

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2014

	Note	Group		Bank	
		As at	As at	As at	As at
		30 June 2014	31 December 2013	30 June 2014	31 December 2013
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short-term funds		11,433,193	9,231,558	7,974,798	5,575,273
Securities purchased under resale agreements		228,941	184,560	228,941	184,560
Deposits and placements with banks and other financial institutions		4,131,625	2,517,976	8,661,795	5,056,311
Financial assets held-for-trading	8	1,727,900	2,367,098	1,558,729	1,573,539
Financial investments available-for-sale	9	15,013,042	13,258,584	12,539,971	10,802,836
Financial investments held-to-maturity	10	21,384,233	21,813,036	18,454,951	19,097,086
Loans, advances and financing	11	128,362,804	117,891,870	103,086,920	95,752,900
Other assets	12	438,053	547,543	786,549	696,129
Derivative assets		328,857	418,624	331,022	425,518
Statutory deposits		4,723,777	3,954,819	3,830,506	3,110,223
Tax recoverable		14	26,155	-	26,152
Deferred tax assets		12,863	12,160	-	-
Investments in subsidiaries		-	-	1,864,514	1,740,314
Property, plant and equipment		653,623	666,736	482,547	492,464
Goodwill and intangible assets		1,280,914	1,267,142	1,057,648	1,040,244
TOTAL ASSETS		189,719,839	174,157,861	160,858,891	145,573,549
LIABILITIES AND EQUITY					
Deposits from customers	13	147,154,325	135,615,137	123,864,105	111,794,716
Deposits and placements of banks and other financial institutions	14	14,953,989	12,479,163	12,919,887	10,570,624
Obligations on securities sold under repurchase agreements		-	165,098	-	165,098
Bills and acceptances payable		2,314,811	2,076,481	2,303,022	2,061,391
Other liabilities	15	1,055,137	970,728	746,719	770,474
Derivative liabilities		289,602	270,024	312,175	291,922
Recourse obligation on loans sold to Cagamas Berhad		2,178,151	2,269,353	949,621	961,020
Tax liabilities		29,809	17,639	2,954	-
Deferred tax liabilities		67,328	35,376	67,324	35,372
Borrowings		506,895	571,049	506,895	571,049
Subordinated obligations		4,525,003	4,021,868	4,021,816	4,021,868
Hybrid Tier-I Capital Securities		606,244	606,215	606,244	606,215
Senior debt securities		1,613,469	1,647,634	1,613,469	1,647,634
TOTAL LIABILITIES		175,294,763	160,745,765	147,914,231	133,497,383
Share capital		3,318,085	3,318,085	3,318,085	3,318,085
Reserves		11,106,991	10,094,011	9,626,575	8,758,081
TOTAL EQUITY		14,425,076	13,412,096	12,944,660	12,076,166
TOTAL LIABILITIES AND EQUITY		189,719,839	174,157,861	160,858,891	145,573,549
COMMITMENTS AND CONTINGENCIES	23	108,943,207	95,495,234	105,247,886	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 SIX MONTHS ENDED 30 JUNE 2014

Group	Note	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
		30 June 2014 RM'000	30 June 2013 RM'000	30 June 2014 RM'000	30 June 2013 RM'000
Interest income	16	1,733,856	1,603,055	3,395,404	3,183,964
Interest expense	17	(923,551)	(800,594)	(1,775,322)	(1,605,390)
Net interest income		810,305	802,461	1,620,082	1,578,574
Other operating income	18	231,720	251,031	476,812	459,724
Income from Islamic Banking business	19	1,042,025 183,357	1,053,492 144,137	2,096,894 334,701	2,038,298 276,640
Net Income		1,225,382	1,197,629	2,431,595	2,314,938
Other operating expenses	20	(587,343)	(509,225)	(1,141,588)	(1,002,374)
Operating profit before allowances Allowance for impairment on loans, advances and financing	21	638,039 (32,377)	688,404 (156,324)	1,290,007 (86,062)	1,312,564 (304,159)
Impairment written back on other assets		113,162	1,826	121,680	6,312
Profit before taxation		718,824	533,906	1,325,625	1,014,717
Taxation		(166,986)	(130,860)	(325,160)	(254,017)
Net profit for the financial period		<u>551,838</u>	<u>403,046</u>	<u>1,000,465</u>	<u>760,700</u>
Earnings per share (sen)					
- Basic		<u>8.32</u>	<u>6.07</u>	<u>15.08</u>	<u>11.46</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 SIX MONTHS ENDED 30 JUNE 2014

Group	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2014</u> RM'000	<u>30 June 2013</u> RM'000	<u>30 June 2014</u> RM'000	<u>30 June 2013</u> RM'000
Net profit for the financial period	<u>551,838</u>	403,046	<u>1,000,465</u>	760,700
Other comprehensive income/(loss):				
Items that will subsequently be reclassified to profit or loss				
- Currency translation differences	(37,062)	12,323	(35,157)	32,794
- Unrealised net gain/(loss) on revaluation of financial investments available-for-sale ('AFS')	74,422	(100,794)	66,395	(87,197)
- Net transfer to income statements on disposal or impairment of financial investments AFS	(6,356)	(26,539)	(2,727)	(36,160)
Income tax relating to components of other comprehensive (income)/loss	(17,063)	31,901	(15,996)	30,941
Other comprehensive income/(loss), net of tax, for the financial period	13,941	(83,109)	12,515	(59,622)
Total comprehensive income for the financial period	<u><u>565,779</u></u>	<u>319,937</u>	<u><u>1,012,980</u></u>	<u>701,078</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 SIX MONTHS ENDED 30 JUNE 2014**

Bank	Note	2nd Quarter Ended		Six Months Ended	
		30 June 2014	30 June 2013	30 June 2014	30 June 2013
		RM'000	RM'000	RM'000	RM'000
Interest income	16	1,738,326	1,593,149	3,387,326	3,167,426
Interest expense	17	(915,578)	(793,578)	(1,759,723)	(1,591,731)
Net interest income		822,748	799,571	1,627,603	1,575,695
Other operating income	18	228,152	247,747	470,784	457,327
Net Income		1,050,900	1,047,318	2,098,387	2,033,022
Other operating expenses	20	(519,214)	(445,116)	(1,008,029)	(883,895)
Operating profit before allowances		531,686	602,202	1,090,358	1,149,127
Allowance for impairment on loans, advances and financing	21	(33,083)	(133,256)	(86,272)	(267,369)
Impairment written back on other assets		113,522	2,527	121,532	7,013
Profit before taxation		612,125	471,473	1,125,618	888,771
Taxation		(151,172)	(121,158)	(292,985)	(229,874)
Net profit for the financial period		460,953	350,315	832,633	658,897
Earnings per share (sen)					
- Basic		6.95	5.28	12.55	9.93

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RHB BANK BERHAD (6171-M)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014

Bank	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2014</u> RM'000	<u>30 June 2013</u> RM'000	<u>30 June 2014</u> RM'000	<u>30 June 2013</u> RM'000
Net profit for the financial period	460,953	350,315	832,633	658,897
Other comprehensive income/(loss):				
Items that will subsequently be reclassified to profit or loss				
- Currency translation differences	(20,342)	(2,913)	(15,139)	12,439
- Unrealised net gain/(loss) on revaluation of financial investments available-for-sale ('AFS')	73,347	(87,716)	72,955	(75,379)
- Net transfer to income statements on disposal or impairment of financial investments AFS	(6,229)	(21,438)	(4,955)	(28,727)
Income tax relating to components of other comprehensive (income)/loss	(16,779)	27,289	(17,000)	26,027
Other comprehensive income/(loss), net of tax, for the financial period	29,997	(84,778)	35,861	(65,640)
Total comprehensive income for the financial period	490,950	265,537	868,494	593,257

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RHB BANK BERHAD (6171-M)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014

<u>Group</u>	← Attributable to equity holders of the Bank →						<u>Total</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Statutory reserves</u>	<u>Translation reserves</u>	<u>AFS reserves</u>	<u>Retained profits</u>	
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
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	-	-	-	-	-	1,000,465	1,000,465
Other comprehensive income/(loss) for the financial period:							
Currency translation differences	-	-	-	(35,157)	-	-	(35,157)
Financial investments AFS:							
- Unrealised net gain on revaluation	-	-	-	-	66,395	-	66,395
- Net transfer to income statements on disposal or impairment	-	-	-	-	(2,727)	-	(2,727)
Income tax relating to components of other comprehensive income	-	-	-	-	(15,996)	-	(15,996)
Other comprehensive income/(loss) for the financial period:	-	-	-	(35,157)	47,672	-	12,515
Total comprehensive income/(loss) for the financial period	-	-	-	(35,157)	47,672	1,000,465	1,012,980
Transfer to statutory reserves	-	-	47,580	-	-	(47,580)	-
Balance as at 30 June 2014	<u>3,318,085</u>	<u>8,563</u>	<u>3,967,326</u>	<u>(15,688)</u>	<u>198,243</u>	<u>6,948,547</u>	<u>14,425,076</u>
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	-	-	-	-	-	760,700	760,700
Other comprehensive income/(loss) for the financial period:							
Currency translation differences	-	-	-	32,794	-	-	32,794
Financial investments AFS:							
- Unrealised net loss on revaluation	-	-	-	-	(87,197)	-	(87,197)
- Net transfer to income statements on disposal or impairment	-	-	-	-	(36,160)	-	(36,160)
Income tax relating to components of other comprehensive loss	-	-	-	-	30,941	-	30,941
Other comprehensive income/(loss) for the financial period:	-	-	-	32,794	(92,416)	-	(59,622)
Total comprehensive income/(loss) for the financial period	-	-	-	32,794	(92,416)	760,700	701,078
Transfer to statutory reserves	-	-	164,724	-	-	(164,724)	-
Balance as at 30 June 2013	<u>3,318,085</u>	<u>8,563</u>	<u>4,001,220</u>	<u>(36,945)</u>	<u>128,580</u>	<u>5,318,875</u>	<u>12,738,378</u>

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 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	-	-	-	-	-	832,633	832,633
Other comprehensive income/(loss) for the financial period:							
Currency translation differences	-	-	-	(15,139)	-	-	(15,139)
Financial investments AFS:							
- Unrealised net gain on revaluation	-	-	-	-	72,955	-	72,955
- Net transfer to income statements on disposal or impairment	-	-	-	-	(4,955)	-	(4,955)
Income tax relating to components of other comprehensive income	-	-	-	-	(17,000)	-	(17,000)
Other comprehensive income/(loss) for the financial period:	-	-	-	(15,139)	51,000	-	35,861
Total comprehensive income/(loss) for the financial period	-	-	-	(15,139)	51,000	832,633	868,494
Balance as at 30 June 2014	3,318,085	8,563	3,478,138	40,402	231,119	5,868,353	12,944,660
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	-	-	-	-	-	658,897	658,897
Other comprehensive income/(loss) for the financial period:							
Currency translation differences	-	-	-	12,439	-	-	12,439
Financial investments AFS:							
- Unrealised net loss on revaluation	-	-	-	-	(75,379)	-	(75,379)
- Net transfer to income statements on disposal or impairment	-	-	-	-	(28,727)	-	(28,727)
Income tax relating to components of other comprehensive income	-	-	-	-	26,027	-	26,027
Other comprehensive income/(loss) for the financial period:	-	-	-	12,439	(78,079)	-	(65,640)
Total comprehensive income/(loss) for the financial period	-	-	-	12,439	(78,079)	658,897	593,257
Transfer to statutory reserves	-	-	164,724	-	-	(164,724)	-
Balance as at 30 June 2013	3,318,085	8,563	3,642,862	24,462	139,854	4,415,211	11,549,037

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RHB BANK BERHAD (6171-M)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six Months Ended	
	30 June 2014	30 June 2013
	RM'000	RM'000
<u>Group</u>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,325,625	1,014,717
Adjustments for non-cash items	<u>(280,860)</u>	<u>(309,303)</u>
Operating profit before changes in working capital	1,044,765	705,414
Changes in working capital:		
Net changes in operating assets	(12,370,565)	(6,961,997)
Net changes in operating liabilities	<u>14,214,931</u>	<u>(3,206,600)</u>
Cash generated from/(used in) operations	1,844,366	(10,168,597)
Taxation paid	<u>(271,490)</u>	<u>(285,757)</u>
Net cash generated from/(used in) operating activities	<u>2,617,641</u>	<u>(9,748,940)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(28,886)	(26,692)
Purchase of computer software license	(37,874)	(32,525)
Proceeds from disposal of property, plant and equipment	72	90
Financial investments AFS:		
- net purchase	(1,838,651)	(1,966,810)
- interest received	194,949	142,898
- investment income received	43,836	28,373
- dividend income	3,416	4,573
Financial investments held-to-maturity:		
- net redemption/(purchase)	411,916	(2,182,456)
- interest received	377,522	297,753
- investment income received	<u>41,504</u>	<u>34,996</u>
Net cash used in investing activities	<u>(832,196)</u>	<u>(3,699,800)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of Subordinated Sukuk Murabahah	500,000	-
Repayment of borrowings	<u>(52,967)</u>	<u>(49,998)</u>
Net cash used in financing activities	<u>447,033</u>	<u>(49,998)</u>
Net increase/(decrease) in cash and cash equivalents	2,232,478	(13,498,738)
Effects of exchange rate differences	(30,843)	99,372
Cash and cash equivalents:		
- at the beginning of the financial period	9,231,558	22,679,853
- at the end of the financial period	<u>11,433,193</u>	<u>9,280,487</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	<u>11,433,193</u>	<u>9,280,487</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.

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INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six Months Ended	
	30 June 2014	30 June 2013
	RM'000	RM'000
<u>Bank</u>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,125,618	888,771
Adjustments for non-cash items	<u>(431,788)</u>	<u>(242,080)</u>
Operating profit before changes in working capital	693,830	646,691
Changes in working capital:		
Net changes in operating assets	(11,989,447)	(5,128,983)
Net changes in operating liabilities	<u>14,578,931</u>	<u>(4,368,810)</u>
Cash generated from/(used in) operations	2,589,484	(9,497,793)
Taxation paid	<u>(248,818)</u>	<u>(264,539)</u>
Net cash generated from/(used in) operating activities	<u>3,034,496</u>	<u>(9,115,641)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(26,788)	(24,365)
Purchase of computer software license	(37,482)	(31,200)
Proceeds from disposal of property, plant and equipment	72	90
Financial investments AFS:		
- net purchase	(1,577,481)	(811,459)
- interest received	193,079	141,162
- dividend income	3,415	4,573
Financial investments held-to-maturity:		
- net redemption/(purchase)	624,219	(1,817,918)
- interest received	374,181	294,892
Investment in subsidiaries	<u>(124,200)</u>	<u>(200,000)</u>
Net cash used in investing activities	<u>(570,985)</u>	<u>(2,444,225)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of borrowings	(52,967)	(49,998)
Net cash used in financing activities	<u>(52,967)</u>	<u>(49,998)</u>
Net increase/(decrease) in cash and cash equivalents	2,410,544	(11,609,864)
Effects of exchange rate differences	(11,019)	79,231
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>7,974,798</u>	<u>7,491,771</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	<u>7,974,798</u>	<u>7,491,771</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 SIX MONTHS ENDED 30 JUNE 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 six months ended 30 June 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 six months ended 30 June 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 BNM on 28 November 2012.

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 six months ended 30 June 2014.

The Board of Directors have proposed to declare a single-tier interim dividend of 2.637 sen per share in respect of the financial year ending 31 December 2014, amounting to RM175.0 million. The payment date will be determined later. Subject to relevant authority approval, the interim dividend will be recapitalised into the Bank to preserve its capital adequacy for business growth purposes.

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

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

8 Financial Assets Held-For-Trading

At fair value	Group		Bank	
	As at	As at	As at	As at
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
<u>Money market instruments:</u>				
Malaysian Government Securities	717,677	370,838	717,677	370,838
Malaysian Government Investment Issues	350,034	145,440	226,462	122,362
Bank Negara Malaysia Monetary Notes	-	1,151,172	-	604,821
Thailand Treasury Bills	39,185	6,372	39,185	6,372
Negotiable instruments of deposits	-	198,686	-	-
Singapore Government Treasury Bills	475,676	466,438	475,676	466,438
Sukuk Perumahan Kerajaan (SPK)	50,782	-	10,157	-
<u>Quoted securities:</u>				
<u>In Malaysia</u>				
Private debt securities	1,255	2,708	1,255	2,708
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Private debt securities	16,079	25,444	11,105	-
Commercial paper	77,212	-	77,212	-
	<u>1,727,900</u>	<u>2,367,098</u>	<u>1,558,729</u>	<u>1,573,539</u>

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 Bank Negara Malaysia (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 June 2014 were as follows:

	Group		Group	
	Carrying amount		Fair value	
	As at	As at	As at	As at
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Reclassified from financial assets HFT to financial investments HTM:				
- Debt securities	19,396	19,786	20,043	20,711

	Group	
	As at	As at
	30 June 2014	31 December 2013
	RM'000	RM'000
Fair value gain that would have been recognised if the financial assets HFT had not been reclassified	647	925

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9 Financial Investments Available-For-Sale

At fair value	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
<u>Money market instruments:</u>				
Malaysian Government Securities	746,230	644,380	746,230	644,380
Malaysian Government Investment Issues	1,622,882	1,557,301	1,109,969	1,033,134
Cagamas bonds	69,830	85,349	10,058	25,391
Khazanah bonds	8,055	15,929	-	-
Negotiable instruments of deposits	-	99,488	-	-
Singapore Government Treasury Bills	475,719	272,185	475,719	272,185
Singapore Government Securities	133,743	136,433	133,743	136,433
Thailand Government bonds	90,756	96,341	90,756	96,341
1 Malaysia Sukuk	307,684	318,010	307,684	318,010
Wakala Global Sukuk	78,338	153,099	67,553	124,939
Sukuk Perumahan Kerajaan (SPK)	107,743	47,600	107,743	47,600
<u>Quoted securities:</u>				
<u>In Malaysia</u>				
Shares	7,388	29,283	5,146	25,005
<u>Outside Malaysia</u>				
Shares	366	32	194	-
<u>Unquoted Securities:</u>				
<u>In Malaysia</u>				
Corporate loan stocks	3,425	255,146	3,425	255,146
Shares	506,267	468,501	505,566	467,926
Private debt securities	10,452,952	9,102,487	8,860,527	7,579,381
Perpetual notes/sukuk	371,647	286,149	85,530	85,530
<u>Outside Malaysia</u>				
Shares	134	137	-	-
Private debt securities	396	400	396	400
Credit link notes	156,849	-	156,849	-
	<u>15,140,404</u>	<u>13,568,250</u>	<u>12,667,088</u>	<u>11,111,801</u>
Accumulated impairment losses	<u>(127,362)</u>	<u>(309,666)</u>	<u>(127,117)</u>	<u>(308,965)</u>
	<u>15,013,042</u>	<u>13,258,584</u>	<u>12,539,971</u>	<u>10,802,836</u>

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10 Financial Investments Held-To-Maturity

	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
At amortised cost				
<u>Money market instruments:</u>				
Malaysian Government Securities	2,323,382	2,618,574	2,323,382	2,618,574
Malaysian Government Investment Issues	5,990,185	6,325,725	5,243,004	5,481,811
Cagamas bonds	2,365,874	2,444,755	2,157,327	2,220,854
Khazanah bonds	89,541	69,288	61,679	60,307
Negotiable instruments of deposits	2,525,041	2,449,025	1,727,400	1,803,165
Singapore Government Securities	182,219	183,686	182,219	183,686
Thailand Government Securities	270,318	293,052	270,318	293,052
Bankers' acceptances	-	33,634	-	-
Sukuk (Brunei) Incorporation	36,012	38,897	36,012	38,897
Wakala Global Sukuk	222,861	227,722	222,861	227,722
Sukuk Perumahan Kerajaan (SPK)	111,173	111,202	101,237	101,270
<u>Unquoted Securities:</u>				
<u>In Malaysia</u>				
Bonds	860	860	860	860
Prasarana bonds	770,925	772,004	770,925	771,978
Private debt securities	6,549,393	6,289,759	5,430,674	5,359,843
Corporate loan stocks	40,684	43,291	40,684	43,291
<u>Outside Malaysia</u>				
Private debt securities	19,396	19,786	-	-
	21,497,864	21,921,260	18,568,582	19,205,310
Accumulated impairment losses	(113,631)	(108,224)	(113,631)	(108,224)
	21,384,233	21,813,036	18,454,951	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 SIX MONTHS ENDED 30 JUNE 2014 (cont'd)

11 Loans, Advances and Financing

(i) By type

	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
At amortised cost				
Overdrafts	6,328,491	5,990,867	6,004,949	5,817,324
Term loans/financing:				
- housing loans/financing	28,461,349	25,375,496	22,987,581	20,820,056
- syndicated term loans/financing	4,343,208	3,947,999	2,074,789	1,729,997
- hire purchase receivables	13,466,467	13,052,002	8,199,072	8,130,184
- lease receivables	40,608	70,174	-	-
- other term loans/financing	59,971,789	54,585,428	50,690,926	46,819,084
Bills receivable	3,102,402	2,561,904	2,180,877	1,894,271
Trust receipts	529,356	523,804	503,981	487,710
Claims on customers under acceptance credits	4,154,455	4,327,803	4,154,455	4,327,803
Staff loans/financing	233,185	249,959	223,258	241,672
Credit card receivables	1,995,509	2,004,163	1,778,325	1,804,532
Revolving credit/financing	7,888,020	7,392,659	6,073,689	5,490,915
Floor stocking	1,011	239	1,011	239
Gross loans, advances and financing	130,515,850	120,082,497	104,872,913	97,563,787
Fair value changes arising from fair value hedge	(27,101)	(26,696)	337	258
	130,488,749	120,055,801	104,873,250	97,564,045
Allowance for impaired loans, advances and financing:				
- individual impairment allowance	(841,024)	(891,294)	(696,759)	(723,024)
- collective impairment allowance	(1,284,921)	(1,272,637)	(1,089,571)	(1,088,121)
Net loans, advances and financing	128,362,804	117,891,870	103,086,920	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 RM2,106,998,000 (31 December 2013: RM2,405,777,000) and RM884,788,000 (31 December 2013: RM1,104,114,000) respectively.

(ii) By type of customer

	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Domestic non-bank financial institutions:				
- Others	1,790,570	2,716,376	892,869	1,387,420
Domestic business enterprises:				
- Small medium enterprises	13,099,072	12,396,907	12,234,446	11,614,086
- Others	36,019,010	31,489,316	29,792,285	27,053,888
Government and statutory bodies	8,483,712	8,476,645	5,168,039	5,160,401
Individuals	59,579,897	54,820,397	47,816,636	44,431,236
Other domestic entities	131,777	122,919	18,740	7,965
Foreign entities	11,411,812	10,059,937	8,949,898	7,908,791
	130,515,850	120,082,497	104,872,913	97,563,787

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

11 Loans, Advances and Financing (cont'd)

(iii) By geographical distribution

	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Malaysia	118,062,666	108,927,103	96,687,389	90,277,091
Labuan Offshore	3,703,810	3,399,433	-	-
Singapore	7,522,365	6,586,132	7,522,365	6,586,132
Thailand	569,518	606,535	569,518	606,535
Brunei	93,641	94,029	93,641	94,029
Cambodia	563,850	469,265	-	-
	130,515,850	120,082,497	104,872,913	97,563,787

(iv) By interest/profit rate sensitivity

	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Fixed rate:				
- Housing loans/financing	1,087,782	1,019,628	364,275	229,565
- Hire purchase receivables	13,466,467	13,052,001	8,199,072	8,130,184
- Other fixed rate loans/financing	16,882,856	16,543,030	11,025,588	10,144,309
Variable rate:				
- BLR/BFR plus	56,673,511	49,199,021	47,947,176	43,218,223
- Cost-plus	35,084,969	33,126,678	32,855,441	31,088,223
- Other variable rates	7,320,265	7,142,139	4,481,361	4,753,283
	130,515,850	120,082,497	104,872,913	97,563,787

(v) By purpose

	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Purchase of securities	12,893,796	11,057,313	12,893,796	11,057,313
Purchase of transport vehicles	12,315,859	11,863,165	6,788,111	6,636,403
Purchase of landed property:				
- Residential	28,269,477	25,516,867	23,014,839	21,103,911
- Non-residential	8,563,717	7,367,419	7,822,918	6,945,553
Purchase of property, plant and equipment other than land and building	3,351,833	3,350,106	2,791,633	2,652,214
Personal use	7,298,258	7,193,757	6,082,343	6,106,322
Credit card	1,995,509	2,004,163	1,778,325	1,804,532
Purchase of consumer durables	30,384	31,513	30,376	31,503
Construction	3,558,339	3,114,303	2,997,590	2,417,366
Working capital	31,811,828	29,612,077	25,709,498	24,535,858
Merger and acquisition	3,844,618	3,215,709	3,410,834	3,083,302
Other purposes	16,582,232	15,756,105	11,552,650	11,189,510
	130,515,850	120,082,497	104,872,913	97,563,787

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

11 Loans, Advances and Financing (cont'd)

(vi) By remaining contractual maturities

	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Maturity within one year	46,458,010	42,429,415	42,145,015	38,159,722
One year to three years	7,575,691	8,906,271	4,865,217	6,612,215
Three years to five years	9,720,793	10,125,104	6,190,749	6,175,168
Over five years	66,761,356	58,621,707	51,671,932	46,616,682
	130,515,850	120,082,497	104,872,913	97,563,787

(vii) Impaired loans, advances and financing

(a) Movement in impaired loans, advances and financing

	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 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	1,649,297	4,053,558	1,438,565	3,560,559
Reclassified as non-impaired during the financial period/year	(1,209,818)	(2,459,599)	(1,030,879)	(2,150,448)
Amount recovered	(373,289)	(730,651)	(334,470)	(607,867)
Amount written off	(270,357)	(614,408)	(247,637)	(555,693)
Exchange differences	(3,843)	8,722	(1,021)	3,205
Balance as at the end of financial period/year	3,139,702	3,347,712	2,675,147	2,850,589

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

11 Loans, Advances and Financing (cont'd)

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

(b) By purpose

	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Purchase of securities	60,128	113,291	60,128	113,291
Purchase of transport vehicles	229,830	218,391	122,335	124,193
Purchase of landed property:				
- Residential	805,310	876,196	683,944	751,396
- Non-residential	105,871	99,645	86,948	72,345
Purchase of property, plant and equipment other than land and building	38,338	45,207	28,195	35,104
Personal use	158,386	150,363	154,904	147,523
Credit card	43,422	41,332	36,481	36,552
Purchase of consumer durables	2,164	1,724	2,164	1,724
Construction	115,916	118,246	115,354	117,286
Working capital	1,446,742	1,536,528	1,315,542	1,382,487
Other purposes	133,595	146,789	69,152	68,688
	3,139,702	3,347,712	2,675,147	2,850,589

(c) By geographical distribution

	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Malaysia	2,969,753	3,173,526	2,558,873	2,740,429
Labuan Offshore	50,152	49,901	-	-
Singapore	92,011	85,599	92,011	85,599
Thailand	15,875	16,025	15,875	16,025
Brunei	8,388	8,536	8,388	8,536
Cambodia	3,523	14,125	-	-
	3,139,702	3,347,712	2,675,147	2,850,589

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

11 Loans, Advances and Financing (cont'd)

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

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

	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 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	(30,191)	306,575	(10,831)	271,595
Reclassified (to)/from collective impairment allowance	(3,485)	2,509	-	(2,141)
Transfer to impairment of financial investments HTM	(9,595)	-	(9,595)	-
Amount written off	(5,408)	(203,000)	(5,408)	(196,363)
Exchange differences	(1,591)	5,129	(431)	1,677
Balance as at the end of financial period/year	<u>841,024</u>	<u>891,294</u>	<u>696,759</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	173,853	190,415	152,136	184,603
Reclassified from/(to) individual impairment allowance	3,485	(2,509)	-	2,141
Amount written off	(164,003)	(316,200)	(150,459)	(281,978)
Exchange differences	(1,051)	2,960	(227)	553
Balance as at the end of financial period/year	<u>1,284,921</u>	<u>1,272,637</u>	<u>1,089,571</u>	<u>1,088,121</u>

12 Other Assets

	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Other receivables	168,396	187,920	32,819	134,488
Margin deposits	125,575	252,535	125,575	252,535
Deposits	47,773	44,661	42,635	39,908
Prepayments	57,632	38,397	51,658	37,348
Amount due from holding company	733	2,781	733	2,781
Amounts due from subsidiaries	-	-	495,185	207,820
Amounts due from related companies	37,944	21,249	37,944	21,249
	<u>438,053</u>	<u>547,543</u>	<u>786,549</u>	<u>696,129</u>

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13 Deposits from Customers

(i) By type of deposits

	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Demand deposits	27,135,858	24,679,473	23,940,329	21,926,084
Savings deposits	7,844,820	7,532,754	6,744,906	6,560,214
Fixed/investment deposits	112,170,671	103,394,512	93,175,894	83,300,020
Negotiable instruments of deposits	2,976	8,398	2,976	8,398
	<u>147,154,325</u>	<u>135,615,137</u>	<u>123,864,105</u>	<u>111,794,716</u>

(ii) By type of customer

	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Government and statutory bodies	12,175,792	11,450,071	7,660,609	6,296,863
Business enterprises	89,608,040	81,264,703	74,756,184	65,658,605
Individuals	40,152,263	38,339,984	36,725,890	35,694,868
Others	5,218,230	4,560,379	4,721,422	4,144,380
	<u>147,154,325</u>	<u>135,615,137</u>	<u>123,864,105</u>	<u>111,794,716</u>

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

	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Due within six months	95,746,226	90,768,874	78,998,564	72,350,607
Six months to one year	15,727,862	12,172,795	13,506,271	10,515,667
One year to three years	675,241	432,270	653,808	422,099
Three years to five years	23,461	28,971	20,227	20,045
Over five years	857	-	-	-
	<u>112,173,647</u>	<u>103,402,910</u>	<u>93,178,870</u>	<u>83,308,418</u>

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14 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	As at	As at	As at	As at
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Licensed banks	11,984,553	10,201,228	10,968,859	9,516,893
Islamic banks	205,035	609,614	-	-
Licensed investments banks	701,345	253,063	502,668	253,063
Bank Negara Malaysia	1,287,919	800,698	1,287,209	800,094
Others	775,137	614,560	161,151	574
	14,953,989	12,479,163	12,919,887	10,570,624

15 Other Liabilities

	Group		Bank	
	As at	As at	As at	As at
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Amount due to holding company	-	21,699	-	-
Amounts due to subsidiaries	-	-	24,999	25,331
Amounts due to related companies	37,213	6,365	15,379	5,940
Amount due to Danaharta	1,847	1,864	1,847	1,864
Prepaid instalments	71,842	73,852	71,842	73,852
Lessee deposits	29,806	29,774	-	-
Accrual for operational expenses	135,173	163,224	106,483	143,997
Short term employee benefits	108,783	177,566	100,343	163,459
Other creditors and accruals	670,473	496,384	425,826	356,031
	1,055,137	970,728	746,719	770,474

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

16 Interest Income

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2014</u>	30 June 2013	<u>30 June 2014</u>	30 June 2013
<u>Group</u>	<u>RM'000</u>	RM'000	<u>RM'000</u>	RM'000
Loans and advances	1,404,406	1,299,658	2,746,002	2,561,405
Money at call and deposit placements with banks and other financial institutions	33,184	73,668	70,012	170,585
Securities purchased under resale agreements	27	214	75	404
Financial assets held-for-trading	8,206	4,421	10,781	7,054
Financial investments available-for-sale	107,463	70,955	203,351	142,790
Financial investments held-to-maturity	180,239	154,001	364,246	301,381
Others	331	138	937	345
	<u>1,733,856</u>	<u>1,603,055</u>	<u>3,395,404</u>	<u>3,183,964</u>
Of which:				
Interest income accrued on impaired loans and advances	<u>38,817</u>	<u>41,443</u>	<u>83,471</u>	<u>79,020</u>
<u>Bank</u>				
Loans and advances	1,359,586	1,268,701	2,662,012	2,502,775
Money at call and deposit placements with banks and other financial institutions	85,068	97,144	151,104	217,520
Securities purchased under resale agreements	27	214	75	404
Financial assets held-for-trading	8,206	4,421	10,781	7,054
Financial investments available-for-sale	106,531	70,089	201,492	141,061
Financial investments held-to-maturity	178,577	152,450	360,925	298,286
Others	331	130	937	326
	<u>1,738,326</u>	<u>1,593,149</u>	<u>3,387,326</u>	<u>3,167,426</u>
Of which:				
Interest income accrued on impaired loans and advances	<u>35,036</u>	<u>32,423</u>	<u>75,791</u>	<u>69,828</u>

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

17 Interest Expense

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2014</u>	<u>30 June 2013</u>	<u>30 June 2014</u>	<u>30 June 2013</u>
<u>Group</u>	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	65,052	29,071	121,065	77,106
Deposits from customers	758,315	674,926	1,454,420	1,335,967
Obligations on securities sold under repurchase agreements	364	-	817	-
Subordinated obligations	47,641	47,634	94,757	94,742
Recourse obligation on loans sold to Cagamas	10,615	10,861	21,138	21,626
Senior Debt Securities	13,079	12,509	26,446	25,031
Hybrid Tier-I Capital Securities	11,329	11,323	22,530	22,518
Borrowings	1,109	1,896	2,382	4,353
Others	16,047	12,374	31,767	24,047
	<u>923,551</u>	<u>800,594</u>	<u>1,775,322</u>	<u>1,605,390</u>
<u>Bank</u>				
Deposits and placements of banks and other financial institutions	63,275	28,178	118,054	75,740
Deposits from customers	752,119	669,248	1,441,832	1,324,765
Obligations on securities sold under repurchase agreements	364	-	817	-
Subordinated obligations	47,641	47,634	94,757	94,742
Recourse obligation on loans sold to Cagamas	10,615	10,861	21,138	21,626
Senior Debt Securities	13,079	12,509	26,446	25,031
Hybrid Tier-I Capital Securities	11,329	11,323	22,530	22,518
Borrowings	1,109	1,450	2,382	3,262
Others	16,047	12,375	31,767	24,047
	<u>915,578</u>	<u>793,578</u>	<u>1,759,723</u>	<u>1,591,731</u>

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

18 Other Operating Income

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2014</u>	<u>30 June 2013</u>	<u>30 June 2014</u>	<u>30 June 2013</u>
<u>Group</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
a) Fee Income:				
Commission	38,986	34,393	80,106	67,100
Service charges and fees	53,136	53,859	116,531	98,545
Guarantee fees	18,736	11,121	42,115	20,808
Commitment fees	13,259	11,835	27,325	23,382
Underwriting fees	-	325	-	325
Other fee income	4,008	4,629	10,800	8,984
	128,125	116,162	276,877	219,144
b) Net gain arising from financial assets held-for-trading	8,443	8,511	16,385	18,243
c) Net (loss)/gain on revaluation of derivatives	(22,042)	34,565	(21,110)	37,018
d) Net gain/(loss) on fair values hedges	36	(854)	2,444	(639)
e) Net gain arising from financial investments available-for-sale:				
- net gain on disposal	6,502	22,275	5,228	29,564
- gross dividend income	1,612	4,543	3,416	4,573
	8,114	26,818	8,644	34,137
f) Net gain arising from financial investments held-to-maturity:				
- net gain on early redemption	179	-	218	-
g) Other income:				
Foreign exchange gain/(loss)				
- realised	109,974	63,329	207,808	106,461
- unrealised	(18,015)	(16,048)	(47,310)	7,713
Gain on disposal of property, plant and equipment	36	38	36	38
Other operating income	15,586	16,949	29,701	33,877
Other non-operating income	1,284	1,561	3,119	3,732
	108,865	65,829	193,354	151,821
	231,720	251,031	476,812	459,724

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

18 Other Operating Income (cont'd)

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2014</u>	<u>30 June 2013</u>	<u>30 June 2014</u>	<u>30 June 2013</u>
<u>Bank</u>	RM'000	RM'000	RM'000	RM'000
a) Fee Income:				
Commission	38,873	33,254	79,827	64,002
Service charges and fees	52,959	52,464	116,242	100,100
Guarantee fees	16,654	11,121	40,033	20,808
Commitment fees	11,632	10,816	23,723	21,848
Underwriting fees	-	325	-	325
Other fee income	4,780	4,695	9,782	9,126
	<u>124,898</u>	<u>112,675</u>	<u>269,607</u>	<u>216,209</u>
b) Net gain arising from financial assets held-for-trading	8,443	8,511	16,385	18,243
c) Net (loss)/gain on revaluation of derivatives	(21,178)	36,289	(16,347)	41,272
d) Net gain/(loss) on fair values hedges	-	(69)	1,499	7
e) Net gain arising from financial investments available-for-sale:				
- net gain on disposal	6,229	21,438	4,955	28,727
- gross dividend income	1,611	4,543	3,415	4,573
	<u>7,840</u>	<u>25,981</u>	<u>8,370</u>	<u>33,300</u>
f) Net gain arising from financial investments held-to-maturity:				
- net gain on early redemption	179	-	218	-
g) Other income:				
Foreign exchange gain/(loss)				
- realised	110,446	63,841	208,165	107,062
- unrealised	(18,015)	(16,048)	(47,310)	7,713
Gain on disposal of property, plant and equipment	36	38	36	38
Other operating income	14,816	15,586	28,229	30,972
Other non-operating income	687	943	1,932	2,511
	<u>107,970</u>	<u>64,360</u>	<u>191,052</u>	<u>148,296</u>
	<u>228,152</u>	<u>247,747</u>	<u>470,784</u>	<u>457,327</u>

19 Income from Islamic Banking Business

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30.06.2014</u>	<u>30.06.2013</u>	<u>30 June 2014</u>	<u>30 June 2013</u>
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	309,014	271,072	592,087	534,623
Income derived from investment of shareholder's funds	36,551	27,898	63,964	53,845
Total distributable income	<u>345,565</u>	<u>298,970</u>	<u>656,051</u>	<u>588,468</u>
Income attributable to depositors	<u>(162,208)</u>	<u>(154,833)</u>	<u>(321,350)</u>	<u>(311,828)</u>
Income from Islamic Banking Business	<u>183,357</u>	<u>144,137</u>	<u>334,701</u>	<u>276,640</u>
Of which:				
Financing income earned on impaired financing and advances	<u>3,781</u>	<u>9,020</u>	<u>7,680</u>	<u>9,192</u>

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

20 Other Operating Expenses

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2014</u>	30 June 2013	<u>30 June 2014</u>	30 June 2013
<u>Group</u>	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	276,682	247,481	548,881	494,003
- Contributions to Employees Provident Fund	41,606	38,200	83,396	75,734
- Other staff related costs	29,941	13,819	50,490	31,263
	<u>348,229</u>	<u>299,500</u>	<u>682,767</u>	<u>601,000</u>
<u>Establishment costs</u>				
- Property, plant and equipment:				
- Depreciation	20,935	20,160	41,847	39,960
- Written off	-	2	1	5
- Amortisation of computer software license	9,876	8,498	22,287	16,444
- Rental of premises	31,521	28,486	61,887	56,289
- Rental of equipment	1,391	1,077	2,825	2,420
- Insurance	7,701	6,236	14,354	12,053
- Water and electricity	7,032	6,432	13,519	12,145
- Repair and maintenance	7,725	6,165	13,066	11,800
- Security and escorting expenses	14,643	12,103	26,279	24,276
- Information technology expenses	33,547	29,456	60,721	56,972
- Others	276	178	473	512
	<u>134,647</u>	<u>118,793</u>	<u>257,259</u>	<u>232,876</u>
<u>Marketing expenses</u>				
- Sales commission	14,761	11,588	26,111	21,975
- Advertisement and publicity	11,752	11,530	22,933	20,089
- Others	14,519	15,397	32,424	30,510
	<u>41,032</u>	<u>38,515</u>	<u>81,468</u>	<u>72,574</u>
<u>Administration and general expenses</u>				
- Communication expenses	27,836	24,854	53,675	48,506
- Others	35,599	27,563	66,419	47,418
	<u>63,435</u>	<u>52,417</u>	<u>120,094</u>	<u>95,924</u>
	<u>587,343</u>	<u>509,225</u>	<u>1,141,588</u>	<u>1,002,374</u>

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

20 Other Operating Expenses (cont'd)

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2014</u>	30 June 2013	<u>30 June 2014</u>	30 June 2013
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	253,259	223,999	499,297	448,976
- Contributions to Employees Provident Fund	38,210	34,049	76,117	68,207
- Other staff related costs	27,849	11,588	47,396	28,810
	<u>319,318</u>	<u>269,636</u>	<u>622,810</u>	<u>545,993</u>
<u>Establishment costs</u>				
- Property, plant and equipment:				
- Depreciation	18,948	18,347	37,769	36,444
- Written off	-	2	-	5
- Amortisation of computer software license	9,376	8,269	18,659	16,032
- Rental of premises	30,362	27,180	59,534	53,796
- Rental of equipment	1,367	1,059	2,788	2,378
- Insurance	6,186	5,288	12,456	10,461
- Water and electricity	6,456	5,677	12,226	10,784
- Repair and maintenance	6,995	5,251	11,322	10,067
- Security and escorting expenses	13,434	10,949	24,068	21,646
- Information technology expenses	30,249	26,346	54,674	51,360
	<u>123,373</u>	<u>108,368</u>	<u>233,496</u>	<u>212,973</u>
<u>Marketing expenses</u>				
- Sales commission	10,943	8,986	21,226	17,017
- Advertisement and publicity	10,900	9,968	21,320	17,467
- Others	14,094	14,031	29,340	28,047
	<u>35,937</u>	<u>32,985</u>	<u>71,886</u>	<u>62,531</u>
<u>Administration and general expenses</u>				
- Communication expenses	24,841	21,844	48,376	43,473
- Others	15,745	12,283	31,461	18,925
	<u>40,586</u>	<u>34,127</u>	<u>79,837</u>	<u>62,398</u>
	<u>519,214</u>	<u>445,116</u>	<u>1,008,029</u>	<u>883,895</u>

21 Allowance for Impairment on Loans, Advances and Financing

	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
	<u>30 June 2014</u>	30 June 2013	<u>30 June 2014</u>	30 June 2013
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
Individual impairment allowance	(33,549)	92,756	(30,191)	169,484
Collective impairment allowance	82,860	26,634	173,853	123,919
Impaired loans and financing recovered	(68,546)	(80,240)	(156,902)	(138,266)
Impaired loans written off	51,612	117,174	99,302	149,022
	<u>32,377</u>	<u>156,324</u>	<u>86,062</u>	<u>304,159</u>
<u>Bank</u>				
Individual impairment allowance	(16,298)	87,959	(10,831)	164,205
Collective impairment allowance	62,143	26,604	152,136	112,272
Impaired loans and financing recovered	(62,456)	(78,099)	(144,993)	(134,490)
Impaired loans written off	49,694	96,792	89,960	125,382
	<u>33,083</u>	<u>133,256</u>	<u>86,272</u>	<u>267,369</u>

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

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 RHB Bank is subject to National Bank of Cambodia's capital adequacy requirements.

	RHB Bank*		RHB Islamic Bank	
	30 June 2014	31 December 2013	30 June 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	3,464,464	3,492,002	489,188	441,609
AFS reserves	230,556	179,873	(32,314)	(29,302)
	<u>13,279,299</u>	<u>12,423,521</u>	<u>2,119,279</u>	<u>2,027,132</u>
Less: Goodwill	(905,519)	(905,519)	-	-
Net deferred tax assets	-	-	(17,693)	(17,281)
Intangible assets (include associated deferred tax liabilities)	(128,167)	(109,845)	(2,529)	(5,580)
55% of cumulative gains of AFS financing instruments	(126,806)	(98,930)	-	-
Shortfall of eligible provisions to expected losses under the IRB approach	(248,220)	(280,768)	-	-
Investments in subsidiaries***	(332,839)	-	-	-
Other deduction#	(13,497)	(17,374)	(2)	(92)
Total CET-I Capital	<u>11,524,251</u>	<u>11,011,085</u>	<u>2,099,055</u>	<u>2,004,179</u>
Hybrid Tier-I Capital Securities**	480,000	540,000	-	-
Total Tier-I Capital	<u>12,004,251</u>	<u>11,551,085</u>	<u>2,099,055</u>	<u>2,004,179</u>
Tier-II Capital				
Subordinated obligations@	3,200,000	3,600,000	-	-
Subordinated sukuk^^	-	-	500,000	-
Collective impairment allowance^	270,073	269,973	92,984	81,059
	<u>3,470,073</u>	<u>3,869,973</u>	<u>592,984</u>	<u>81,059</u>
Less: Investments in subsidiaries***	(1,331,358)	(1,539,997)	-	-
Total Tier-II Capital	<u>2,138,715</u>	<u>2,329,976</u>	<u>592,984</u>	<u>81,059</u>
Total capital	<u>14,142,966</u>	<u>13,881,061</u>	<u>2,692,039</u>	<u>2,085,238</u>

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

22 Capital Adequacy (cont'd)

	RHB Bank*		RHB Islamic Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
Capital ratios				
Before deducting proposed dividends:				
CET 1 capital ratio	11.075%	11.103%	12.681%	13.864%
Tier I capital ratio	11.536%	11.647%	12.681%	13.864%
Total capital ratio	13.592%	13.997%	16.264%	14.424%
After deducting proposed dividends:				
CET I capital ratio	10.907%	11.103%	12.681%	13.864%
Tier I capital ratio	11.368%	11.647%	12.681%	13.864%
Total capital ratio	13.423%	13.997%	16.264%	14.424%

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

	RHB Bank*		RHB Islamic Bank	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Credit risk	92,863,799	88,598,853	15,594,567	13,511,201
Market risk	3,385,479	2,899,375	121,258	160,838
Operational risk	7,803,424	7,670,991	836,179	783,884
Total risk-weighted assets	104,052,702	99,169,219	16,552,004	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 SIX MONTHS ENDED 30 JUNE 2014 (cont'd)

22 Capital Adequacy (cont'd)

	RHB Bank Group	
	30 June 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	3,951,638	3,939,215
AFS reserves	198,243	150,571
	14,352,404	13,412,096
Less: Goodwill	(1,120,318)	(1,120,318)
Net deferred tax assets	-	(7,286)
Intangible assets (include associated deferred tax liabilities)	(131,396)	(116,322)
55% of cumulative gains of AFS financing instruments	(109,034)	(82,814)
Shortfall of eligible provisions to expected losses under the IRB approach	(312,886)	(336,828)
Other deduction [#]	(13,499)	(17,467)
Total CET-I Capital	12,665,271	11,731,061
Hybrid Tier-I Capital Securities**	480,000	540,000
Total Tier-I Capital	13,145,271	12,271,061
Tier-II Capital		
Subordinated obligations [@]	3,200,000	3,600,000
Qualifying capital instruments of a subsidiary issued to third parties	323,029	-
Collective impairment allowance [^]	433,701	417,143
Total Tier-II Capital	3,956,730	4,017,143
Total Capital	17,102,001	16,288,204
 Capital ratios		
Before deducting proposed dividends:		
CET 1 capital ratio	10.481%	10.329%
Tier I capital ratio	10.878%	10.805%
Total capital ratio	14.153%	14.342%
After deducting proposed dividends:		
CET-I capital ratio	10.336%	10.329%
Tier-I capital ratio	10.733%	10.805%
Total capital ratio	14.008%	14.342%

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 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	
	<u>30 June 2014</u>	<u>31 December 2013</u>
	RM'000	RM'000
Credit risk	108,640,080	102,147,842
Market risk	3,504,257	2,923,183
Operational risk	8,690,894	8,493,418
	<hr/> 120,835,231 <hr/>	<hr/> 113,564,443 <hr/>

- [^] 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).

22 Capital Adequacy (cont'd)

	RHBIBL	
	<u>30 June 2014</u>	<u>31 December 2013</u>
Before deducting proposed dividends:		
Core capital ratio	#	#
Solvency ratio	18.958%	18.987%
After deducting proposed dividends:		
Core capital ratio	#	#
Solvency ratio	18.958%	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 SIX MONTHS ENDED 30 JUNE 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 June 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	2,663,866	2,630,626	1,753,986	3,843,994	3,810,979	2,144,445
Transaction-related contingent items	4,846,270	2,396,530	1,222,168	3,035,866	1,524,593	995,458
Short-term self-liquidating trade-related contingencies	1,570,021	312,043	163,585	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	35,233,244	17,034,402	11,214,320	30,774,717	14,860,482	10,324,945
- maturity less than one year	10,461,594	5,878,853	4,080,153	10,797,853	6,154,992	4,584,569
Foreign exchange related contracts [®] :						
- less than one year	16,463,277	327,256	192,528	10,821,151	249,039	196,894
- one year to less than five years	7,021,829	1,032,725	384,191	7,267,793	1,114,996	436,998
Interest rate related contracts [®] :						
- less than one year	6,361,869	14,751	4,630	3,905,460	8,941	4,095
- one year to less than five years	22,632,561	673,942	224,116	21,929,189	664,292	271,961
- more than five years	1,612,676	113,094	41,799	1,475,893	103,342	38,207
Total	108,943,207	30,452,222	19,319,476	95,495,234	28,841,211	19,211,061
Bank						
Direct credit substitutes	2,630,462	2,597,222	1,697,698	3,843,994	3,810,979	2,144,445
Transaction-related contingent items	4,400,592	2,173,691	1,033,914	2,494,386	1,225,351	767,345
Short-term self-liquidating trade-related contingencies	1,478,324	293,704	145,267	1,464,026	290,896	155,017
Irrevocable commitments to extend credit:						
- maturity more than one year	31,222,042	15,017,418	9,556,818	27,375,316	13,135,644	8,856,786
- maturity less than one year	8,224,264	5,279,208	3,544,382	8,690,334	5,518,172	4,066,820
Foreign exchange related contracts [®] :						
- less than one year	16,457,533	327,040	188,815	10,327,094	248,520	195,807
- one year to less than five years	7,021,829	1,032,725	384,191	7,267,793	1,114,996	436,998
Interest rate related contracts [®] :						
- less than one year	6,942,603	15,315	4,729	4,505,460	12,036	4,714
- one year to less than five years	24,957,561	723,482	234,023	24,309,518	729,095	284,863
- more than five years	1,912,676	128,095	44,799	1,900,893	125,492	42,637
Total	105,247,886	27,587,900	16,834,636	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 SIX MONTHS ENDED 30 JUNE 2014 (cont'd)

24 Capital Commitments

	Group		Bank	
	As at	As at	As at	As at
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Capital expenditure for property, plant and equipment:				
- authorised and contracted for	60,241	51,278	60,241	51,278
- authorised but not contracted for	154,571	208,728	95,908	141,886
	214,812	260,006	156,149	193,164
Proposed acquisition of Bank Mestika*	-	538,620	-	538,620
	214,812	538,620	156,149	538,620

* As at 30 June 2014, the conditions precedent of the Amended Conditional Sale and Purchase Agreement ('Amended CSPA') with the Vendor have not been satisfied. The parties of the Amended CSPA thereof have decided not to extend the period to satisfy or waive the conditions precedent of the Amended CSPA. Accordingly, the Amended CSPA lapsed on the same date and is terminated.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 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> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
30 June 2014				
Financial assets				
Financial assets held-for-trading:	1,255	1,726,645	-	1,727,900
- money market instruments	-	1,633,354	-	1,633,354
- quoted securities	1,255	-	-	1,255
- unquoted securities	-	93,291	-	93,291
Financial investments available-for-sale:	2,295	14,153,134	857,613	15,013,042
- money market instruments	-	3,640,980	-	3,640,980
- quoted securities	2,295	-	-	2,295
- unquoted securities	-	10,512,154	857,613	11,369,767
Derivative assets:				
- money market instruments	-	328,857	-	328,857
	<u>3,550</u>	<u>16,208,636</u>	<u>857,613</u>	<u>17,069,799</u>
Financial liabilities				
Derivative liabilities:				
- money market instruments	-	289,602	-	289,602
	<u>-</u>	<u>289,602</u>	<u>-</u>	<u>289,602</u>
31 December 2013				
Financial assets				
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>
Financial liabilities				
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 SIX MONTHS ENDED 30 JUNE 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> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
30 June 2014				
Financial assets				
Financial assets held-for-trading:	1,255	1,557,474	-	1,558,729
- money market instruments	-	1,469,157	-	1,469,157
- quoted securities	1,255	-	-	1,255
- unquoted securities	-	88,317	-	88,317
Financial investments available-for-sale:	-	11,955,160	584,811	12,539,971
- money market instruments	-	3,049,455	-	3,049,455
- unquoted securities	-	8,905,705	584,811	9,490,516
Derivative assets:	-	331,022	-	331,022
- money market instruments	-	331,022	-	331,022
	<u>1,255</u>	<u>13,843,656</u>	<u>584,811</u>	<u>14,429,722</u>
Financial liabilities				
Derivative liabilities:	-	312,175	-	312,175
- money market instruments	-	312,175	-	312,175
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:	-	425,518	-	425,518
- 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:	-	291,922	-	291,922
- money market instruments	-	291,922	-	291,922

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 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 June 2014 and 31 December 2013 for the Group and the Bank.

Financial investments available-for-sale

	Group		Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000	As at 30 June 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	43,543	106,355	37,641	106,355
Purchases	2,021	289,899	194	85,530
Settlements	(206,266)	(44,696)	(198,513)	(40,992)
Impairment losses made/(written back)	112,426	(2,159)	112,426	(2,159)
Exchange differences	(1,507)	4,915	-	-
Balance as at the end of the financial period/year	<u>857,613</u>	<u>907,396</u>	<u>584,811</u>	<u>633,063</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 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, its 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 entities. 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, hire purchase financing, study loans, lease financing and personal loans), credit cards, remittance services, deposit collection and investment products.

(c) Business Banking

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

(d) Group Treasury

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

(e) Group International Business

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

(f) Others

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

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

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

26 Segmental Reporting (cont'd)

Group

Six months ended 30 June 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	460,745	1,146,366	439,230	242,475	185,524	(42,745)	-	2,431,595
Inter-segment revenue	(7,637)	-	-	8,223	1,892	412	(2,890)	-
Segment revenue	453,108	1,146,366	439,230	250,698	187,416	(42,333)	(2,890)	2,431,595
Overhead expenses including:	(89,802)	(624,864)	(206,547)	(56,343)	(140,797)	(26,125)	2,890	(1,141,588)
Depreciation of property, plant and equipment	(1,068)	(32,130)	(3,085)	(1,236)	-	(4,231)	(97)	(41,847)
Amortisation of computer software license	(1,440)	(12,231)	(4,758)	(2,585)	-	(1,273)	-	(22,287)
Allowance for impairment on loans, advances and financing	80,749	(160,043)	2,414	(1,491)	827	(8,518)	-	(86,062)
Impairment written back/(made) on other assets	121,532	-	623	-	5	(480)	-	121,680
Profit before taxation	565,587	361,459	235,720	192,864	47,451	(77,456)	-	1,325,625
Taxation								(325,160)
Net profit for the financial period								<u>1,000,465</u>

Six months ended 30 June 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	403,914	1,132,271	380,246	229,429	155,345	13,733	-	2,314,938
Inter-segment revenue	(10,044)	-	-	10,617	1,766	411	(2,750)	-
Segment revenue	393,870	1,132,271	380,246	240,046	157,111	14,144	(2,750)	2,314,938
Overhead expenses including:	(81,743)	(571,615)	(178,827)	(40,162)	(117,232)	(15,545)	2,750	(1,002,374)
Depreciation of property, plant and equipment	(1,181)	(30,046)	(4,162)	(1,103)	(3,371)	(97)	-	(39,960)
Amortisation of computer software license	(904)	(9,045)	(4,086)	(1,489)	(920)	-	-	(16,444)
Allowance for impairment on loans, advances and financing	(178,775)	(72,569)	(48,318)	-	(6,574)	2,077	-	(304,159)
Impairment written back/(made) on other assets	13,102	84	26	(6,900)	-	-	-	6,312
Profit before taxation	146,454	488,171	153,127	192,984	33,305	676	-	1,014,717
Taxation								(254,017)
Net profit for the financial period								<u>760,700</u>

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

26 Segmental Reporting (cont'd)

Group

As at 30 June 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	49,733,445	61,849,979	17,042,456	47,314,202	18,381,573	366,555	(6,630,881)	188,057,329
Deferred tax assets								12,863
Tax recoverable								14
Unallocated assets								1,649,633
Total assets								<u>189,719,839</u>
Segment liabilities	33,958,898	42,053,181	12,293,803	61,850,144	13,952,126	14,936,675	(7,241,834)	171,802,993
Deferred tax liabilities								67,328
Tax liabilities								29,809
Unallocated liabilities								3,394,633
Total liabilities								<u>175,294,763</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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27 Credit exposures arising from transactions with connected parties

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

	Group		Bank	
	As at 30 June 2014	As at 31 December 2013	As at 30 June 2014	As at 31 December 2013
Outstanding credit exposures with connected parties (RM'000)	8,332,667	9,360,286	7,273,888	8,319,658
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	5.35	6.54	5.74	7.07
Percentage of outstanding credit exposures to connected parties which is non-performing or in default (%)	0.09	0.07	0.10	0.08

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

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 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) Issuance of RM1.0 billion nominal value of Subordinated Notes under the RM3.0 billion Medium Term Note Programme ('MTN Programme') by the Bank.

The Bank had on 8 July 2014 issued RM1.0 billion nominal value of subordinated notes ('Subordinated Notes') in aggregate under the MTN Programme. The Subordinated Notes, rated AA3 by RAM Rating Services Berhad, 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.

The Subordinated Notes will qualify as Tier II Capital of the Bank in accordance with the Capital Adequacy Framework (Capital Components) issued by Bank Negara Malaysia on 28 November 2012. Proceeds raised from the Subordinated Notes will be utilised for the Bank working capital purposes.

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 RM124,200,000 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 six months ended 30 June 2014.

31 Changes in Profit for the Quarter

During the quarter ended 30 June 2014, the Group recorded a pre-tax profit of RM718.8 million, 18.5% or RM112.0 million higher as compared to the preceding quarter ended 31 March 2014. The higher profit was mainly due to higher impairment written back on other assets by RM104.5 million, higher income from Islamic Banking business by RM32.0 million, lower impairment allowances for loans, advances and financing by RM21.3 million and higher net interest income by RM0.5 million, partially offset by higher other operating expenses by RM33.0 million and lower other operating income by RM13.4 million.

32 Performance Review

For the six months ended 30 June 2014, the Group recorded a pre-tax profit of RM1,325.6 million, 30.6% or RM310.9 million higher as compared to the corresponding period ended 30 June 2013 of RM1,014.7 million. The higher profit was reflected by lower impairment allowance for loans, advances and financing by RM218.1 million, higher impairment written back on other assets by RM115.4 million, higher income from Islamic Banking business by RM58.0 million, higher net interest income by RM41.5 million and higher operating income by RM17.1 million, partially offset by higher other operating expenses by RM139.2 million.

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

33 Prospects for Financial Year 2014

After a soft patch in Q1 2014, the global economy has returned to its recovery path resulting in enhanced economic activities and global trade. This should support growth for an open economy like Malaysia. The Malaysian economy expanded by 6.3% in first half of 2014 underpinned by higher external trades and continued strength in private domestic demand. Private investment activities in Malaysia are expected to stay robust, driven by the implementation of large infrastructure related projects under the Economic Transformation Programme.

Monetary policy also remains accommodative despite Bank Negara Malaysia raising the Overnight Policy Rates recently. Malaysia's economy is expected to be on a firm and steady growth path and the official Gross Domestic Product is forecasted to expand by 4.5%-5.5% in 2014.

The RHB Banking Group has successfully launched several initiatives under the IGNITE 2017 transformation programme during 2014. This provides a strong foundation for the positive momentum of the transformation programme which aims to grow the RHB Banking Group into a leading multinational financial services group by 2020.

Barring unforeseen circumstances, the Bank expects 2014 performance to be better than 2013.