,000.
# Excludes collective impairment allowance amounting to RM1,280,266,000.
^ Excludes collective impairment allowance of RM4,175,000.
* Other financial assets include other assets amounting to RM848,938,000 and derivative assets amounting to RM459,033,000.

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

(e) Credit Risk (Continued)

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

	Company			
	Short term funds and deposits and placements with banks and other financial institutions RM'000	Amounts due from subsidiaries RM'000	Other financial assets RM'000	Total RM'000
2014				
Finance, insurance and business services	**25,957**	**45**	**-**	**26,002**
Others	**-**	**48**	**2**	**50**
	25,957	**93**	**2**	**26,052**
2013				
Finance, insurance and business services	17,956	-	-	17,956
Others	-	800	114,854	115,654
	17,956	800	114,854	133,610

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair Value of Financial Instruments

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

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

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

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

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				
Recurring fair value measurements				
Financial assets				
Financial assets HFT:	449,439	2,441,242	40,000	2,930,681
- Money market instruments	-	1,815,602	-	1,815,602
- Quoted securities	449,439	-	-	449,439
- Unquoted securities	-	625,640	40,000	665,640
Financial investments AFS:	56,360	18,554,674	991,142	19,602,176
- Money market instruments	-	5,772,156	-	5,772,156
- Quoted securities	56,360	-	-	56,360
- Unquoted securities	-	12,782,518	991,142	13,773,660
Derivative assets:				
- Money market instruments	-	1,285,230	-	1,285,230
	505,799	22,281,146	1,031,142	23,818,087
Financial liabilities				
Derivative liabilities:				
- Money market instruments	13,114	1,211,570	-	1,224,684

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair Value of Financial Instruments (Continued)

	Group			
	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
2013				
Recurring fair value measurements				
Financial assets				
Financial assets HFT:	277,614	3,726,819	33,295	4,037,728
- Money market instruments	-	2,588,607	-	2,588,607
- Quoted securities	277,614	-	-	277,614
- Unquoted securities	-	1,138,212	33,295	1,171,507
Financial investments AFS:	24,102	15,844,395	1,062,016	16,930,513
- Money market instruments	-	5,295,007	-	5,295,007
- Quoted securities	24,102	-	-	24,102
- Unquoted securities	-	10,549,388	1,062,016	11,611,404
Derivative assets:				
- Money market instruments	-	459,033	-	459,033
	301,716	20,030,247	1,095,311	21,427,274
Financial liabilities				
Derivative liabilities:				
- Money market instruments	16,462	331,601	-	348,063

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

(i) Qualitative disclosures of valuation techniques

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

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

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

50 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair Value of Financial Instruments (Continued)

(i) 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 instruments, in accordance with the Group's impairment losses policy.

(ii) Reconciliation of fair value measurements in Level 3:

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

	Financial assets HFT		Financial investment AFS	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Balance as at the beginning of the financial year	**33,295**	-	**1,062,016**	629,617
Total net gains recognised under other comprehensive income	**-**	-	**72,290**	123,256
Total net gains/(losses) recognised in income statements	**9,153**	(8,550)	**(29,006)**	-
Purchases	**-**	-	**15,897**	348,925
Settlements	**(2,448)**	-	**(224,446)**	(60,329)
Sales	**-**	-	**(3,459)**	-
Impairment losses written back/(made)	**-**	-	**102,946**	(14,692)
Transfer from Level 2	**-**	41,845	**-**	30,297
Transfer to loans	**-**	-	**(9,877)**	-
Exchange differences	**-**	-	**4,781**	4,942
Balance as at the end of the financial year	**40,000**	33,295	**991,142**	1,062,016

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

51 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

	Group		Company	
	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
2014				
Financial assets				
Deposits and placements with banks and other financial institutions	**2,298,588**	**2,209,141**	**-**	**-**
Financial investments HTM	**20,469,831**	**20,281,184**	**-**	**-**
Loans, advances and financing	**140,693,003**	**141,008,924**	**-**	**-**
Financial liabilities				
Deposits from customers	**157,133,993**	**157,145,258**	**-**	**-**
Deposits and placements of banks and other financial institutions	**21,349,618**	**21,270,467**	**-**	**-**
Recourse obligation on loans sold to Cagamas	**3,315,335**	**3,295,986**	**-**	**-**
Borrowings and senior debt securities	**5,685,352**	**5,757,464**	**3,111,433**	**3,110,696**
Subordinated obligations	**6,099,402**	**6,118,716**	**-**	**-**
Hybrid Tier-1 Capital Securities	**601,515**	**660,352**	**-**	**-**
2013				
Financial assets				
Financial investments HTM	22,778,009	22,614,286	-	-
Loans, advances and financing	119,542,545	119,995,697	-	-
Financial liabilities				
Deposits from customers	137,741,241	137,762,095	-	-
Deposits and placements of banks and other financial institutions	16,998,355	16,980,080	-	-
Recourse obligation on loans sold to Cagamas	2,269,353	2,231,757	-	-
Borrowings and senior debt securities	4,546,825	3,984,322	2,936,600	2,926,468
Subordinated obligations	4,580,967	4,622,768	-	-
Hybrid Tier-1 Capital Securities	601,201	679,740	-	-

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

51 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) The following table analyses within the fair value hierarchy of the Group's and Company's assets and liabilities not measured at fair value at 31 December 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				
Deposits and placements with banks and other financial institutions	**-**	**2,209,141**	**-**	**2,209,141**
Financial investments HTM	**-**	**19,282,930**	**998,254**	**20,281,184**
Loans, advances and financing	**-**	**141,008,924**	**-**	**141,008,924**
Financial liabilities				
Deposits from customers	**-**	**157,145,258**	**-**	**157,145,258**
Deposits and placements of banks and other financial institutions	**-**	**21,270,467**	**-**	**21,270,467**
Recourse obligation on loans sold to Cagamas	**-**	**3,295,986**	**-**	**3,295,986**
Borrowings and senior debt securities	**-**	**5,757,464**	**-**	**5,757,464**
Subordinated obligations	**-**	**6,118,716**	**-**	**6,118,716**
Hybrid Tier-1 Capital Securities	**-**	**660,352**	**-**	**660,352**
2013				
Financial assets				
Financial investments HTM	-	21,527,817	1,086,469	22,614,286
Loans, advances and financing	-	119,995,697	-	119,995,697
Financial liabilities				
Deposits from customers	-	137,762,095	-	137,762,095
Deposits and placements of banks and other financial institutions	-	16,980,080	-	16,980,080
Recourse obligation on loans sold to Cagamas	-	2,231,757	-	2,231,757
Borrowings and senior debt securities	-	3,984,322	-	3,984,322
Subordinated obligations	-	4,622,768	-	4,622,768
Hybrid Tier-1 Capital Securities	-	679,740	-	679,740
Company				
2014				
Financial liabilities				
Borrowings	**-**	**3,110,696**	**-**	**3,110,696**
2013				
Financial liabilities				
Borrowings	-	2,926,468	-	2,926,468

51 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) 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 of six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(ii) Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using prevailing market rates for the remaining term to maturity.

(iii) Financial assets HFT, financial investments HTM and AFS

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

(iv) Loans, advances and financing

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

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risk and maturities.

The fair values of impaired loans are represented by their carrying value, net of impairment allowance.

(v) Other assets and liabilities

The carrying value less any estimated impairment allowance for financial assets and liabilities included in "other assets and liabilities" are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

(vi) Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposits with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

(vii) Deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements ("repos"), obligations on securities borrowed and bills and acceptances payable

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

51 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

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

(viii) Recourse obligation on loans sold to Cagamas

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

(ix) Borrowings and senior debt securities

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

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

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

(x) Subordinated obligations

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

(xi) Hybrid Tier-1 Capital Securities

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

(xii) Credit related commitments and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

(xiii) Foreign exchange and interest rate related contracts

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

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

52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR/PREVIOUS FINANCIAL YEAR

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

The Company had on 19 October 2009, entered into the following agreements with PT Mestika Benua Mas ("Vendor"):

(i) a conditional sale and purchase agreement ("CSPA") to acquire 80% of the issued and paid-up share capital in Bank Mestika for a total cash consideration of Rp3,118 billion (approximately RM1,163 million) ("Proposed Acquisition"); and

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

The Company had subsequently assigned all of its rights, titles, interests, benefits and entitlements and novated all of its obligations and liabilities contained in the CSPA, option agreement and escrow agreement pertaining thereto to RHB Venture Capital Sdn Bhd (a wholly-owned subsidiary of the Company), which in turn assigned and novated the same to RHB Bank on 17 December 2010, as the new acquirer for the Proposed Acquisition.

On 13 July 2012, Bank Indonesia issued a new regulation on share ownership in Indonesian commercial banks which stipulates, amongst others, that the maximum limit for shares ownership in a commercial bank by a bank or financial institution shall be 40% of its paid-up capital.

In view of this, RHB Bank had on 30 January 2013 entered into an amended agreement to the CSPA with the Vendor ("Amended CSPA") to revise the proposed acquisition from up to 89% of the issued and paid-up share capital in Bank Mestika to 40%, for a total cash consideration of Rp2,066 billion (approximately RM651 million as at 23 January 2013) ("Revised Purchase Consideration").

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

In view that the approval from Otoritas Jasa Keuangan (Financial Services Authority of Indonesia) for the Proposed Acquisition has not been obtained on 30 June 2014 and therefore the conditions precedent of the Amended CSPA have not been satisfied, the parties to the Amended CSPA have decided not to extend the Conditional Period. Accordingly, the Amended CSPA lapsed on even date and terminated in accordance with the terms of the Amended CSPA, and the Deposit (as disclosed in Note 10) has been refunded to the Company.

(b) Disposal of entire equity interest in RD RHB OSK Indonesia Dynamic Resources Plus Fund

On 7 February 2014, RHB Investment Bank disposed the entire equity interest in RD RHB OSK Indonesia Dynamic Resources Plus Fund for a cash consideration of RM6.5 million.

The effects of the disposal on the financial results of the Group for the current financial year is not material.

(c) Disposal of equity interest in iFast-OSK

RHB Investment Bank had on 7 March 2014 entered into a sale and purchase agreement to dispose its entire 34.88% equity interest in iFast-OSK for a cash consideration of RM9.07 million. The disposal was completed on 18 July 2014.

The effects of the disposal on the financial position of the Group as at 31 December 2014 are as follows:

	RM'000
Proceeds from disposal	9,070
Equity attributable to net assets	(868)
Gain on disposal of an associate	8,202

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

52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR/PREVIOUS FINANCIAL YEAR (CONTINUED)

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

RHB Investment Bank and RHB Bank have obtained approval from BNM and the Securities Commission of Malaysia ("SC") for their respective proposed MCMTN Programme:

	RHB Investment Bank	RHB Bank
Programme	Issuance of senior notes and/or subordinated notes of up to RM1.0 billion in nominal value (or its equivalent in other currencies)	Issuance of senior notes and/or subordinated notes of up to RM5.0 billion in nominal value (or its equivalent in other currencies)
Date of approval from BNM	12 June 2013	20 December 2013
Date of approval from SC	25 July 2013	4 February 2014
Utilisation of proceeds	To be utilised for RHB Investment Bank's working capital and general banking purposes, including but not limited to repayment of borrowings and subordinated debts	To be utilised for RHB Bank's general working capital and other corporate purposes, including but not limited to provision of advances to any of RHB Bank's subsidiaries and repayment of borrowings and subordinated debts (if any)

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

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

(e) Acquisition of remaining 49% equity interest in DMG & Partners

On 15 December 2014, RHB Investment Bank completed the acquisition of the remaining 36,750,000 ordinary shares of SGD1.00 each or 49% in DMG & Partners 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 RHB Investment Bank, which in turn is a wholly-owned subsidiary of the Company.

The difference between the fair value of the consideration paid and the relevant share of the carrying value of net assets of RM190.5 million is disclosed in the statements of changes in equity.

The financial position of DMG & Partners as at the date of acquisition is as follows:

	RM'000
Carrying value of net assets	388,871
Carrying value of additional interests acquired	190,547

The following summarised the effects of the change in the Group's ownership interests in DMG & Partners on the equity attributable to owners of the Group arising from the above acquisition. The difference between the purchase consideration and the additional interests acquired has been recognised to retained earnings:

	RM'000
Consideration paid for the 49% acquisition from NCI	329,210
Decrease in equity attributable to NCI	(190,547)
Decrease in equity attributable to equity holders of the Group	138,663

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

52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR/PREVIOUS FINANCIAL YEAR (CONTINUED)

(f) Acquisition of RHB OSK Rupiah Liquid Fund

On 1 July 2014, the Company acquired 63.94% of the fund size in RHB OSK Rupiah Liquid Fund for a cash consideration of Rp334.5 trillion (equivalent to RM90.6 million).

The financial position of RHB OSK Rupiah Liquid Fund as at the date of acquisition is as follows:

	RM'000
At fair value:	
Cash and short term funds	104
Deposits and placements with banks and other financial institutions	92,026
Financial assets HFT	49,922
Other assets	257
Other liabilities	(655)
Net assets	141,654
Less: NCI	(51,044)
Purchase consideration satisfied via cash	90,610
Less: Cash and cash equivalents acquired	(92,130)
Cash inflow on acquisition	(1,520)

The effective equity interest as at 31 December 2014 is at 55.79%.

(g) Group internal reorganisation

On 1 October 2014, RHB Investment Bank, a wholly-owned subsidiary of the Company, has entered into a share sale agreement with RHB Indochina Bank, a wholly-owned subsidiary of RHB Bank, which in turn is a wholly-owned subsidiary of the Company, for the acquisition of the entire equity interest in RHB OSK Indochina Securities Limited ("RHBISL") from RHB Indochina Bank for a consideration of USD12.5 million ("Acquisition").

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 of BNM, SC, National Bank of Cambodia and the 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 the Group and is expected to be completed by the first quarter of 2015.

(h) Establishment of a representative office in Myanmar

RHB Bank has on 3 December 2014 been officially granted with the approval by the Directorate of Investment and Company Administration ("DICA") to operate a Representative Office in the Republic of the Union of Myanmar.

The Representative Office licence was granted by the Central Bank of Myanmar ("CBM") to RHB Bank on 26 March 2014.

NOTES TO THE FINANCIAL STATEMENTS
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52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR/PREVIOUS FINANCIAL YEAR (CONTINUED)

(i) Bancassurance arrangement between RHB Bank and Tokio Marine Life Insurance Berhad ("TM")

RHB Bank has on 29 December 2014 entered into a new bancassurance agreement ("New Bancassurance Agreement") with TM. The New Bancassurance Agreement will take effect from 1 January 2015 ("Effective Date") and shall supersede the existing bancassurance agreement entered with TM on 1 July 2010.

The New Bancassurance Agreement shall be for a period of 10 years commencing from the Effective Date and ending on 31 December 2024, where RHB Bank shall only sell, distribute, market and promote conventional life insurance products developed by TM for sale by RHB Bank to any party or persons including but not limited to RHB Bank's customers via the distribution network within RHB Bank subject to the terms and conditions stipulated in the New Bancassurance Agreement.

TM shall pay RHB Bank a total facilitation fee of RM210 million based on the terms of the New Bancassurance Agreement and in consideration thereof, RHB Bank shall commit to a 10-year bancassurance relationship with TM and provide TM access to RHB Bank's customer database.

In furtherance of bancassurance business developments, marketing, sales and various promotional activities incidental to the New Bancassurance Agreement and pursuant to TM's responsibilities under the New Bancassurance Agreement, TM shall pay RHB Bank commissions on the premiums collected on policies sold by RHB Bank, marketing incentives and special incentives, as well as production bonus and persistency bonus (subject to limits stipulated by BNM).

(j) Proposal to commence negotiation for a merger of business and undertakings

As announced by the Company on 10 July 2014, BNM had vide its letter dated on even date stated that it has no objection for the Company to commence negotiations with CIMB Group Holdings Berhad ("CIMB Group") and Malaysia Building Society Berhad ("MBSB") for a possible merger of the businesses and undertakings of CIMB Group and RHB Capital, and the merger of Islamic banking businesses with MBSB ("Proposed Merger"). The approval is valid for a period of six months from the date of BNM's letter.

(RHB Capital, CIMB Group and MBSB collectively defined as the "Parties")

Pursuant to BNM's approval, the Parties have on the same day, entered into an exclusivity agreement to negotiate and finalise pricing, structure, and other relevant terms and conditions for the Proposed Merger for a period of ninety (90) days (unless otherwise agreed by the Parties) ("Exclusivity Period"). There will be an automatic extension of the Exclusivity Period upon a submission being made to BNM by the Parties on the Proposed Merger, until the date of execution of the relevant definitive agreement(s) to effect the Proposed Merger.

All consideration used to effect the Proposed Merger shall be referenced to the closing price of RHB Capital, CIMB Group and MBSB on the stock exchange on 9 July 2014.

RHB Capital and CIMB Group, as well as their relevant subsidiaries, had made a joint application to BNM on 8 October 2014 to seek the approval of BNM and/or Minister of Finance ("MOF") through BNM for, amongst others, the Proposed Merger.

52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR/PREVIOUS FINANCIAL YEAR (CONTINUED)

(j) Proposal to commence negotiation for a merger of business and undertakings (Continued)

The Proposed Merger is intended to encompass the following:

(i) The proposed acquisition by RHB Capital of all the assets, liabilities, business and undertakings of CIMB Group ("Proposed Acquisition");

(ii) The proposed disposal by RHB Islamic Bank of all assets and liabilities to CIMB Islamic Bank Berhad ("Proposed RHB Islamic Disposal"); and

(iii) The proposed merger of the assets and liabilities of CIMB Islamic Bank Berhad, RHB Islamic Bank and MBSB to create a Mega Islamic Bank ("Proposed Islamic Merger").

The Proposed Acquisition and Proposed RHB Islamic Disposal are not conditional upon the Proposed Islamic Merger and vice-versa, or any other transaction or proposal involving the Parties.

Bursa Malaysia Securities Berhad ("Bursa Securities") had, vide its letter dated 21 October 2014, rejected the application to Bursa Securities for a waiver from complying with the related party transaction requirements under paragraph 10.08(7)(a) of the Main Market Listing Requirements of Bursa Securities ("Listing Requirements") in respect of the rights of Employees Provident Fund Board ("EPF") as a shareholder to vote on the resolution(s) to approve the Proposed Acquisition and Proposed RHB Islamic Disposal at an extraordinary general meeting of RHB Capital to be convened ("Proposed Waiver"), as there are no adequate justifications that the potential conflicts of interests involving EPF has been eliminated or sufficiently mitigated.

In arriving at its decision, Bursa Securities took into consideration the following:

(i) The objective of the related party transaction framework under the Listing Requirements is to govern potential conflict of interest situations. In related party transactions, related parties may be able to assert influence over a listed issuer's actions or transactions which then present a risk of potential abuse to the listed issuer. By virtue of EPF being a common major shareholder in all 3 affected companies (i.e. RHB Capital, MBSB and CIMB Group) as well as being the single largest shareholder of both RHB Capital and MBSB, there exists such a potential conflict of interest situation, where EPF may be able to influence the Proposed Merger to its own benefit; and

(ii) EPF's position is not the same as the other shareholders of RHB Capital premised on the following:

    (a) EPF's controlling stakes in RHB Capital (41.5%) and MBSB (64.5%) place it in a position of significant influence in these companies;

    (b) as the single largest shareholder of RHB Capital and MBSB and a major shareholder in CIMB Group, EPF may benefit from the transaction as a shareholder of MBSB and/or CIMB Group. As such, its overall position would differ from a party who is merely a shareholder of RHB Capital, especially given the differing terms and valuations applicable to the 3 affected companies; and

    (c) EPF has prior knowledge of the Proposed Merger as it was notified by CIMB Group before the issuance of the letter of intent by CIMB Group dated 9 July 2014.

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52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR/PREVIOUS FINANCIAL YEAR (CONTINUED)

(j) Proposal to commence negotiation for a merger of business and undertakings (Continued)

Bursa Securities had, vide its letter dated 10 December 2014, informed that after due deliberation and having considered all the facts and circumstances of the matter, the Appeals Committee ("AC") decided that the matters raised and the grounds of Appeal put forth by RHB Capital and EPF did not justify a departure from the decision of the Listing Committee. In particular, there are no adequate justifications that the potential conflict of interests involving EPF has been eliminated or sufficiently mitigated. Accordingly, the AC decided to dismiss the Appeal and uphold the decision of the Listing Committee made on 21 October 2014.

On 14 January 2015, the Company has been notified by CIMB Group vide its letter of even date that its board of directors have, after further deliberation, arrived at a decision to abort the Proposed Merger in light of current economic conditions. CIMB Group and RHB Capital, as well as their relevant subsidiaries have withdrawn their joint application to BNM to seek approval from BNM and/or MOF through BNM for, amongst others, the Proposed Merger. With that, the Exclusivity Period pursuant to the exclusivity agreement between the Parties dated 10 July 2014 has expired.

(k) Acquisition of additional equity stake in RHB Holdings Hong Kong Limited ("RHBHK")

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

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

(l) Acquisition of the remaining 30% equity interests in OSK Investment Management Berhad ("OIM") and RHB Islamic International Asset Management Berhad ("RHBIIAM"), a subsidiary of OIM, and disposal of 30% equity interest in UOB-OSK Asset Management Sdn Bhd ("UOAM")

(i) Acquisition of NCI

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

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

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

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

52 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR/PREVIOUS FINANCIAL YEAR (CONTINUED)

(l) Acquisition of the remaining 30% equity interests in OSK Investment Management Berhad ("OIM") and RHB Islamic International Asset Management Berhad ("RHBIIAM"), a subsidiary of OIM, and disposal of 30% equity interest in UOB-OSK Asset Management Sdn Bhd ("UOAM") (Continued)

(i) Acquisition of NCI (Continued)

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

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

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

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

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

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

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

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

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

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

	Group		
	Realised profits/ (losses) RM'000	Unrealised profits RM'000	Total RM'000
2014			
Operating subsidiaries	**7,411,253**	**1,311,014**	**8,722,267**
Dormant subsidiaries*	**(7,875,504)**	**-**	**(7,875,504)**
Total (accumulated losses)/retained profits of the Group	**(464,251)**	**1,311,014**	**846,763**
Total share of retained profits from associates and joint ventures	**3,436**	**-**	**3,436**
	(460,815)	**1,311,014**	**850,199**
Less: Consolidation adjustments			**6,089,630**
Total Group retained profits			**6,939,829**
2013			
Operating subsidiaries	6,763,395	491,177	7,254,572
Dormant subsidiaries*	(7,925,232)	-	(7,925,232)
Total (accumulated losses)/retained profits of the Group	(1,161,837)	491,177	(670,660)
Total share of retained profits from associates and joint ventures	4,249	-	4,249
	(1,157,588)	491,177	(666,411)
Less: Consolidation adjustments			6,229,588
Total Group retained profits			5,563,177

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

	Company	
	2014 RM'000	2013 RM'000
Retained profits	**415,481**	645,290
Unrealised (losses)/profits	**(20)**	1,181
Total Company retained profits	**415,461**	646,471

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

On 20 December 2010, the Malaysian Institute of Accountants issued Guidance on Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements. Accordingly, the Group views translation gains or losses on monetary items as realised as it is incurred in the ordinary course of business.

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

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 169(15) OF THE COMPANIES ACT, 1965

We, Dato' Mohamed Khadar Merican and Kellee Kam Chee Khiong, being two of the Directors of RHB Capital Berhad state that, in the opinion of the Directors, the accompanying financial statements set out on pages 7 to 168 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 31 December 2014 and of the results and cash flows of the Group and of the Company 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.

DATO' MOHAMED KHADAR MERICAN
CHAIRMAN

KELLEE KAM CHEE KHIONG
GROUP MANAGING DIRECTOR

Kuala Lumpur
5 March 2015

STATUTORY DECLARATION

PURSUANT TO SECTION 169(16) OF THE COMPANIES ACT, 1965

I, Yap Choi Foong, being the Officer primarily responsible for the financial management of RHB Capital Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 7 to 168 are, in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

YAP CHOI FOONG

Subscribed and solemnly declared by the abovenamed Yap Choi Foong at Kuala Lumpur in Malaysia on 5 March 2015.

ZULKIFLA MOHD DAHLIM
COMMISSIONER FOR OATHS
Kuala Lumpur
5 March 2015

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RHB CAPITAL BERHAD

(INCORPORATED IN MALAYSIA) (COMPANY NO. 312952-H)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Capital Berhad on pages 7 to 168, which comprise the statements of financial position as at 31 December 2014 of the Group and the Company, and the income statements, statements of comprehensive income, changes in equity and cash flow of the Group and the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 52.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud and error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risk of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as of 31 December 2014 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF RHB CAPITAL BERHAD
(INCORPORATED IN MALAYSIA) (COMPANY NO. 312952-H)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 53 on page 168 is disclosed to meet the requirement of Bursa Securities and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Securities. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Securities.

OTHER MATTER

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/16 (J))
Chartered Accountant

Kuala Lumpur
5 March 2015

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