

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 SEPTEMBER 2014

| | Note | Group | | Bank | |
|---|------|--------------------|--------------------|--------------------|--------------------|
| | | As at | As at | As at | As at |
| | | 30 September | 31 December | 30 September | 31 December |
| | | 2014 | 2013 | 2014 | 2013 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| ASSETS | | | | | |
| Cash and short-term funds | | 11,713,373 | 9,231,558 | 8,943,980 | 5,575,273 |
| Securities purchased under resale agreements | | 269,736 | 184,560 | 269,736 | 184,560 |
| Deposits and placements with banks and other financial institutions | | 3,487,713 | 2,517,976 | 8,222,099 | 5,056,311 |
| Financial assets held-for-trading | 8 | 1,917,785 | 2,367,098 | 1,696,462 | 1,573,539 |
| Financial investments available-for-sale | 9 | 15,501,998 | 13,258,584 | 13,035,215 | 10,802,836 |
| Financial investments held-to-maturity | 10 | 20,477,140 | 21,813,036 | 17,835,418 | 19,097,086 |
| Loans, advances and financing | 11 | 132,453,752 | 117,891,870 | 105,338,944 | 95,752,900 |
| Other assets | 12 | 582,732 | 547,543 | 756,039 | 696,129 |
| Derivative assets | | 348,367 | 418,624 | 346,927 | 425,518 |
| Statutory deposits | | 4,909,298 | 3,954,819 | 3,908,196 | 3,110,223 |
| Tax recoverable | | 24 | 26,155 | - | 26,152 |
| Deferred tax assets | | 8,303 | 12,160 | - | - |
| Investments in subsidiaries | | - | - | 1,864,514 | 1,740,314 |
| Property, plant and equipment | | 655,321 | 666,736 | 478,593 | 492,464 |
| Goodwill and intangible assets | | 1,291,489 | 1,267,142 | 1,066,027 | 1,040,244 |
| TOTAL ASSETS | | 193,617,031 | 174,157,861 | 163,762,150 | 145,573,549 |
| LIABILITIES AND EQUITY | | | | | |
| Deposits from customers | 13 | 145,720,401 | 135,615,137 | 121,924,477 | 111,794,716 |
| Deposits and placements of banks and other financial institutions | 14 | 18,135,922 | 12,479,163 | 15,664,396 | 10,570,624 |
| Obligations on securities sold under repurchase agreements | | - | 165,098 | - | 165,098 |
| Bills and acceptances payable | | 2,888,347 | 2,076,481 | 2,809,470 | 2,061,391 |
| Other liabilities | 15 | 1,009,106 | 970,728 | 817,769 | 770,474 |
| Derivative liabilities | | 281,900 | 270,024 | 301,804 | 291,922 |
| Recourse obligation on loans sold to Cagamas Berhad ('Cagamas') | | 2,132,100 | 2,269,353 | 943,848 | 961,020 |
| Tax liabilities | | 80,185 | 17,639 | 47,663 | - |
| Deferred tax liabilities | | 65,952 | 35,376 | 65,948 | 35,372 |
| Borrowings | | 485,036 | 571,049 | 485,036 | 571,049 |
| Subordinated obligations | | 5,590,892 | 4,021,868 | 5,081,467 | 4,021,868 |
| Hybrid Tier-I Capital Securities | | 602,857 | 606,215 | 602,857 | 606,215 |
| Senior debt securities | | 1,661,482 | 1,647,634 | 1,661,482 | 1,647,634 |
| TOTAL LIABILITIES | | 178,654,180 | 160,745,765 | 150,406,217 | 133,497,383 |
| Share capital | | 3,318,085 | 3,318,085 | 3,318,085 | 3,318,085 |
| Reserves | | 11,644,766 | 10,094,011 | 10,037,848 | 8,758,081 |
| TOTAL EQUITY | | 14,962,851 | 13,412,096 | 13,355,933 | 12,076,166 |
| TOTAL LIABILITIES AND EQUITY | | 193,617,031 | 174,157,861 | 163,762,150 | 145,573,549 |
| COMMITMENTS AND CONTINGENCIES | 23 | 114,122,642 | 95,495,234 | 109,322,496 | 92,178,814 |

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2013.

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

| Group | Note | 3rd Quarter Ended | | Nine Months Ended | |
|--|------|----------------------|----------------------|----------------------|----------------------|
| | | 30 September 2014 | 30 September 2013 | 30 September 2014 | 30 September 2013 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Interest income | 16 | 1,821,977 | 1,638,608 | 5,217,381 | 4,822,572 |
| Interest expense | 17 | (987,182) | (825,167) | (2,762,504) | (2,430,557) |
| Net interest income | | 834,795 | 813,441 | 2,454,877 | 2,392,015 |
| Other operating income | 18 | 280,570 | 293,560 | 757,382 | 753,284 |
| Income from Islamic Banking business | 19 | 1,115,365 196,197 | 1,107,001 149,888 | 3,212,259 530,898 | 3,145,299 426,528 |
| Net Income | | 1,311,562 | 1,256,889 | 3,743,157 | 3,571,827 |
| Other operating expenses | 20 | (598,582) | (530,553) | (1,740,170) | (1,532,927) |
| Operating profit before allowances | | 712,980 | 726,336 | 2,002,987 | 2,038,900 |
| Allowance for impairment on loans, advances and financing | 21 | (94,808) | (26,745) | (180,870) | (330,904) |
| Impairment written back on other assets | | 1,058 | 2,613 | 122,738 | 8,925 |
| Profit before taxation | | 619,230 | 702,204 | 1,944,855 | 1,716,921 |
| Taxation | | (150,511) | (160,145) | (475,671) | (414,162) |
| Net profit for the financial period | | 468,719 | 542,059 | 1,469,184 | 1,302,759 |
| Earnings per share (sen) | | | | | |
| - Basic | | 7.06 | 8.17 | 22.14 | 19.63 |

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2013.

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

| Group | Note | <u>3rd Quarter Ended</u> | | <u>Nine Months Ended</u> | |
|---|------|--------------------------|----------------|--------------------------|------------------|
| | | 30 September | 30 September | 30 September | 30 September |
| | | 2014 | 2013 | 2014 | 2013 |
| | | RM'000 | RM'000 | RM'000 | RM'000 |
| Net profit for the financial period | | <u>468,719</u> | 542,059 | <u>1,469,184</u> | 1,302,759 |
| Other comprehensive income/(loss): | | | | | |
| Items that will subsequently be reclassified to profit or loss | | | | | |
| - Currency translation differences | | 26,414 | 59,906 | (8,743) | 93,296 |
| - Unrealised net gain/(loss) on revaluation of financial investments available-for-sale ('AFS') | | 65,183 | 77,235 | 131,578 | (10,528) |
| - Net transfer to income statements on disposal or impairment of financial investments AFS | | (8,284) | 2,329 | (11,011) | (32,486) |
| - Income tax relating to components of other comprehensive (income)/loss | | (14,257) | (20,085) | (30,253) | 10,856 |
| Other comprehensive income, net of tax, for the financial period | | 69,056 | 119,385 | 81,571 | 61,138 |
| Total comprehensive income for the financial period | | <u>537,775</u> | <u>661,444</u> | <u>1,550,755</u> | <u>1,363,897</u> |

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2013.

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

| Bank | Note | 3rd Quarter Ended | | Nine Months Ended | |
|--|-------------|---|---|---|---|
| | | 30 September 2014 RM'000 | 30 September 2013 RM'000 | 30 September 2014 RM'000 | 30 September 2013 RM'000 |
| Interest income | 16 | 1,830,420 | 1,633,792 | 5,217,746 | 4,801,218 |
| Interest expense | 17 | (978,854) | (817,118) | (2,738,577) | (2,408,849) |
| Net interest income | | 851,566 | 816,674 | 2,479,169 | 2,392,369 |
| Other operating income | 18 | 272,869 | 291,730 | 743,653 | 749,057 |
| Net Income | | 1,124,435 | 1,108,404 | 3,222,822 | 3,141,426 |
| Other operating expenses | 20 | (541,284) | (470,168) | (1,549,313) | (1,354,063) |
| Operating profit before allowances | | 583,151 | 638,236 | 1,673,509 | 1,787,363 |
| Allowance for impairment on loans, advances and financing | 21 | (89,391) | (33,273) | (175,663) | (300,642) |
| Impairment written back on other assets | | 1,417 | 2,613 | 122,949 | 9,626 |
| Profit before taxation | | 495,177 | 607,576 | 1,620,795 | 1,496,347 |
| Taxation | | (122,774) | (136,911) | (415,759) | (366,785) |
| Net profit for the financial period | | <u>372,403</u> | <u>470,665</u> | <u>1,205,036</u> | <u>1,129,562</u> |
| Earnings per share (sen) | | | | | |
| - Basic | | <u>5.61</u> | <u>7.09</u> | <u>18.16</u> | <u>17.02</u> |

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2013.

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

| Bank | <u>3rd Quarter Ended</u> | | <u>Nine Months Ended</u> | |
|--|---------------------------------|--------------|---------------------------------|--------------|
| | 30 September | 30 September | 30 September | 30 September |
| | 2014 | 2013 | 2014 | 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Net profit for the financial period | 372,403 | 470,665 | 1,205,036 | 1,129,562 |
| Other comprehensive income/(loss): | | | | |
| Items that will subsequently be reclassified to profit or loss | | | | |
| - Currency translation differences | 6,028 | 40,072 | (9,111) | 52,511 |
| - Unrealised net gain on revaluation of financial investments AFS | 48,852 | 95,666 | 121,807 | 20,287 |
| - Net transfer to income statements on disposal or impairment of financial investments AFS | (5,049) | (136) | (10,004) | (28,863) |
| - Income tax relating to components of other comprehensive (income)/loss | (10,961) | (23,883) | (27,961) | 2,144 |
| Other comprehensive income, net of tax, for the financial period | 38,870 | 111,719 | 74,731 | 46,079 |
| Total comprehensive income for the financial period | 411,273 | 582,384 | 1,279,767 | 1,175,641 |

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2013.

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

| <u>Group</u> | ← Attributable to equity holders of the Bank → | | | | | | <u>Total</u> |
|---|--|------------------|-----------------------|-------------------------|-----------------|---------------------|-------------------|
| | Share capital | Share premium | Statutory reserves | Translation reserves | AFS reserves | Retained profits | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance as at 1 January 2014 | 3,318,085 | 8,563 | 3,919,746 | 19,469 | 150,571 | 5,995,662 | 13,412,096 |
| Net profit for the financial period | - | - | - | - | - | 1,469,184 | 1,469,184 |
| Currency translation differences | - | - | - | (8,743) | - | - | (8,743) |
| Financial investments AFS: | | | | | | | |
| - Unrealised net gain on revaluation | - | - | - | - | 131,578 | - | 131,578 |
| - Net transfer to income statements on disposal or impairment | - | - | - | - | (11,011) | - | (11,011) |
| - Income tax relating to components of other comprehensive income | - | - | - | - | (30,253) | - | (30,253) |
| Other comprehensive income/(loss) for the financial period | - | - | - | (8,743) | 90,314 | - | 81,571 |
| Total comprehensive income/(loss) for the financial period | - | - | - | (8,743) | 90,314 | 1,469,184 | 1,550,755 |
| Transfer to statutory reserves | - | - | 47,580 | - | - | (47,580) | - |
| Balance as at 30 September 2014 | 3,318,085 | 8,563 | 3,967,326 | 10,726 | 240,885 | 7,417,266 | 14,962,851 |
| Balance as at 1 January 2013 | 3,318,085 | 8,563 | 3,836,496 | (69,739) | 220,996 | 4,722,899 | 12,037,300 |
| Net profit for the financial period | - | - | - | - | - | 1,302,759 | 1,302,759 |
| Currency translation differences | - | - | - | 93,296 | - | - | 93,296 |
| Financial investments AFS: | | | | | | | |
| - Unrealised net loss on revaluation | - | - | - | - | (10,528) | - | (10,528) |
| - Net transfer to income statements on disposal or impairment | - | - | - | - | (32,486) | - | (32,486) |
| - Income tax relating to components of other comprehensive loss | - | - | - | - | 10,856 | - | 10,856 |
| Other comprehensive income/(loss) for the financial period | - | - | - | 93,296 | (32,158) | - | 61,138 |
| Total comprehensive income/(loss) for the financial period | - | - | - | 93,296 | (32,158) | 1,302,759 | 1,363,897 |
| Ordinary dividends | - | - | - | - | - | (238,000) | (238,000) |
| Transfer to statutory reserves | - | - | 220,462 | - | - | (220,462) | - |
| Balance as at 30 September 2013 | 3,318,085 | 8,563 | 4,056,958 | 23,557 | 188,838 | 5,567,196 | 13,163,197 |

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2013.

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

| Bank | ← | Non-distributable | | | → | Distributable Retained profits | Total |
|---|------------------|-------------------|-----------------------|-------------------------|-----------------|--------------------------------------|-------------------|
| | Share capital | Share premium | Statutory reserves | Translation reserves | AFS reserves | | |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Balance as at 1 January 2014 | 3,318,085 | 8,563 | 3,478,138 | 55,541 | 180,119 | 5,035,720 | 12,076,166 |
| Net profit for the financial period | - | - | - | - | - | 1,205,036 | 1,205,036 |
| Currency translation differences | - | - | - | (9,111) | - | - | (9,111) |
| Financial investments AFS: | | | | | | | |
| - Unrealised net gain on revaluation | - | - | - | - | 121,807 | - | 121,807 |
| - Net transfer to income statements on disposal or impairment | - | - | - | - | (10,004) | - | (10,004) |
| - Income tax relating to components of other comprehensive income | - | - | - | - | (27,961) | - | (27,961) |
| Other comprehensive income/(loss) for the financial period | - | - | - | (9,111) | 83,842 | - | 74,731 |
| Total comprehensive income/(loss) for the financial period | - | - | - | (9,111) | 83,842 | 1,205,036 | 1,279,767 |
| Balance as at 30 September 2014 | 3,318,085 | 8,563 | 3,478,138 | 46,430 | 263,961 | 6,240,756 | 13,355,933 |
| Balance as at 1 January 2013 | 3,318,085 | 8,563 | 3,478,138 | 12,023 | 217,933 | 3,921,038 | 10,955,780 |
| Net profit for the financial period | - | - | - | - | - | 1,129,562 | 1,129,562 |
| Currency translation differences | - | - | - | 52,511 | - | - | 52,511 |
| Financial investments AFS: | | | | | | | |
| - Unrealised net gain on revaluation | - | - | - | - | 20,287 | - | 20,287 |
| - Net transfer to income statements on disposal or impairment | - | - | - | - | (28,863) | - | (28,863) |
| - Income tax relating to components of other comprehensive loss | - | - | - | - | 2,144 | - | 2,144 |
| Other comprehensive income/(loss) for the financial period | - | - | - | 52,511 | (6,432) | - | 46,079 |
| Total comprehensive income/(loss) for the financial period | - | - | - | 52,511 | (6,432) | 1,129,562 | 1,175,641 |
| Ordinary dividends | - | - | - | - | - | (238,000) | (238,000) |
| Transfer to statutory reserves | - | - | 164,724 | - | - | (164,724) | - |
| Balance as at 30 September 2013 | 3,318,085 | 8,563 | 3,642,862 | 64,534 | 211,501 | 4,647,876 | 11,893,421 |

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2013.

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

| | Nine Months Ended | |
|---|--------------------------|---------------------|
| | 30 September | 30 September |
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Group | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 1,944,855 | 1,716,921 |
| Adjustments for non-cash items | <u>(519,072)</u> | <u>(533,813)</u> |
| Operating profit before changes in working capital | 1,425,783 | 1,183,108 |
| Changes in working capital: | | |
| Net changes in operating assets | (16,344,976) | (9,748,784) |
| Net changes in operating liabilities | <u>16,516,337</u> | <u>(729,417)</u> |
| Cash generated from/(used in) operations | 171,361 | (10,478,201) |
| Taxation paid | <u>(382,700)</u> | <u>(513,724)</u> |
| Net cash generated from/(used in) operating activities | <u>1,214,444</u> | <u>(9,808,817)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (45,424) | (42,461) |
| Purchase of computer software license | (57,271) | (46,017) |
| Proceeds from disposal of property, plant and equipment | 413 | 203 |
| Financial investments AFS: | | |
| - net purchase | (2,163,383) | (3,009,252) |
| - interest received | 297,281 | 218,155 |
| - investment income received | 59,729 | 45,373 |
| - dividend income | 3,865 | 5,697 |
| Financial investments held-to-maturity: | | |
| - net redemption/(purchase) | 1,368,678 | (269,024) |
| - interest received | 529,803 | 446,610 |
| - investment income received | 65,588 | 59,120 |
| Net cash generated from/(used in) investing activities | <u>59,279</u> | <u>(2,591,596)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of subordinated notes | 1,000,000 | - |
| Proceeds from issuance of Subordinated Sukuk Murabahah | 500,000 | - |
| Repayment of borrowings | (84,707) | (49,998) |
| Dividends paid to shareholder | - | (238,000) |
| Net cash generated from/(used in) financing activities | <u>1,415,293</u> | <u>(287,998)</u> |
| Net increase/(decrease) in cash and cash equivalents | 2,689,016 | (12,688,411) |
| Effects of exchange rate differences | (207,201) | 209,482 |
| Cash and cash equivalents: | | |
| - at the beginning of the financial period | <u>9,231,558</u> | <u>22,679,853</u> |
| - at the end of the financial period | <u>11,713,373</u> | <u>10,200,924</u> |
| ANALYSIS OF CASH AND CASH EQUIVALENTS: | | |
| Cash and short-term funds | <u>11,713,373</u> | <u>10,200,924</u> |

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2013.

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

| | Nine Months Ended | |
|---|--------------------------|---------------------|
| | 30 September | 30 September |
| | 2014 | 2013 |
| | RM'000 | RM'000 |
| Bank | | |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Profit before taxation | 1,620,795 | 1,496,347 |
| Adjustments for non-cash items | <u>(618,150)</u> | <u>(436,151)</u> |
| Operating profit before changes in working capital | 1,002,645 | 1,060,196 |
| Changes in working capital: | | |
| Net changes in operating assets | (13,858,979) | (7,977,339) |
| Net changes in operating liabilities | <u>15,901,253</u> | <u>(2,472,938)</u> |
| Cash generated from/(used in) operations | 2,042,274 | (10,450,277) |
| Taxation paid | <u>(339,204)</u> | <u>(468,600)</u> |
| Net cash generated from/(used in) operating activities | <u>2,705,715</u> | <u>(9,858,681)</u> |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Purchase of property, plant and equipment | (42,367) | (50,272) |
| Purchase of computer software license | (56,207) | (31,200) |
| Proceeds from disposal of property, plant and equipment | 413 | 203 |
| Financial investments AFS: | | |
| - net purchase | (1,936,892) | (1,922,502) |
| - interest received | 294,511 | 215,545 |
| - dividend income | 3,858 | 5,697 |
| Financial investments held-to-maturity: | | |
| - net redemption/(purchase) | 1,292,449 | (102,917) |
| - interest received | 525,112 | 442,193 |
| Investment in subsidiaries | <u>(124,200)</u> | <u>(200,000)</u> |
| Net cash used in investing activities | <u>(43,323)</u> | <u>(1,643,253)</u> |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Proceeds from issuance of subordinated notes | 1,000,000 | - |
| Repayment of borrowings | (84,707) | (49,998) |
| Dividends paid to shareholder | - | (238,000) |
| Net cash generated from/(used in) financing activities | <u>915,293</u> | <u>(287,998)</u> |
| Net increase/(decrease) in cash and cash equivalents | 3,577,685 | (11,789,932) |
| Effects of exchange rate differences | (208,978) | 177,782 |
| Cash and cash equivalents: | | |
| - at the beginning of the financial period | <u>5,575,273</u> | <u>19,022,404</u> |
| - at the end of the financial period | <u>8,943,980</u> | <u>7,410,254</u> |
| ANALYSIS OF CASH AND CASH EQUIVALENTS: | | |
| Cash and short-term funds | <u>8,943,980</u> | <u>7,410,254</u> |

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2013.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014

1 Basis Of Preparation

The interim financial statements are unaudited and has been prepared in compliance with Malaysian Financial Reporting Standard ('MFRS') 134, 'Interim Financial Reporting' issued by Malaysian Accounting Standards Board ('MASB') and should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2013.

The accounting policies and presentation adopted by the Group and the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2013, except for the adoption of the following relevant accounting standards, amendments to published accounting standards and interpretations to existing accounting standards which are effective from 1 January 2014:

| | |
|---|--|
| Amendments to MFRS 10, MFRS 12 and MFRS 127 | Investment Entities |
| Amendments to MFR 132 | Offsetting Financial Assets and Financial Liabilities |
| Amendments to MFR 136 | Recoverable Amount Disclosures for Non-Financial Assets |
| Amendments to MFR 139 | Novation of Derivatives and Continuation of Hedge Accounting |
| IC Interpretation 21 | Levies |

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

2 Auditors' Report

The auditors' report for the financial year ended 31 December 2013 was not subject to any qualification.

3 Seasonal Or Cyclical Factors

The business operations of the Group and the Bank have not been affected by any material seasonal or cyclical factors.

4 Exceptional Or Unusual Items

There were no exceptional or unusual items for the nine months ended 30 September 2014.

5 Changes In Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the nine months ended 30 September 2014.

6 Changes In Debt and Equity Securities

On 15 May 2014, RHB Islamic Bank Berhad ('RHB Islamic Bank') issued RM500 million nominal value of Subordinated Sukuk Murabahah under a RM1.0 billion Subordinated Sukuk Programme. The Subordinated Sukuk Murabahah, rated AA3 by RAM Rating Services Berhad, are issued for a tenure of 10 non-callable 5 years with a fixed profit rate of 4.95% per annum, payable semi-annually in arrears throughout the entire tenure. The Subordinated Sukuk Murabahah will qualify as Tier 2 capital of RHB Islamic Bank subject to compliance with the requirements as specified in the Capital Adequacy Framework for Islamic Banks (Capital Components) issued by Bank Negara Malaysia ('BNM') on 28 November 2012.

On 8 July 2014, the Bank issued RM1.0 billion nominal value of subordinated notes ('Subordinated Notes') under a RM3.0 billion Medium Term Note Programme. The Subordinated Notes are issued for a tenure of 10 non-callable 5 years with a fixed coupon rate of 4.99% per annum, payable semi-annually throughout the entire tenure.

Other than the above, there were no other issuances and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the period under review.

7 Dividends Paid and Proposed Dividend

No dividend was paid by the Bank during the nine months ended 30 September 2014.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

8 Financial Assets Held-For-Trading

| | Group | | Bank | |
|--|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| At fair value | | | | |
| <u>Money market instruments:</u> | | | | |
| Malaysian Government Securities | 234,734 | 370,838 | 234,734 | 370,838 |
| Malaysian Government Investment Issues | 945,233 | 145,440 | 723,910 | 122,362 |
| Bank Negara Malaysia Monetary Notes | 198,182 | 1,151,172 | 198,182 | 604,821 |
| Thailand Treasury Bills | - | 6,372 | - | 6,372 |
| Negotiable instruments of deposits | - | 198,686 | - | - |
| Singapore Government Treasury Bills | 449,829 | 466,438 | 449,829 | 466,438 |
| Sukuk Perumahan Kerajaan (SPK) | 31,015 | - | 31,015 | - |
| <u>Quoted securities:</u> | | | | |
| <u>In Malaysia</u> | | | | |
| Private debt securities | 2,579 | 2,708 | 2,579 | 2,708 |
| <u>Unquoted securities:</u> | | | | |
| <u>In Malaysia</u> | | | | |
| Private debt securities | 6,331 | 25,444 | 6,331 | - |
| Commercial paper | 49,882 | - | 49,882 | - |
| | 1,917,785 | 2,367,098 | 1,696,462 | 1,573,539 |

In 2008, the Group and the Bank reclassified a portion of their financial assets held-for-trading ('HFT') into financial investments available-for-sale ('AFS') and financial investments held-to-maturity ('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 reclassification on the income statements for the period from the date of reclassification to 30 September 2014 were as follows:

| | Group | | Group | |
|---|---|--|---|--|
| | Carrying amount | | Fair value | |
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| Reclassified from financial assets HFT to financial investments HTM | 20,086 | 19,786 | 20,548 | 20,711 |

| | Group | |
|---|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| Fair value gain that would have been recognised if the financial assets HFT had not been reclassified | 462 | 925 |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

9 Financial Investments Available-For-Sale

| | Group | | Bank | |
|--|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| At fair value | | | | |
| <u>Money market instruments:</u> | | | | |
| Malaysian Government Securities | 615,311 | 644,380 | 615,311 | 644,380 |
| Malaysian Government Investment Issues | 1,709,207 | 1,557,301 | 1,219,391 | 1,033,134 |
| Cagamas bonds | 60,503 | 85,349 | - | 25,391 |
| Khazanah bonds | 8,215 | 15,929 | - | - |
| Negotiable instruments of deposits | - | 99,488 | - | - |
| Singapore Government Treasury Bills | 462,708 | 272,185 | 462,708 | 272,185 |
| Singapore Government Securities | 156,641 | 136,433 | 156,641 | 136,433 |
| Thailand Government bonds | 119,173 | 96,341 | 119,173 | 96,341 |
| 1 Malaysia Sukuk | 314,415 | 318,010 | 314,415 | 318,010 |
| Wakala Global Sukuk | 79,038 | 153,099 | 68,009 | 124,939 |
| Sukuk Perumahan Kerajaan (SPK) | 68,433 | 47,600 | 68,433 | 47,600 |
| <u>Quoted securities:</u> | | | | |
| <u>In Malaysia</u> | | | | |
| Shares | 7,339 | 29,283 | 5,146 | 25,005 |
| <u>Outside Malaysia</u> | | | | |
| Shares | 244 | 32 | 48 | - |
| <u>Unquoted Securities:</u> | | | | |
| <u>In Malaysia</u> | | | | |
| Corporate loan stocks | 3,425 | 255,146 | 3,425 | 255,146 |
| Shares | 510,234 | 468,501 | 509,530 | 467,926 |
| Private debt securities | 11,059,848 | 9,102,487 | 9,369,195 | 7,579,381 |
| Perpetual notes/sukuk | 290,509 | 286,149 | 86,922 | 85,530 |
| <u>Outside Malaysia</u> | | | | |
| Shares | 136 | 137 | - | - |
| Private debt securities | 405 | 400 | 405 | 400 |
| Credit link notes | 163,587 | - | 163,587 | - |
| | <u>15,629,371</u> | <u>13,568,250</u> | <u>13,162,339</u> | <u>11,111,801</u> |
| Accumulated impairment losses | <u>(127,373)</u> | <u>(309,666)</u> | <u>(127,124)</u> | <u>(308,965)</u> |
| | <u>15,501,998</u> | <u>13,258,584</u> | <u>13,035,215</u> | <u>10,802,836</u> |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

10 Financial Investments Held-To-Maturity

| | Group | | Bank | |
|--|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| At amortised cost | | | | |
| <u>Money market instruments:</u> | | | | |
| Malaysian Government Securities | 2,310,565 | 2,618,574 | 2,310,565 | 2,618,574 |
| Malaysian Government Investment Issues | 5,395,138 | 6,325,725 | 4,747,517 | 5,481,811 |
| Cagamas bonds | 2,338,366 | 2,444,755 | 2,141,854 | 2,220,854 |
| Khazanah bonds | 90,537 | 69,288 | 62,384 | 60,307 |
| Negotiable instruments of deposits | 2,274,349 | 2,449,025 | 1,716,000 | 1,803,165 |
| Singapore Government Securities | 180,823 | 183,686 | 180,823 | 183,686 |
| Thailand Government Securities | 254,892 | 293,052 | 254,892 | 293,052 |
| Bankers' acceptances | - | 33,634 | - | - |
| Sukuk (Brunei) Incorporation | 38,566 | 38,897 | 38,566 | 38,897 |
| Wakala Global Sukuk | 225,299 | 227,722 | 225,299 | 227,722 |
| Sukuk Perumahan Kerajaan (SPK) | 111,260 | 111,202 | 101,227 | 101,270 |
| <u>Unquoted Securities:</u> | | | | |
| <u>In Malaysia</u> | | | | |
| Bonds | 860 | 860 | 860 | 860 |
| Prasarana bonds | 774,877 | 772,004 | 774,877 | 771,978 |
| Private debt securities | 6,534,574 | 6,289,759 | 5,353,606 | 5,359,843 |
| Corporate loan stocks | 39,303 | 43,291 | 39,303 | 43,291 |
| <u>Outside Malaysia</u> | | | | |
| Private debt securities | 20,086 | 19,786 | - | - |
| | 20,589,495 | 21,921,260 | 17,947,773 | 19,205,310 |
| Accumulated impairment losses | (112,355) | (108,224) | (112,355) | (108,224) |
| | 20,477,140 | 21,813,036 | 17,835,418 | 19,097,086 |

Included in financial investments HTM for the Group and the Bank are private debt securities, which is pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM Nil (31 December 2013: RM168,571,000).

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

11 Loans, Advances and Financing

(i) By type

| | Group | | Bank | |
|---|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| At amortised cost | | | | |
| Overdrafts | 6,378,198 | 5,990,867 | 6,047,573 | 5,817,324 |
| Term loans/financing: | | | | |
| - housing loans/financing | 30,061,013 | 25,375,496 | 24,174,778 | 20,820,056 |
| - syndicated term loans/financing | 5,409,292 | 3,947,999 | 3,074,579 | 1,729,997 |
| - hire purchase receivables | 13,785,974 | 13,052,002 | 7,878,589 | 8,130,184 |
| - lease receivables | 38,157 | 70,174 | - | - |
| - other term loans/financing | 61,477,538 | 54,585,428 | 50,957,829 | 46,819,084 |
| Bills receivable | 2,503,309 | 2,561,904 | 1,882,322 | 1,894,271 |
| Trust receipts | 575,257 | 523,804 | 551,325 | 487,710 |
| Claims on customers under acceptance credits | 4,188,681 | 4,327,803 | 4,188,681 | 4,327,803 |
| Staff loans/financing | 225,655 | 249,959 | 215,504 | 241,672 |
| Credit card receivables | 1,964,676 | 2,004,163 | 1,749,033 | 1,804,532 |
| Revolving credit/financing | 7,907,373 | 7,392,659 | 6,328,443 | 5,490,915 |
| Floor stocking | 2,430 | 239 | 2,430 | 239 |
| Gross loans, advances and financing | 134,517,553 | 120,082,497 | 107,051,086 | 97,563,787 |
| Fair value changes arising from fair value hedge | (21,171) | (26,696) | 122 | 258 |
| | 134,496,382 | 120,055,801 | 107,051,208 | 97,564,045 |
| Allowance for impaired loans, advances and financing: | | | | |
| - individual impairment allowance | (756,109) | (891,294) | (617,503) | (723,024) |
| - collective impairment allowance | (1,286,521) | (1,272,637) | (1,094,761) | (1,088,121) |
| Net loans, advances and financing | 132,453,752 | 117,891,870 | 105,338,944 | 95,752,900 |

Included in loans, advances and financing for the Group and the Bank are housing loans, hire purchase receivables and other term loans/financing sold to Cagamas with recourse amounting to RM2,060,205,000 (31 December 2013: RM2,405,777,000) and RM878,222,000 (31 December 2013: RM1,104,114,000) respectively.

(ii) By type of customer

| | Group | | Bank | |
|---|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| Domestic non-bank financial institutions: | | | | |
| - Others | 1,909,293 | 2,716,376 | 821,094 | 1,387,420 |
| Domestic business enterprises: | | | | |
| - Small medium enterprises | 14,723,417 | 12,396,907 | 13,747,748 | 11,614,086 |
| - Others | 35,687,019 | 31,489,316 | 28,904,125 | 27,053,888 |
| Government and statutory bodies | 7,452,294 | 8,476,645 | 4,108,092 | 5,160,401 |
| Individuals | 61,784,494 | 54,820,397 | 48,944,504 | 44,431,236 |
| Other domestic entities | 125,586 | 122,919 | 12,931 | 7,965 |
| Foreign entities | 12,835,450 | 10,059,937 | 10,512,592 | 7,908,791 |
| | 134,517,553 | 120,082,497 | 107,051,086 | 97,563,787 |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

11 Loans, Advances and Financing (cont'd)

(iii) By geographical distribution

| | Group | | Bank | |
|-----------------|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| Malaysia | 120,605,943 | 108,927,103 | 97,243,242 | 90,277,091 |
| Labuan Offshore | 3,494,297 | 3,399,433 | - | - |
| Singapore | 8,963,975 | 6,586,132 | 8,963,975 | 6,586,132 |
| Thailand | 735,057 | 606,535 | 735,057 | 606,535 |
| Brunei | 108,812 | 94,029 | 108,812 | 94,029 |
| Cambodia | 599,270 | 469,265 | - | - |
| Lao | 10,199 | - | - | - |
| | 134,517,553 | 120,082,497 | 107,051,086 | 97,563,787 |

(iv) By interest/profit rate sensitivity

| | Group | | Bank | |
|------------------------------------|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| Fixed rate: | | | | |
| - Housing loans/financing | 1,061,589 | 1,019,628 | 364,322 | 229,565 |
| - Hire purchase receivables | 13,785,974 | 13,052,001 | 7,878,589 | 8,130,184 |
| - Other fixed rate loans/financing | 16,285,774 | 16,543,030 | 10,171,823 | 10,144,309 |
| Variable rate: | | | | |
| - BLR/BFR plus | 60,077,165 | 49,199,021 | 49,920,376 | 43,218,223 |
| - Cost-plus | 35,524,735 | 33,126,678 | 33,766,434 | 31,088,223 |
| - Other variable rates | 7,782,316 | 7,142,139 | 4,949,542 | 4,753,283 |
| | 134,517,553 | 120,082,497 | 107,051,086 | 97,563,787 |

(v) By purpose

| | Group | | Bank | |
|---|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| Purchase of securities | 13,555,485 | 11,057,313 | 13,555,485 | 11,057,313 |
| Purchase of transport vehicles | 12,653,144 | 11,863,165 | 6,483,583 | 6,636,403 |
| Purchase of landed property: | | | | |
| - Residential | 29,698,601 | 25,516,867 | 24,055,976 | 21,103,911 |
| - Non-residential | 9,393,376 | 7,367,419 | 8,547,570 | 6,945,553 |
| Purchase of property, plant and equipment other than land and building | 3,650,015 | 3,350,106 | 2,801,238 | 2,652,214 |
| Personal use | 7,462,327 | 7,193,757 | 6,165,302 | 6,106,322 |
| Credit card | 1,964,676 | 2,004,163 | 1,749,033 | 1,804,532 |
| Purchase of consumer durables | 29,569 | 31,513 | 29,562 | 31,503 |
| Construction | 3,823,736 | 3,114,303 | 3,221,885 | 2,417,366 |
| Working capital | 33,830,695 | 29,612,077 | 26,967,840 | 24,535,858 |
| Merger and acquisition | 3,298,526 | 3,215,709 | 2,855,432 | 3,083,302 |
| Other purposes | 15,157,403 | 15,756,105 | 10,618,180 | 11,189,510 |
| | 134,517,553 | 120,082,497 | 107,051,086 | 97,563,787 |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

11 Loans, Advances and Financing (cont'd)

(vi) By remaining contractual maturities

| | Group | | Bank | |
|---------------------------|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| Maturity within one year | 45,328,768 | 42,429,415 | 41,966,460 | 38,159,722 |
| One year to three years | 8,395,849 | 8,906,271 | 4,875,405 | 6,612,215 |
| Three years to five years | 9,716,542 | 10,125,104 | 6,454,910 | 6,175,168 |
| Over five years | 71,076,394 | 58,621,707 | 53,754,311 | 46,616,682 |
| | 134,517,553 | 120,082,497 | 107,051,086 | 97,563,787 |

(vii) Impaired loans, advances and financing

(a) Movement in impaired loans, advances and financing

| | Group | | Bank | |
|---|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| Balance as at the beginning of financial period/year | 3,347,712 | 3,090,090 | 2,850,589 | 2,600,833 |
| Classified as impaired during the financial period/year | 2,466,475 | 4,053,558 | 2,127,707 | 3,560,559 |
| Reclassified as non-impaired during the financial period/year | (1,817,115) | (2,459,599) | (1,535,734) | (2,150,448) |
| Amount recovered | (456,398) | (730,651) | (401,680) | (607,867) |
| Amount written off | (511,206) | (614,408) | (467,240) | (555,693) |
| Exchange differences | 344 | 8,722 | (737) | 3,205 |
| Balance as at the end of financial period/year | 3,029,812 | 3,347,712 | 2,572,905 | 2,850,589 |

(b) By purpose

| | Group | | Bank | |
|--|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| Purchase of securities | 57,817 | 113,291 | 57,817 | 113,291 |
| Purchase of transport vehicles | 225,624 | 218,391 | 117,151 | 124,193 |
| Purchase of landed property: | | | | |
| - Residential | 794,209 | 876,196 | 679,485 | 751,396 |
| - Non-residential | 116,071 | 99,645 | 97,501 | 72,345 |
| Purchase of property, plant and equipment other than land and building | 42,512 | 45,207 | 28,785 | 35,104 |
| Personal use | 152,706 | 150,363 | 148,795 | 147,523 |
| Credit card | 41,553 | 41,332 | 35,835 | 36,552 |
| Purchase of consumer durables | 1,557 | 1,724 | 1,557 | 1,724 |
| Construction | 115,160 | 118,246 | 114,599 | 117,286 |
| Working capital | 1,353,613 | 1,536,528 | 1,227,568 | 1,382,487 |
| Other purposes | 128,990 | 146,789 | 63,812 | 68,688 |
| | 3,029,812 | 3,347,712 | 2,572,905 | 2,850,589 |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

11 Loans, Advances and Financing (cont'd)

(vii) Impaired loans, advances and financing (cont'd)

(c) By geographical distribution

| | Group | | Bank | |
|-----------------|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| Malaysia | 2,858,296 | 3,173,526 | 2,457,293 | 2,740,429 |
| Labuan Offshore | 51,880 | 49,901 | - | - |
| Singapore | 91,568 | 85,599 | 91,568 | 85,599 |
| Thailand | 16,141 | 16,025 | 16,141 | 16,025 |
| Brunei | 7,903 | 8,536 | 7,903 | 8,536 |
| Cambodia | 4,024 | 14,125 | - | - |
| | <u>3,029,812</u> | <u>3,347,712</u> | <u>2,572,905</u> | <u>2,850,589</u> |

(d) Movement in allowance for impaired loans, advances and financing

| | Group | | Bank | |
|--|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| Individual impairment allowance | | | | |
| Balance as at the beginning of financial period/year | 891,294 | 780,081 | 723,024 | 648,256 |
| Net allowance (written back)/made during the financial period/year | (33,975) | 306,575 | (11,853) | 271,595 |
| Reclassified (to)/from collective impairment allowance | (3,937) | 2,509 | - | (2,141) |
| Transfer to impairment of financial investments HTM | (9,591) | - | (9,591) | - |
| Amount written off | (87,340) | (203,000) | (83,749) | (196,363) |
| Exchange differences | (342) | 5,129 | (328) | 1,677 |
| Balance as at the end of financial period/year | <u>756,109</u> | <u>891,294</u> | <u>617,503</u> | <u>723,024</u> |
| Collective impairment allowance | | | | |
| Balance as at the beginning of financial period/year | 1,272,637 | 1,397,971 | 1,088,121 | 1,182,802 |
| Net allowance made during the financial period/year | 272,518 | 190,415 | 243,466 | 184,603 |
| Reclassified from/(to) individual impairment allowance | 3,937 | (2,509) | - | 2,141 |
| Amount written off | (262,280) | (316,200) | (236,841) | (281,978) |
| Exchange differences | (291) | 2,960 | 15 | 553 |
| Balance as at the end of financial period/year | <u>1,286,521</u> | <u>1,272,637</u> | <u>1,094,761</u> | <u>1,088,121</u> |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

12 Other Assets

| | Group | | Bank | |
|------------------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|
| | As at 30 September 2014 | As at 31 December 2013 | As at 30 September 2014 | As at 31 December 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Other receivables | 238,408 | 187,920 | 135,231 | 134,488 |
| Margin deposits | 170,342 | 252,535 | 170,342 | 252,535 |
| Deposits | 47,610 | 44,661 | 42,389 | 39,908 |
| Prepayments | 62,947 | 38,397 | 54,228 | 37,348 |
| Amount due from holding company | 7 | 2,781 | 7 | 2,781 |
| Amounts due from subsidiaries | - | - | 290,437 | 207,820 |
| Amounts due from related companies | 63,418 | 21,249 | 63,405 | 21,249 |
| | <u>582,732</u> | <u>547,543</u> | <u>756,039</u> | <u>696,129</u> |

13 Deposits from Customers

(i) By type of deposits

| | Group | | Bank | |
|------------------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|
| | As at 30 September 2014 | As at 31 December 2013 | As at 30 September 2014 | As at 31 December 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Demand deposits | 25,664,586 | 24,679,473 | 22,398,905 | 21,926,084 |
| Savings deposits | 7,886,083 | 7,532,754 | 6,732,608 | 6,560,214 |
| Fixed/investment deposits | 112,167,184 | 103,394,512 | 92,790,416 | 83,300,020 |
| Negotiable instruments of deposits | 2,548 | 8,398 | 2,548 | 8,398 |
| | <u>145,720,401</u> | <u>135,615,137</u> | <u>121,924,477</u> | <u>111,794,716</u> |

(ii) By type of customer

| | Group | | Bank | |
|---------------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|
| | As at 30 September 2014 | As at 31 December 2013 | As at 30 September 2014 | As at 31 December 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Government and statutory bodies | 10,960,576 | 11,450,071 | 6,341,905 | 6,296,863 |
| Business enterprises | 88,344,574 | 81,264,703 | 73,049,944 | 65,658,605 |
| Individuals | 40,470,376 | 38,339,984 | 37,312,439 | 35,694,868 |
| Others | 5,944,875 | 4,560,379 | 5,220,189 | 4,144,380 |
| | <u>145,720,401</u> | <u>135,615,137</u> | <u>121,924,477</u> | <u>111,794,716</u> |

(iii) By maturity structure of fixed/investment deposits and negotiable instruments of deposits

| | Group | | Bank | |
|---------------------------|-------------------------------|------------------------------|-------------------------------|------------------------------|
| | As at 30 September 2014 | As at 31 December 2013 | As at 30 September 2014 | As at 31 December 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Due within six months | 97,731,355 | 90,768,874 | 79,827,201 | 72,350,607 |
| Six months to one year | 12,684,733 | 12,172,795 | 11,232,311 | 10,515,667 |
| One year to three years | 1,737,609 | 432,270 | 1,717,841 | 422,099 |
| Three years to five years | 16,035 | 28,971 | 15,611 | 20,045 |
| | <u>112,169,732</u> | <u>103,402,910</u> | <u>92,792,964</u> | <u>83,308,418</u> |

RHB BANK BERHAD (6171-M)
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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

14 Deposits and Placements of Banks and Other Financial Institutions

| | Group | | Bank | |
|----------------------------|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| Licensed banks | 13,384,339 | 10,201,228 | 12,483,064 | 9,516,893 |
| Islamic banks | 453,854 | 609,614 | - | - |
| Licensed investments banks | 1,648,096 | 253,063 | 1,303,374 | 253,063 |
| Bank Negara Malaysia | 1,714,069 | 800,698 | 1,713,343 | 800,094 |
| Others | 935,564 | 614,560 | 164,615 | 574 |
| | 18,135,922 | 12,479,163 | 15,664,396 | 10,570,624 |

15 Other Liabilities

| | Group | | Bank | |
|----------------------------------|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| Amount due to holding company | - | 21,699 | - | - |
| Amounts due to subsidiaries | - | - | 26,172 | 25,331 |
| Amounts due to related companies | 29,625 | 6,365 | 6,418 | 5,940 |
| Amount due to Danaharta | 1,864 | 1,864 | 1,864 | 1,864 |
| Prepaid instalments | 70,910 | 73,852 | 70,910 | 73,852 |
| Lessee deposits | 28,533 | 29,774 | - | - |
| Accrual for operational expenses | 125,103 | 163,224 | 109,736 | 143,997 |
| Short term employee benefits | 159,722 | 177,566 | 148,290 | 163,459 |
| Other creditors and accruals | 593,349 | 496,384 | 454,379 | 356,031 |
| | 1,009,106 | 970,728 | 817,769 | 770,474 |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

16 Interest Income

| | <u>3rd Quarter Ended</u> | | <u>Nine Months Ended</u> | |
|---|------------------------------|----------------------|------------------------------|----------------------|
| | <u>30 September 2014</u> | 30 September 2013 | <u>30 September 2014</u> | 30 September 2013 |
| | <u>RM'000</u> | RM'000 | <u>RM'000</u> | RM'000 |
| <u>Group</u> | | | | |
| Loans and advances | 1,468,460 | 1,333,309 | 4,214,462 | 3,894,714 |
| Money at call and deposit placements with banks and other financial institutions | 55,481 | 58,575 | 125,493 | 229,160 |
| Securities purchased under resale agreements | 67 | 144 | 142 | 548 |
| Financial assets held-for-trading | 10,281 | 1,937 | 21,062 | 8,991 |
| Financial investments available-for-sale | 111,462 | 85,409 | 314,813 | 228,199 |
| Financial investments held-to-maturity | 176,087 | 158,920 | 540,333 | 460,301 |
| Others | 139 | 314 | 1,076 | 659 |
| | <u>1,821,977</u> | <u>1,638,608</u> | <u>5,217,381</u> | <u>4,822,572</u> |
| Of which: | | | | |
| Interest income accrued on impaired loans and advances | <u>39,357</u> | <u>33,910</u> | <u>122,828</u> | <u>110,362</u> |
| <u>Bank</u> | | | | |
| Loans and advances | 1,426,895 | 1,299,238 | 4,088,907 | 3,802,013 |
| Money at call and deposit placements with banks and other financial institutions | 108,064 | 90,391 | 259,168 | 307,911 |
| Securities purchased under resale agreements | 67 | 144 | 142 | 548 |
| Financial assets held-for-trading | 10,281 | 1,937 | 21,062 | 8,991 |
| Financial investments available-for-sale | 110,539 | 84,493 | 312,031 | 225,554 |
| Financial investments held-to-maturity | 174,435 | 157,275 | 535,360 | 455,561 |
| Others | 139 | 314 | 1,076 | 640 |
| | <u>1,830,420</u> | <u>1,633,792</u> | <u>5,217,746</u> | <u>4,801,218</u> |
| Of which: | | | | |
| Interest income accrued on impaired loans and advances | <u>36,645</u> | <u>30,436</u> | <u>112,436</u> | <u>100,264</u> |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

17 Interest Expense

| | <u>3rd Quarter Ended</u> | | <u>Nine Months Ended</u> | |
|---|---|---|---|---|
| | 30 September 2014 RM'000 | 30 September 2013 RM'000 | 30 September 2014 RM'000 | 30 September 2013 RM'000 |
| <u>Group</u> | | | | |
| Deposits and placements of banks and other financial institutions | 79,922 | 30,112 | 200,987 | 107,218 |
| Deposits from customers | 795,885 | 695,317 | 2,250,305 | 2,031,284 |
| Obligations on securities sold under repurchase agreements | - | - | 817 | - |
| Subordinated obligations | 59,651 | 48,159 | 154,408 | 142,901 |
| Recourse obligation on loans sold to Cagamas | 10,507 | 10,751 | 31,645 | 32,377 |
| Senior Debt Securities | 12,986 | 13,226 | 39,432 | 38,257 |
| Hybrid Tier-I Capital Securities | 11,453 | 11,447 | 33,983 | 33,965 |
| Borrowings | 1,072 | 1,994 | 3,454 | 6,347 |
| Others | 15,706 | 14,161 | 47,473 | 38,208 |
| | 987,182 | 825,167 | 2,762,504 | 2,430,557 |
| <u>Bank</u> | | | | |
| Deposits and placements of banks and other financial institutions | 77,664 | 28,752 | 195,718 | 104,492 |
| Deposits from customers | 789,815 | 689,121 | 2,231,647 | 2,013,886 |
| Obligations on securities sold under repurchase agreements | - | - | 817 | - |
| Subordinated obligations | 59,651 | 48,159 | 154,408 | 142,901 |
| Recourse obligation on loans sold to Cagamas | 10,507 | 10,751 | 31,645 | 32,377 |
| Senior Debt Securities | 12,986 | 13,226 | 39,432 | 38,257 |
| Hybrid Tier-I Capital Securities | 11,453 | 11,447 | 33,983 | 33,965 |
| Borrowings | 1,072 | 1,502 | 3,454 | 4,764 |
| Others | 15,706 | 14,160 | 47,473 | 38,207 |
| | 978,854 | 817,118 | 2,738,577 | 2,408,849 |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

18 Other Operating Income

| Group | <u>3rd Quarter Ended</u> | | <u>Nine Months Ended</u> | |
|--|---------------------------------|----------------------|---------------------------------|----------------------|
| | 30 September 2014 | 30 September 2013 | 30 September 2014 | 30 September 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| a) Fee Income: | | | | |
| Commission | 48,568 | 37,492 | 128,674 | 104,592 |
| Service charges and fees | 66,560 | 55,564 | 183,091 | 154,109 |
| Guarantee fees | 11,251 | 11,734 | 53,366 | 32,542 |
| Commitment fees | 14,506 | 13,075 | 41,831 | 36,457 |
| Underwriting fees | - | 138 | - | 463 |
| Other fee income | 5,102 | 4,299 | 15,902 | 13,283 |
| | 145,987 | 122,302 | 422,864 | 341,446 |
| b) Net gain arising from financial assets held-for-trading | 8,360 | 6,044 | 24,745 | 24,287 |
| c) Net gain/(loss) on revaluation of derivatives | 17,592 | (13,514) | (3,518) | 23,504 |
| d) Net gain/(loss) on fair values hedges | 6,139 | (381) | 8,583 | (1,020) |
| e) Net gain arising from financial investments available-for-sale: | | | | |
| - net gain on disposal | 5,049 | 63,670 | 10,277 | 93,234 |
| - gross dividend income | 449 | 1,124 | 3,865 | 5,697 |
| | 5,498 | 64,794 | 14,142 | 98,931 |
| f) Net gain arising from financial investments held-to-maturity: | | | | |
| - net gain on disposal | 12,183 | - | 12,401 | - |
| g) Other income: | | | | |
| Net foreign exchange gain/(loss): | | | | |
| - realised | 84,659 | 32,664 | 292,467 | 139,125 |
| - unrealised | (12,994) | 64,701 | (60,304) | 72,414 |
| Gain on disposal of property, plant and equipment | 309 | 73 | 345 | 111 |
| Other operating income | 11,099 | 15,514 | 40,800 | 49,391 |
| Other non-operating income | 1,738 | 1,363 | 4,857 | 5,095 |
| | 84,811 | 114,315 | 278,165 | 266,136 |
| | 280,570 | 293,560 | 757,382 | 753,284 |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

18 Other Operating Income (cont'd)

| | <u>3rd Quarter Ended</u> | | <u>Nine Months Ended</u> | |
|--|--------------------------|----------------|--------------------------|----------------|
| | <u>30 September</u> | 30 September | <u>30 September</u> | 30 September |
| | <u>2014</u> | 2013 | <u>2014</u> | 2013 |
| | <u>RM'000</u> | RM'000 | <u>RM'000</u> | RM'000 |
| Bank | | | | |
| a) Fee Income: | | | | |
| Commission | 48,422 | 36,530 | 128,249 | 100,532 |
| Service charges and fees | 66,286 | 54,442 | 182,528 | 154,542 |
| Guarantee fees | 10,822 | 11,734 | 50,855 | 32,542 |
| Commitment fees | 12,193 | 12,169 | 35,916 | 34,017 |
| Underwriting fees | - | 138 | - | 463 |
| Other fee income | 4,429 | 4,193 | 14,211 | 13,319 |
| | <u>142,152</u> | <u>119,206</u> | <u>411,759</u> | <u>335,415</u> |
| b) Net gain arising from financial assets held-for-trading | 8,360 | 6,044 | 24,745 | 24,287 |
| c) Net gain/(loss) on revaluation of derivatives | 17,994 | (11,254) | 1,647 | 30,018 |
| d) Net gain on fair values hedges | 3,083 | 1,135 | 4,582 | 1,142 |
| e) Net gain arising from financial investments available-for-sale: | | | | |
| - net gain on disposal | 5,049 | 62,523 | 10,004 | 91,250 |
| - gross dividend income | 443 | 1,124 | 3,858 | 5,697 |
| | <u>5,492</u> | <u>63,647</u> | <u>13,862</u> | <u>96,947</u> |
| f) Net gain arising from financial investments held-to-maturity: | | | | |
| - net gain on disposal | 12,183 | - | 12,401 | - |
| g) Other income: | | | | |
| Net foreign exchange gain/(loss): | | | | |
| - realised | 84,760 | 32,590 | 292,925 | 139,652 |
| - unrealised | (12,994) | 64,701 | (60,304) | 72,414 |
| Gain on disposal of property, plant and equipment | 309 | 73 | 345 | 111 |
| Other operating income | 10,388 | 14,874 | 38,617 | 45,846 |
| Other non-operating income | 1,142 | 714 | 3,074 | 3,225 |
| | <u>83,605</u> | <u>112,952</u> | <u>274,657</u> | <u>261,248</u> |
| | <u>272,869</u> | <u>291,730</u> | <u>743,653</u> | <u>749,057</u> |

19 Income from Islamic Banking Business

| | <u>3rd Quarter Ended</u> | | <u>Nine Months Ended</u> | |
|--|--------------------------|------------------|--------------------------|------------------|
| | <u>30 September</u> | 30 September | <u>30 September</u> | 30 September |
| | <u>2014</u> | 2013 | <u>2014</u> | 2013 |
| Group | <u>RM'000</u> | RM'000 | <u>RM'000</u> | RM'000 |
| Income derived from investment of depositors' funds | 355,156 | 277,965 | 947,243 | 812,588 |
| Income derived from investment of shareholder's funds | 29,298 | 30,515 | 93,262 | 84,360 |
| Total distributable income | <u>384,454</u> | <u>308,480</u> | <u>1,040,505</u> | <u>896,948</u> |
| Income attributable to depositors | <u>(188,257)</u> | <u>(158,592)</u> | <u>(509,607)</u> | <u>(470,420)</u> |
| Income from Islamic Banking Business | <u>196,197</u> | <u>149,888</u> | <u>530,898</u> | <u>426,528</u> |
| Of which: | | | | |
| Financing income earned on impaired financing and advances | <u>2,712</u> | <u>3,474</u> | <u>10,392</u> | <u>10,098</u> |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

20 Other Operating Expenses

| <u>Group</u> | <u>3rd Quarter Ended</u> | | <u>Nine Months Ended</u> | |
|---|--------------------------|---------------------|--------------------------|---------------------|
| | <u>30 September</u> | <u>30 September</u> | <u>30 September</u> | <u>30 September</u> |
| | <u>2014</u> | <u>2013</u> | <u>2014</u> | <u>2013</u> |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| <u>Personnel costs</u> | | | | |
| - Salaries, allowances and bonuses | 273,740 | 250,732 | 822,621 | 744,735 |
| - Contributions to Employees Provident Fund | 39,563 | 39,036 | 122,959 | 114,770 |
| - Other staff related costs | 30,519 | 23,776 | 81,009 | 55,039 |
| | <u>343,822</u> | <u>313,544</u> | <u>1,026,589</u> | <u>914,544</u> |
| <u>Establishment costs</u> | | | | |
| - Property, plant and equipment: | | | | |
| - Depreciation | 22,136 | 20,370 | 63,983 | 60,330 |
| - Written off | 12 | 11 | 13 | 16 |
| - Amortisation of computer software license | 10,925 | 8,675 | 33,212 | 25,119 |
| - Rental of premises | 30,129 | 29,458 | 92,016 | 85,747 |
| - Rental of equipment | 1,706 | 1,301 | 4,531 | 3,721 |
| - Insurance | 7,261 | 5,834 | 21,615 | 17,887 |
| - Water and electricity | 7,047 | 6,319 | 20,566 | 18,464 |
| - Repair and maintenance | 8,043 | 6,526 | 21,109 | 18,326 |
| - Security and escorting expenses | 14,347 | 12,649 | 40,626 | 36,925 |
| - Information technology expenses | 36,496 | 34,957 | 97,217 | 91,929 |
| - Others | 32 | 209 | 505 | 721 |
| | <u>138,134</u> | <u>126,309</u> | <u>395,393</u> | <u>359,185</u> |
| <u>Marketing expenses</u> | | | | |
| - Sales commission | 13,887 | 13,829 | 39,998 | 35,804 |
| - Advertisement and publicity | 13,850 | 14,202 | 36,783 | 34,291 |
| - Others | 16,817 | 15,001 | 49,241 | 45,511 |
| | <u>44,554</u> | <u>43,032</u> | <u>126,022</u> | <u>115,606</u> |
| <u>Administration and general expenses</u> | | | | |
| - Communication expenses | 24,033 | 23,384 | 77,708 | 71,890 |
| - Others | 48,039 | 24,284 | 114,458 | 71,702 |
| | <u>72,072</u> | <u>47,668</u> | <u>192,166</u> | <u>143,592</u> |
| | <u>598,582</u> | <u>530,553</u> | <u>1,740,170</u> | <u>1,532,927</u> |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

20 Other Operating Expenses (cont'd)

| | <u>3rd Quarter Ended</u> | | <u>Nine Months Ended</u> | |
|---|--------------------------|----------------|--------------------------|------------------|
| | <u>30 September</u> | 30 September | <u>30 September</u> | 30 September |
| | <u>2014</u> | 2013 | <u>2014</u> | 2013 |
| | <u>RM'000</u> | RM'000 | <u>RM'000</u> | RM'000 |
| <u>Bank</u> | | | | |
| <u>Personnel costs</u> | | | | |
| - Salaries, allowances and bonuses | 259,332 | 227,763 | 758,629 | 676,739 |
| - Contributions to Employees Provident Fund | 39,161 | 35,070 | 115,278 | 103,277 |
| - Other staff related costs | 28,471 | 23,074 | 75,867 | 51,884 |
| | <u>326,964</u> | <u>285,907</u> | <u>949,774</u> | <u>831,900</u> |
| <u>Establishment costs</u> | | | | |
| - Property, plant and equipment: | | | | |
| - Depreciation | 20,142 | 18,577 | 57,911 | 55,021 |
| - Written off | 1 | 11 | 1 | 16 |
| - Amortisation of computer software license | 10,287 | 8,388 | 28,946 | 24,420 |
| - Rental of premises | 28,806 | 27,990 | 88,340 | 81,786 |
| - Rental of equipment | 1,691 | 1,278 | 4,479 | 3,656 |
| - Insurance | 6,387 | 5,007 | 18,843 | 15,468 |
| - Water and electricity | 6,266 | 5,595 | 18,492 | 16,379 |
| - Repair and maintenance | 7,120 | 5,629 | 18,442 | 15,696 |
| - Security and escorting expenses | 13,137 | 11,706 | 37,205 | 33,352 |
| - Information technology expenses | 33,578 | 32,363 | 88,252 | 83,723 |
| | <u>127,415</u> | <u>116,544</u> | <u>360,911</u> | <u>329,517</u> |
| <u>Marketing expenses</u> | | | | |
| - Sales commission | 12,253 | 10,311 | 33,479 | 27,328 |
| - Advertisement and publicity | 12,424 | 12,351 | 33,744 | 29,818 |
| - Others | 15,468 | 13,665 | 44,808 | 41,712 |
| | <u>40,145</u> | <u>36,327</u> | <u>112,031</u> | <u>98,858</u> |
| <u>Administration and general expenses</u> | | | | |
| - Communication expenses | 22,173 | 21,302 | 70,549 | 64,775 |
| - Others | 24,587 | 10,088 | 56,048 | 29,013 |
| | <u>46,760</u> | <u>31,390</u> | <u>126,597</u> | <u>93,788</u> |
| | <u>541,284</u> | <u>470,168</u> | <u>1,549,313</u> | <u>1,354,063</u> |

21 Allowance for Impairment on Loans, Advances and Financing

| | <u>3rd Quarter Ended</u> | | <u>Nine Months Ended</u> | |
|--|--------------------------|---------------|--------------------------|----------------|
| | <u>30 September</u> | 30 September | <u>30 September</u> | 30 September |
| | <u>2014</u> | 2013 | <u>2014</u> | 2013 |
| | <u>RM'000</u> | RM'000 | <u>RM'000</u> | RM'000 |
| <u>Group</u> | | | | |
| Individual impairment allowance | (3,784) | 8,501 | (33,975) | 177,985 |
| Collective impairment allowance | 98,665 | 33,781 | 272,518 | 157,699 |
| Impaired loans and financing recovered | (61,306) | (74,638) | (218,208) | (212,904) |
| Impaired loans written off | 61,233 | 59,101 | 160,535 | 208,124 |
| | <u>94,808</u> | <u>26,745</u> | <u>180,870</u> | <u>330,904</u> |
| <u>Bank</u> | | | | |
| Individual impairment allowance | (1,022) | 8,445 | (11,853) | 172,650 |
| Collective impairment allowance | 91,330 | 42,239 | 243,466 | 154,510 |
| Impaired loans and financing recovered | (55,816) | (68,748) | (200,809) | (203,238) |
| Impaired loans written off | 54,899 | 51,337 | 144,859 | 176,720 |
| | <u>89,391</u> | <u>33,273</u> | <u>175,663</u> | <u>300,642</u> |

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22 Capital Adequacy

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

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

| | RHB Bank* | | RHB Islamic Bank | |
|--|------------------------------|---------------------|------------------------------|---------------------|
| | 30 September 2014 | 31 December 2013 | 30 September 2014 | 31 December 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Common Equity Tier-I Capital ('CET-I')/Tier-I Capital | | | | |
| Paid-up ordinary share capital | 3,318,085 | 3,318,085 | 1,173,424 | 1,173,424 |
| Share premium | 8,563 | 8,563 | - | - |
| Retained profits | 6,257,631 | 5,424,998 | 488,981 | 441,401 |
| Other reserves | 3,483,907 | 3,492,002 | 489,188 | 441,609 |
| AFS reserves | 263,312 | 179,873 | (22,427) | (29,302) |
| | 13,331,498 | 12,423,521 | 2,129,166 | 2,027,132 |
| Less: Goodwill | (905,519) | (905,519) | - | - |
| Net deferred tax assets | - | - | (13,257) | (17,281) |
| Intangible assets (include associated deferred tax liabilities) | (134,066) | (109,845) | (2,221) | (5,580) |
| 55% of cumulative gains of AFS financial instruments | (144,822) | (98,930) | (18) | - |
| Shortfall of eligible provisions to expected losses under the IRB approach | (299,872) | (280,768) | - | - |
| Investments in subsidiaries*** | (332,839) | - | - | - |
| Other deduction# | (15,688) | (17,374) | - | (92) |
| Total CET-I Capital | 11,498,692 | 11,011,085 | 2,113,670 | 2,004,179 |
| Hybrid Tier-I Capital Securities** | 480,000 | 540,000 | - | - |
| Total Tier-I Capital | 11,978,692 | 11,551,085 | 2,113,670 | 2,004,179 |
| Tier-II Capital | | | | |
| Subordinated obligations@ | 4,200,000 | 3,600,000 | - | - |
| Subordinated sukuk^^ | - | - | 500,000 | - |
| Collective impairment allowance^ | 278,873 | 269,973 | 89,455 | 81,059 |
| | 4,478,873 | 3,869,973 | 589,455 | 81,059 |
| Less: Investments in subsidiaries*** | (1,331,358) | (1,539,997) | - | - |
| Total Tier-II Capital | 3,147,515 | 2,329,976 | 589,455 | 81,059 |
| Total capital | 15,126,207 | 13,881,061 | 2,703,125 | 2,085,238 |
| Capital ratios | | | | |
| Before deducting proposed dividends: | | | | |
| CET-I capital ratio | 10.907% | 11.103% | 12.236% | 13.864% |
| Tier-I capital ratio | 11.363% | 11.647% | 12.236% | 13.864% |
| Total capital ratio | 14.348% | 13.997% | 15.648% | 14.424% |
| After deducting proposed dividends: | | | | |
| CET-I capital ratio | 10.741% | 11.103% | 12.236% | 13.864% |
| Tier-I capital ratio | 11.197% | 11.647% | 12.236% | 13.864% |
| Total capital ratio | 14.182% | 13.997% | 15.648% | 14.424% |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

22 Capital Adequacy (cont'd)

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

| | RHB Bank* | | RHB Islamic Bank | |
|----------------------------|------------------------------|---------------------|------------------------------|---------------------|
| | 30 September 2014 | 31 December 2013 | 30 September 2014 | 31 December 2013 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Credit risk | 93,985,967 | 88,598,853 | 16,242,092 | 13,511,201 |
| Market risk | 3,544,018 | 2,899,375 | 151,549 | 160,838 |
| Operational risk | 7,891,925 | 7,670,991 | 880,750 | 783,884 |
| Total risk-weighted assets | 105,421,910 | 99,169,219 | 17,274,391 | 14,455,923 |

- [^] Excludes collective impairment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on "Classification and Impairment Provisions for Loans/Financing".
- [#] Pursuant to Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments, the Capital Adequacy Framework (Basel II -RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.
- ^{*} The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and from its wholly-owned offshore banking subsidiary company, RHB Bank (L) Ltd.
- ^{**} Hybrid Tier-I Capital Securities that are recognised as Tier-I capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM's Capital Adequacy Framework (Capital Components).
- ^{***} Investments in subsidiaries are subject to the gradual deduction in the calculation under CET-I Capital effective from 1 January 2014 as prescribed under paragraph 36.15 of the BNM's Capital Adequacy Framework (Capital Components).
- [@] Subordinated obligations that are recognised as Tier-II capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM's Capital Adequacy Framework (Capital Components).
- ^{^^} Qualify as Tier II capital as specified in the BNM's Capital Adequacy Framework for Islamic Banks (Capital Components).

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

22 Capital Adequacy (cont'd)

| | RHB Bank Group | |
|--|------------------------------|-----------------------------|
| | 30 September 2014 | 31 December 2013 |
| | RM'000 | RM'000 |
| CET-I/Tier-I Capital | | |
| Paid-up ordinary share capital | 3,318,085 | 3,318,085 |
| Share premium | 8,563 | 8,563 |
| Retained profits | 6,875,875 | 5,995,662 |
| Other reserves | 3,978,052 | 3,939,215 |
| AFS reserves | 240,885 | 150,571 |
| | 14,421,460 | 13,412,096 |
| Less: Goodwill | (1,120,318) | (1,120,318) |
| Net deferred tax assets | - | (7,286) |
| Intangible assets (include associated deferred tax liabilities) | (139,401) | (116,322) |
| 55% of cumulative gains of AFS financial instruments | (132,487) | (82,814) |
| Shortfall of eligible provisions to expected losses under the IRB approach | (365,357) | (336,828) |
| Other deduction [#] | (15,707) | (17,467) |
| Total CET-I Capital | 12,648,190 | 11,731,061 |
| Hybrid Tier-I Capital Securities** | 480,000 | 540,000 |
| Total Tier-I Capital | 13,128,190 | 12,271,061 |
| Tier-II Capital | | |
| Subordinated obligations [@] | 4,200,000 | 3,600,000 |
| Qualifying capital instruments of a subsidiary issued to third parties* | 335,430 | - |
| Collective impairment allowance [^] | 440,249 | 417,143 |
| Total Tier-II Capital | 4,975,679 | 4,017,143 |
| Total Capital | 18,103,869 | 16,288,204 |
| Capital ratios | | |
| Before deducting proposed dividends: | | |
| CET-I capital ratio | 10.283% | 10.329% |
| Tier-I capital ratio | 10.673% | 10.805% |
| Total capital ratio | 14.719% | 14.342% |
| After deducting proposed dividends: | | |
| CET-I capital ratio | 10.140% | 10.329% |
| Tier-I capital ratio | 10.531% | 10.805% |
| Total capital ratio | 14.576% | 14.342% |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

22 Capital Adequacy (cont'd)

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

| | RHB Bank Group | |
|-----------------------------------|------------------------------|-----------------------------|
| | 30 September 2014 | 31 December 2013 |
| | RM'000 | RM'000 |
| Credit risk | 110,482,173 | 102,147,842 |
| Market risk | 3,688,251 | 2,923,183 |
| Operational risk | 8,829,965 | 8,493,418 |
| Total risk-weighted assets | <u>123,000,389</u> | <u>113,564,443</u> |

- [^] Excludes collective impairment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on "Classification and Impairment Provisions for Loans/Financing".
- [#] Pursuant to Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments, the Capital Adequacy Framework (Basel II -RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.
- ^{*} Qualifying subordinated sukuk that are recognised as Tier II capital instruments held by third parties as prescribed under paragraph 16.3 of the BNM Guidelines Capital Adequacy Framework (Capital Components) which are issued by a fully consolidated subsidiary of the Bank.
- ^{**} Hybrid Tier-I 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 Guidelines Capital Adequacy Framework (Capital Components).

| | RHBIBL | |
|---|------------------------------|-----------------------------|
| | 30 September 2014 | 31 December 2013 |
| Before deducting proposed dividends: | | |
| Core capital ratio | # | # |
| Solvency ratio | 18.898% | 18.987% |
| After deducting proposed dividends: | | |
| Core capital ratio | # | # |
| Solvency ratio | 18.898% | 18.987% |

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

No equivalent ratio in Cambodia.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

23 Commitments And Contingencies

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

| Group | 30 September 2014 | | | 31 December 2013 | | |
|---|--------------------------|----------------------------------|-----------------------------|-------------------------|----------------------------------|-----------------------------|
| | Principal amount | Credit equivalent amount* | Risk weighted amount | Principal amount | Credit equivalent amount* | Risk weighted amount |
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Direct credit substitutes | 2,683,715 | 2,649,103 | 1,838,262 | 3,843,994 | 3,810,979 | 2,144,445 |
| Transaction-related contingent items | 4,741,554 | 2,346,171 | 1,267,846 | 3,035,866 | 1,524,593 | 995,458 |
| Short-term self-liquidating trade-related contingencies | 1,863,314 | 370,270 | 176,557 | 1,567,318 | 311,555 | 175,489 |
| Obligations under underwriting agreements | 76,000 | 38,000 | 38,000 | 76,000 | 38,000 | 38,000 |
| Irrevocable commitments to extend credit: | | | | | | |
| - maturity more than one year | 42,624,009 | 21,711,397 | 14,574,968 | 30,774,717 | 14,860,482 | 10,324,945 |
| - maturity less than one year | 3,136,738 | 579,981 | 448,634 | 10,797,853 | 6,154,992 | 4,584,569 |
| Foreign exchange related contracts [@] : | | | | | | |
| - less than one year | 21,495,282 | 434,131 | 252,192 | 10,821,151 | 249,039 | 196,894 |
| - one year to less than five years | 7,454,067 | 1,118,518 | 450,382 | 7,267,793 | 1,114,996 | 436,998 |
| Interest rate related contracts [@] : | | | | | | |
| - less than one year | 5,413,662 | 14,379 | 4,509 | 3,905,460 | 8,941 | 4,095 |
| - one year to less than five years | 23,441,873 | 690,878 | 233,700 | 21,929,189 | 664,292 | 271,961 |
| - more than five years | 1,192,428 | 84,617 | 36,920 | 1,475,893 | 103,342 | 38,207 |
| Total | 114,122,642 | 30,037,445 | 19,321,970 | 95,495,234 | 28,841,211 | 19,211,061 |
| Bank | | | | | | |
| Direct credit substitutes | 2,649,593 | 2,614,981 | 1,808,437 | 3,843,994 | 3,810,979 | 2,144,445 |
| Transaction-related contingent items | 4,303,326 | 2,127,057 | 1,110,615 | 2,494,386 | 1,225,351 | 767,345 |
| Short-term self-liquidating trade-related contingencies | 1,771,568 | 351,921 | 158,255 | 1,464,026 | 290,896 | 155,017 |
| Irrevocable commitments to extend credit: | | | | | | |
| - maturity more than one year | 37,909,498 | 19,236,017 | 12,468,945 | 27,375,316 | 13,135,644 | 8,856,786 |
| - maturity less than one year | 1,107,261 | 174,086 | 70,204 | 8,690,334 | 5,518,172 | 4,066,820 |
| Foreign exchange related contracts [@] : | | | | | | |
| - less than one year | 21,473,900 | 432,009 | 244,464 | 10,327,094 | 248,520 | 195,807 |
| - one year to less than five years | 7,454,067 | 1,120,859 | 450,394 | 7,267,793 | 1,114,996 | 436,998 |
| Interest rate related contracts [@] : | | | | | | |
| - less than one year | 5,393,982 | 14,330 | 4,484 | 4,505,460 | 12,036 | 4,714 |
| - one year to less than five years | 25,766,873 | 732,266 | 241,978 | 24,309,518 | 729,095 | 284,863 |
| - more than five years | 1,492,428 | 99,617 | 39,920 | 1,900,893 | 125,492 | 42,637 |
| Total | 109,322,496 | 26,903,143 | 16,597,696 | 92,178,814 | 26,211,181 | 16,955,432 |

[@] These derivatives are revalued on gross position basis and the unrealised gains or losses are reflected in derivatives assets/liabilities.

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

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

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

24 Capital Commitments

| | Group | | Bank | |
|--|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| Capital expenditure for property, plant and equipment: | | | | |
| - authorised and contracted for | 75,973 | 51,278 | 75,973 | 51,278 |
| - authorised but not contracted for | 196,359 | 208,728 | 138,855 | 141,886 |
| | 272,332 | 260,006 | 214,828 | 193,164 |
| Proposed acquisition of Bank Mestika* | - | 538,620 | - | 538,620 |
| | 272,332 | 538,620 | 214,828 | 538,620 |

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

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

25 Fair Value of Financial Instruments

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

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

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

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

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

| <u>Group</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|-------------------|----------------|-------------------|
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| 30 September 2014 | | | | |
| <u>Financial assets</u> | | | | |
| Financial assets held-for-trading: | 2,579 | 1,915,206 | - | 1,917,785 |
| - money market instruments | - | 1,858,993 | - | 1,858,993 |
| - quoted securities | 2,579 | - | - | 2,579 |
| - unquoted securities | - | 56,213 | - | 56,213 |
| Financial investments available-for-sale: | 2,268 | 14,632,358 | 867,367 | 15,501,993 |
| - money market instruments | - | 3,593,644 | - | 3,593,644 |
| - quoted securities | 2,268 | - | - | 2,268 |
| - unquoted securities | - | 11,038,714 | 867,367 | 11,906,081 |
| Derivative assets: | | | | |
| - money market instruments | - | 348,367 | - | 348,367 |
| | <u>4,847</u> | <u>16,895,931</u> | <u>867,367</u> | <u>17,768,145</u> |
| <u>Financial liabilities</u> | | | | |
| Derivative liabilities: | | | | |
| - money market instruments | - | 281,900 | - | 281,900 |
| | <u>-</u> | <u>281,900</u> | <u>-</u> | <u>281,900</u> |
| 31 December 2013 | | | | |
| <u>Financial assets</u> | | | | |
| Financial assets held-for-trading: | 2,708 | 2,364,390 | - | 2,367,098 |
| - money market instruments | - | 2,338,946 | - | 2,338,946 |
| - quoted securities | 2,708 | - | - | 2,708 |
| - unquoted securities | - | 25,444 | - | 25,444 |
| Financial investments available-for-sale: | 12,322 | 12,338,866 | 907,396 | 13,258,584 |
| - money market instruments | - | 3,426,115 | - | 3,426,115 |
| - quoted securities | 12,322 | - | - | 12,322 |
| - unquoted securities | - | 8,912,751 | 907,396 | 9,820,147 |
| Derivative assets: | | | | |
| - money market instruments | - | 418,624 | - | 418,624 |
| | <u>15,030</u> | <u>15,121,880</u> | <u>907,396</u> | <u>16,044,306</u> |
| <u>Financial liabilities</u> | | | | |
| Derivative liabilities: | | | | |
| - money market instruments | - | 270,024 | - | 270,024 |
| | <u>-</u> | <u>270,024</u> | <u>-</u> | <u>270,024</u> |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

25 Fair Value of Financial Instruments (cont'd)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy (cont'd):

| <u>Bank</u> | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|---|----------------|-------------------|----------------|-------------------|
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| 30 September 2014 | | | | |
| Financial assets | | | | |
| Financial assets held-for-trading: | 2,579 | 1,693,883 | - | 1,696,462 |
| - money market instruments | - | 1,637,670 | - | 1,637,670 |
| - quoted securities | 2,579 | - | - | 2,579 |
| - unquoted securities | - | 56,213 | - | 56,213 |
| Financial investments available-for-sale: | - | 12,445,189 | 590,023 | 13,035,212 |
| - money market instruments | - | 3,024,081 | - | 3,024,081 |
| - unquoted securities | - | 9,421,108 | 590,023 | 10,011,131 |
| Derivative assets: | | | | |
| - money market instruments | - | 346,927 | - | 346,927 |
| | <u>2,579</u> | <u>14,485,999</u> | <u>590,023</u> | <u>15,078,601</u> |
| Financial liabilities | | | | |
| Derivative liabilities: | | | | |
| - money market instruments | - | 301,804 | - | 301,804 |
| | <u>-</u> | <u>301,804</u> | <u>-</u> | <u>301,804</u> |
| 31 December 2013 | | | | |
| Financial assets | | | | |
| Financial assets held-for-trading: | 2,708 | 1,570,831 | - | 1,573,539 |
| - money market instruments | - | 1,570,831 | - | 1,570,831 |
| - quoted securities | 2,708 | - | - | 2,708 |
| Financial investments available-for-sale: | 8,713 | 10,161,060 | 633,063 | 10,802,836 |
| - money market instruments | - | 2,698,413 | - | 2,698,413 |
| - quoted securities | 8,713 | - | - | 8,713 |
| - unquoted securities | - | 7,462,647 | 633,063 | 8,095,710 |
| Derivative assets: | | | | |
| - money market instruments | - | 425,518 | - | 425,518 |
| | <u>11,421</u> | <u>12,157,409</u> | <u>633,063</u> | <u>12,801,893</u> |
| Financial liabilities | | | | |
| Derivative liabilities: | | | | |
| - money market instruments | - | 291,922 | - | 291,922 |
| | <u>-</u> | <u>291,922</u> | <u>-</u> | <u>291,922</u> |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

25 Fair Value of Financial Instruments (cont'd)

(i) Valuation techniques and sensitivity analysis

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

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

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio-economic reasons, non-transferable and non-tradable perpetual notes/sukuk and impaired securities.

(ii) Reconciliation of movements in Level 3 financial instruments:

The following represents the changes in Level 3 instruments for the financial period/year ended 30 September 2014 and 31 December 2013 for the Group and the Bank.

Financial investments available-for-sale

| | Group | | Bank | |
|--|---|--|---|--|
| | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 | As at 30 September 2014 RM'000 | As at 31 December 2013 RM'000 |
| Balance as at the beginning of the financial period/year | 907,396 | 553,082 | 633,063 | 484,329 |
| Total gains recognised in other comprehensive income | 42,997 | 106,355 | 42,997 | 106,355 |
| Purchases | 11,723 | 289,899 | 6 | 85,530 |
| Settlements | (207,206) | (44,696) | (198,468) | (40,992) |
| Impairment losses made/(written back) | 112,425 | (2,159) | 112,425 | (2,159) |
| Exchange differences | 32 | 4,915 | - | - |
| Balance as at the end of the financial period/year | <u>867,367</u> | <u>907,396</u> | <u>590,023</u> | <u>633,063</u> |

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

26 Segmental 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 Management structure, the operations of Islamic Banking Business is now under the purview and responsibility of Corporate Banking, Retail Banking and Business Banking segment. Thus, the operating results and financial position of such businesses are now reported in Corporate Banking, Retail Banking and Business Banking segment respectively. Previously, it was reported under Islamic Banking Business segment.

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

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

(a) Corporate Banking

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

(b) Retail Banking

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

(c) Business Banking

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

(d) Group Treasury

Treasury and money market 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 Bank and 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) Others

Others comprise of results from other business segments in the Group (nominee services, property investment and rental of premises and other related financial services) and funding center of the Bank. The results of these other businesses are not material to the Group and therefore do not render 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 and centralised cost, funding centre and application of transfer pricing, where appropriate, has been used in preparing the segmental reporting.

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26 Segmental Reporting (cont'd)

Group

Nine months ended 30 September 2014

| | Corporate Banking | Retail Banking | Business Banking | Group Treasury | Group International Business | Others | Elimination | Total |
|---|----------------------|-------------------|---------------------|-------------------|------------------------------------|-----------|-------------|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| External revenue | 676,758 | 1,768,465 | 663,136 | 396,701 | 301,328 | (63,231) | - | 3,743,157 |
| Inter-segment revenue | (11,693) | - | - | 12,569 | 2,837 | 620 | (4,333) | - |
| Segment revenue | 665,065 | 1,768,465 | 663,136 | 409,270 | 304,165 | (62,611) | (4,333) | 3,743,157 |
| Overhead expenses including: | (137,766) | (936,898) | (316,591) | (93,636) | (216,029) | (43,583) | 4,333 | (1,740,170) |
| Depreciation of property, plant and equipment | (1,670) | (48,873) | (4,962) | (1,961) | (6,371) | (146) | - | (63,983) |
| Amortisation of computer software license | (2,081) | (18,187) | (7,043) | (3,789) | (2,112) | - | - | (33,212) |
| Allowance for impairment on loans, advances and financing | 116,761 | (256,980) | (16,366) | (526) | (8,678) | (15,081) | - | (180,870) |
| Impairment written back/(made) on other assets | 122,949 | - | 623 | - | 5 | (839) | - | 122,738 |
| Profit before taxation | 767,009 | 574,587 | 330,802 | 315,108 | 79,463 | (122,114) | - | 1,944,855 |
| Taxation | | | | | | | | (475,671) |
| Net profit for the financial period | | | | | | | | <u>1,469,184</u> |

Nine months ended 30 September 2013

| | Corporate Banking | Retail Banking | Business Banking | Group Treasury | Group International Business | Others | Elimination | Total |
|---|----------------------|-------------------|---------------------|-------------------|------------------------------------|----------|-------------|------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| External revenue | 620,629 | 1,697,789 | 617,593 | 333,951 | 240,185 | 61,680 | - | 3,571,827 |
| Inter-segment revenue | (15,300) | - | - | 16,154 | 2,690 | 617 | (4,161) | - |
| Segment revenue | 605,329 | 1,697,789 | 617,593 | 350,105 | 242,875 | 62,297 | (4,161) | 3,571,827 |
| Overhead expenses including: | (123,871) | (854,663) | (292,721) | (61,621) | (180,488) | (23,724) | 4,161 | (1,532,927) |
| Depreciation of property, plant and equipment | (2,042) | (45,233) | (5,989) | (1,801) | (5,119) | (146) | - | (60,330) |
| Amortisation of computer software license | (1,388) | (13,981) | (6,202) | (2,201) | (1,347) | - | - | (25,119) |
| Allowance for impairment on loans, advances and financing | (129,567) | (138,107) | (50,021) | - | (10,982) | (2,227) | - | (330,904) |
| Impairment written back/(made) on other assets | 15,721 | 78 | 26 | (6,900) | - | - | - | 8,925 |
| Profit before taxation | 367,612 | 705,097 | 274,877 | 281,584 | 51,405 | 36,346 | - | 1,716,921 |
| Taxation | | | | | | | | (414,162) |
| Net profit for the financial period | | | | | | | | <u>1,302,759</u> |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014 (cont'd)

26 Segmental Reporting (cont'd)

Group

As at 30 September 2014

| | Corporate Banking | Retail Banking | Business Banking | Group Treasury | Group International Business | Others | Elimination | Total |
|--------------------------|----------------------|-------------------|---------------------|-------------------|------------------------------------|------------|-------------|--------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Segment assets | 47,854,459 | 64,172,795 | 17,766,139 | 48,927,695 | 19,685,377 | 415,169 | (6,829,248) | 191,992,386 |
| Deferred tax assets | | | | | | | | 8,303 |
| Tax recoverable | | | | | | | | 24 |
| Unallocated assets | | | | | | | | 1,616,318 |
| Total assets | | | | | | | | <u>193,617,031</u> |
| Segment liabilities | 33,561,034 | 42,397,079 | 12,621,415 | 61,737,592 | 14,431,620 | 16,951,185 | (7,217,261) | 174,482,664 |
| Deferred tax liabilities | | | | | | | | 65,952 |
| Tax liabilities | | | | | | | | 80,185 |
| Unallocated liabilities | | | | | | | | 4,025,379 |
| Total liabilities | | | | | | | | <u>178,654,180</u> |

As at 31 December 2013

| | Corporate Banking | Retail Banking | Business Banking | Group Treasury | Group International Business | Others | Elimination | Total |
|--------------------------|----------------------|-------------------|---------------------|-------------------|------------------------------------|------------|-------------|--------------------|
| | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 | RM'000 |
| Segment assets | 43,417,114 | 57,413,989 | 15,986,548 | 44,103,343 | 15,741,073 | 243,163 | (4,219,268) | 172,685,962 |
| Deferred tax assets | | | | | | | | 12,160 |
| Tax recoverable | | | | | | | | 26,155 |
| Unallocated assets | | | | | | | | 1,433,584 |
| Total assets | | | | | | | | <u>174,157,861</u> |
| Segment liabilities | 29,645,483 | 40,773,025 | 11,977,660 | 55,673,833 | 12,704,096 | 12,607,747 | (4,553,735) | 158,828,109 |
| Deferred tax liabilities | | | | | | | | 35,376 |
| Tax liabilities | | | | | | | | 17,639 |
| Unallocated liabilities | | | | | | | | 1,864,641 |
| Total liabilities | | | | | | | | <u>160,745,765</u> |

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014
(cont'd)

28 Valuation of Property, Plant and Equipment

The property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

29 Events subsequent to Balance Sheet Date

There were no significant events subsequent to the balance sheet date that have not been reflected in the financial statements, other than the following:

- (a) Establishment of USD5.0 billion (or its equivalent in other currencies) Euro Medium Term Note Programme ('EMTN Programme') by the Bank

On 3 October 2014, the Bank completed its first issuance of USD300 million senior unsecured notes ('Senior Notes') in nominal value under the EMTN Programme which was established on 23 September 2014. The Senior Notes rated A3 by Moody's Investors Service Inc. and BBB+ by Standard & Poor's Rating Services were priced at 5-year US Treasury +130bps or a yield of 3.088% and will pay a coupon rate of 3.088% per annum. The Senior Notes which has a tenure of 5 years from the issue date and maturing on 3 October 2019, has been listed on the Singapore Exchange Securities Trading Limited and Labuan International Financial Exchange Inc. on 7 October 2014. The net proceeds from the issuance of the Senior Notes will be utilised by the Bank and its subsidiaries for general working capital purpose.

- (b) Group Internal Reorganisation

As announced by RHB Capital Berhad ('RHB Capital') on 2 October 2014, RHB Investment Bank Berhad, a wholly owned subsidiary of RHB Capital, has on 1 October 2014 entered into a share sale agreement with RHBIBL, a wholly-owned subsidiary of the Bank, for the acquisition of the entire equity interest in RHB OSK Indochina Securities Limited ('RHBISL') from RHBIBL for a consideration of USD12,500,000 ('Acquisition').

RHBISL, formerly known as OSK Indochina Securities Limited, 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 will not have any effect on the issued and paid-up capital and substantial shareholders' shareholdings of RHB Capital, and it is not expected to have any material effect on the earnings per share, net assets per share and gearing of RHB Capital Group for the financial year ending 31 December 2014.

The Acquisition is subject to the approvals of BNM, the Securities Commission of Malaysia ('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 RHB Capital Group and is expected to be completed by the first quarter of 2015.

30 Changes in the Composition of the Group

RHB Capital announced on 14 November 2013 that the Group has obtained approval from the Governor of the Bank of Lao People's Democratic Republic on 29 October 2013 for the establishment of RHB Bank (Lao) Limited ('RHB Bank Lao').

On 6 June 2014, RHB Bank Lao was incorporated in Lao, a wholly owned subsidiary of the Bank, with share capital of USD37,500,000 and is principally engaged in a broad range of commercial banking activities.

Other than the above, there are no significant changes in the composition of the Group for the nine months ended 30 September 2014.

31 Changes in Profit for the Quarter

For the quarter ended 30 September 2014, the Group recorded a pre-tax profit of RM619.2 million, 13.9% or RM99.6 million lower compared to the preceding quarter ended 30 June 2014 of RM718.8 million. The lower profit was mainly due to lower impairment written back on other assets by RM112.1 million, higher impairment allowances for loans, advances and financing by RM62.4 million and higher other operating expenses by RM11.2 million, partially offset by higher other operating income by RM48.8 million, higher net interest income by RM24.5 million and higher income from Islamic Banking business by RM12.8 million.

32 Performance Review

For the nine months ended 30 September 2014, the Group reported a pre-tax profit of RM1,944.9 million, 13.3% or RM228.0 million higher than the previous year corresponding period. The higher profit was mainly due to lower impairment allowances for loans, advances and financing by RM150.0 million, higher impairment written back on other assets by RM113.8 million, higher income from Islamic Banking business by RM104.4 million, higher net interest income by RM62.9 million and higher other operating income by RM4.1 million, partially offset by higher other operating expenses by RM207.2 million.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2014
(cont'd)

33 Prospects for Financial Year 2014

Economic growth for the remainder of 2014 is expected to be at a slower pace compared to the 6.3% recorded in 1H 2014. The increase in exports will be lower and domestic demand will be moderated given the effect of the earlier macro prudential measures to rein in household debt as well as the 25 basis point OPR hike in July 2014. GDP for the full year is expected to grow by 5.8%, stronger than 2013. This higher growth is due to increased exports and domestic demand, particularly in private investment and consumer spending.

The Malaysian Banking Sector will continue its growth trend for the rest of the year. This is supported by broadly resilient private investments and the various economic programmes driving SME business growth, although this may be partially offset by some moderation in the household segment.

Our IGNITE 2017 transformation programme initiatives have yielded good results and is continuing to show strong momentum. Barring unforeseen circumstances, the Group's 2014 performance will be better than 2013.