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**RHB CAPITAL BERHAD (312952-H)
 INTERIM FINANCIAL STATEMENTS
 UNAUDITED INCOME STATEMENTS
 FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	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
Group					
Interest income	A8	1,835,390	1,708,062	3,593,504	3,391,467
Interest expense	A9	(1,007,663)	(905,447)	(1,943,593)	(1,810,022)
Net interest income		827,727	802,615	1,649,911	1,581,445
Other operating income	A10	433,898	487,224	926,002	936,947
		1,261,625	1,289,839	2,575,913	2,518,392
Net income from Islamic Banking business		183,337	144,294	335,086	277,985
Net income		1,444,962	1,434,133	2,910,999	2,796,377
Other operating expenses	A11	(796,915)	(749,527)	(1,583,260)	(1,467,233)
Operating profit before allowances		648,047	684,606	1,327,739	1,329,144
Allowance for impairment on loans, financing and other losses	A12	(17,348)	(144,567)	(71,557)	(299,434)
Impairment losses written back on other assets		108,375	12,987	120,283	17,270
		739,074	553,026	1,376,465	1,046,980
Share of results of associates		(57)	501	(112)	720
Share of results of joint ventures		110	140	182	252
Profit before taxation		739,127	553,667	1,376,535	1,047,952
Taxation	B5	(179,848)	(134,497)	(363,785)	(264,977)
Net profit for the financial period		559,279	419,170	1,012,750	782,975
Attributable to:					
- Equity holders of the Company		556,508	410,333	1,007,199	767,527
- Non-controlling interests		2,771	8,837	5,551	15,448
		559,279	419,170	1,012,750	782,975
Earnings per share (sen)					
- Basic	B12	21.9	16.5	39.5	30.8
- Diluted	B12	21.9	16.5	39.5	30.8

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



**RHB CAPITAL BERHAD (312952 – H)
 INTERIM FINANCIAL STATEMENTS
 UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
 FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	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
Group				
Net profit for the financial period	559,279	419,170	1,012,750	782,975
Other comprehensive income/(loss) in respect of:				
(i) Items that will not be reclassified to profit or loss:				
- Actuarial gain on defined benefit plan of subsidiaries	3,742	-	945	-
(ii) Items that will be reclassified subsequently to profit or loss:				
- Currency translation differences	(55,986)	12,106	(41,362)	46,239
- Share of reserves in an associate	-	-	-	31
- Unrealised net gain/(loss) on revaluation of financial investments available-for-sale ('AFS')	80,460	(116,102)	63,579	(87,987)
- Net transfer to income statements on disposal or impairment of financial investments AFS	(6,839)	(29,568)	(3,601)	(43,057)
Income tax relating to components of other comprehensive (income)/loss	(19,192)	37,315	(17,252)	34,034
Other comprehensive income/(loss), net of tax, for the financial period	2,185	(96,249)	2,309	(50,740)
Total comprehensive income for the financial period	561,464	322,921	1,015,059	732,235
Total comprehensive income/(loss) attributable to:				
- Equity holders of the Company	560,085	311,776	1,015,246	714,971
- Non-controlling interests	1,379	11,145	(187)	17,264
	561,464	322,921	1,015,059	732,235

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



**RHB CAPITAL BERHAD (312952 – H)
 INTERIM FINANCIAL STATEMENTS
 UNAUDITED INCOME STATEMENT
 FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	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
<u>Company</u>					
Interest income	A8	6,215	206	6,270	568
Interest expense	A9	(30,568)	(33,057)	(60,446)	(65,722)
Net interest expense		<u>(24,353)</u>	<u>(32,851)</u>	<u>(54,176)</u>	<u>(65,154)</u>
Other operating (loss)/income	A10	(10,296)	302,772	(10,364)	303,159
Net (loss)/profit		<u>(34,649)</u>	<u>269,921</u>	<u>(64,540)</u>	<u>238,005</u>
Other operating expenses	A11	(2,492)	(15,304)	(13,300)	(30,120)
(Loss)/profit before taxation		<u>(37,141)</u>	<u>254,617</u>	<u>(77,840)</u>	<u>207,885</u>
Taxation	B5	(916)	(20,155)	(1,409)	(12,155)
Net (loss)/profit for the financial period		<u><u>(38,057)</u></u>	<u><u>234,462</u></u>	<u><u>(79,249)</u></u>	<u><u>195,730</u></u>

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



**RHB CAPITAL BERHAD (312952 – H)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	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
<u>Company</u>				
Net (loss)/profit for the financial period	<u>(38,057)</u>	<u>234,462</u>	<u>(79,249)</u>	<u>195,730</u>
Other comprehensive income, net of tax, for the financial period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive (loss)/profit, for the financial period	<u><u>(38,057)</u></u>	<u><u>234,462</u></u>	<u><u>(79,249)</u></u>	<u><u>195,730</u></u>

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



**RHB CAPITAL BERHAD (312952 – H)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2014**

	Note	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Group			
ASSETS			
Cash and short term funds		11,737,126	9,998,667
Securities purchased under resale agreements		228,941	184,560
Deposits and placements with banks and other financial institutions		4,298,349	2,773,314
Financial assets held-for-trading ('HFT')	A13	2,938,439	4,037,728
Financial investments available-for-sale ('AFS')	A14	18,857,518	16,930,513
Financial investments held-to-maturity ('HTM')	A15	22,281,342	22,778,009
Loans, advances and financing	A16	130,287,992	119,542,545
Clients' and brokers' balances		1,792,400	2,573,583
Reinsurance assets		273,606	260,952
Other assets	A17	1,126,317	920,739
Derivative assets	B8	358,134	459,033
Statutory deposits		4,953,470	4,171,462
Tax recoverable		96,221	148,677
Deferred tax assets		25,491	31,225
Investments in associates and joint ventures		20,743	20,949
Property, plant and equipment		1,007,594	1,020,481
Goodwill and intangible assets		5,239,600	5,237,470
TOTAL ASSETS		205,523,283	191,089,907
LIABILITIES AND EQUITY			
Deposits from customers	A18/B7(a)	149,571,231	137,741,241
Deposits and placements of banks and other financial institutions	A19/B7(a)	18,942,175	16,998,355
Obligations on securities sold under repurchase agreements		254,618	566,621
Obligations on securities borrowed		357,018	31,734
Bills and acceptances payable		2,015,243	2,076,481
Clients' and brokers' balances		1,454,502	2,315,810
General insurance contract liabilities		690,152	662,211
Other liabilities	A20	1,346,026	1,326,737
Derivative liabilities	B8	336,711	348,063
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')		2,178,151	2,269,353
Tax liabilities		59,562	29,767
Deferred tax liabilities		79,334	51,814
Borrowings and senior debt securities	B7(b)	4,597,027	4,546,825
Subordinated obligations	B7(c)	5,083,604	4,580,967
Hybrid Tier-1 Capital Securities	B7(d)	601,231	601,201
TOTAL LIABILITIES		187,566,585	174,147,180
Share capital		2,546,910	2,546,910
Reserves		15,207,407	14,192,161
		17,754,317	16,739,071
Non-controlling interests		202,381	203,656
TOTAL EQUITY		17,956,698	16,942,727
TOTAL LIABILITIES AND EQUITY		205,523,283	191,089,907
COMMITMENTS AND CONTINGENCIES	A25(a)	113,984,687	100,232,255
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RM)		6.97	6.57

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



**RHB CAPITAL BERHAD (312952 – H)
 INTERIM FINANCIAL STATEMENTS
 UNAUDITED STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2014**

<u>Company</u>	Note	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
ASSETS			
Cash and short term funds		69,819	16,973
Deposits and placements with banks and other financial institutions		1,000	983
Other assets	A17	97,265	118,478
Amounts due from subsidiaries		821	800
Tax recoverable		93,258	93,933
Deferred tax assets		447	1,181
Investments in subsidiaries		10,801,052	10,801,052
Property, plant and equipment		393	326
TOTAL ASSETS		11,064,055	11,033,726
LIABILITIES AND EQUITY			
Other liabilities	A20	2,201	6,244
Amounts due to subsidiaries		6,993	8,960
Borrowings	B7(b)	3,052,188	2,936,600
Total liabilities		3,061,382	2,951,804
Share capital		2,546,910	2,546,910
Reserves		5,455,763	5,535,012
TOTAL EQUITY		8,002,673	8,081,922
TOTAL LIABILITIES AND EQUITY		11,064,055	11,033,726

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



**RHB CAPITAL BERHAD (312952 – H)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	← Attributable to equity holders of the Company →							Non- controlling Interests	Total Equity	
	Share Capital	Share Premium	Statutory Reserve	Other Reserves	AFS Reserves	Translation Reserves	Retained Profits			Sub-total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			RM'000
Group										
Balance as at 1 January 2014	2,546,910	4,888,541	3,577,647	28,196	122,389	12,211	5,563,177	16,739,071	203,656	16,942,727
Net profit for the financial period	-	-	-	-	-	-	1,007,199	1,007,199	5,551	1,012,750
Currency translation differences	-	-	-	-	-	(39,938)	(6)	(39,944)	(1,418)	(41,362)
Financial investments AFS										
- Unrealised net gain/(loss) on revaluation	-	-	-	-	67,908	-	-	67,908	(4,329)	63,579
- Net transfer to income statements on disposal or impairment	-	-	-	-	(3,601)	-	-	(3,601)	-	(3,601)
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	-	936	936	9	945
Income tax relating to components of other comprehensive loss	-	-	-	-	(17,252)	-	-	(17,252)	-	(17,252)
Other comprehensive income/(loss), net of tax, for the financial period	-	-	-	-	47,055	(39,938)	930	8,047	(5,738)	2,309
Total comprehensive income/(loss) for the financial period	-	-	-	-	47,055	(39,938)	1,008,129	1,015,246	(187)	1,015,059
Transfer to statutory reserves	-	-	80,050	-	-	-	(80,050)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(993)	(993)
Subscription of shares by non-controlling interests in a subsidiary	-	-	-	-	-	-	-	-	(95)	(95)
Disposal of a subsidiary	-	-	-	-	-	1,708	(1,708)	-	-	-
Balance as at 30 June 2014	2,546,910	4,888,541	3,657,697	28,196	169,444	(26,019)	6,489,548	17,754,317	202,381	17,956,698

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



RHB CAPITAL BERHAD (312952 – H)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	← Attributable to equity holders of the Company →							Non-controlling Interests	Total Equity	
	Share Capital	Share Premium	Statutory Reserve	Other Reserves	AFS Reserves	Translation Reserves	Retained Profits			Sub-total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Group										
Balance as at 1 January 2013	2,494,208	4,548,602	3,494,397	28,196	234,337	(69,473)	4,386,948	15,117,215	223,265	15,340,480
Net profit for the financial period	-	-	-	-	-	-	767,527	767,527	15,448	782,975
Currency translation differences	-	-	-	-	-	45,558	-	45,558	681	46,239
Financial investments AFS										
- Unrealised net (loss)/gain on revaluation	-	-	-	-	(89,117)	-	-	(89,117)	1,130	(87,987)
- Net transfer to income statements on disposal or impairment	-	-	-	-	(43,057)	-	-	(43,057)	-	(43,057)
Share of reserves in an associate	-	-	-	-	-	-	31	31	-	31
Income tax relating to components of other comprehensive loss	-	-	-	-	34,029	-	-	34,029	5	34,034
Other comprehensive income/(loss), net of tax, for the financial period	-	-	-	-	(98,145)	45,558	31	(52,556)	1,816	(50,740)
Total comprehensive income/(loss) for the financial period	-	-	-	-	(98,145)	45,558	767,558	714,971	17,264	732,235
Transfer in respect of statutory requirements	-	-	164,724	-	-	-	(164,724)	-	-	-
Dividends paid to non-controlling interests	-	-	-	-	-	-	-	-	(10,136)	(10,136)
Acquisition of additional shares from non-controlling interests	-	-	-	-	-	-	(727)	(727)	(3,123)	(3,850)
Balance as at 30 June 2013	2,494,208	4,548,602	3,659,121	28,196	136,192	(23,915)	4,989,055	15,831,459	227,270	16,058,729

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



RHB CAPITAL BERHAD (312952 – H)
 INTERIM FINANCIAL STATEMENTS
 UNAUDITED STATEMENT OF CHANGES IN EQUITY
 FOR THE SIX MONTHS ENDED 30 JUNE 2014

	<u>Share Capital</u> RM'000	<u>Non- distributable Share Premium</u> RM'000	<u>Distributable Retained Profits</u> RM'000	<u>Total</u> RM'000
<u>Company</u>				
Balance as at 1 January 2014	2,546,910	4,888,541	646,471	8,081,922
Net loss for the financial period	-	-	(79,249)	(79,249)
Balance as at 30 June 2014	<u>2,546,910</u>	<u>4,888,541</u>	<u>567,222</u>	<u>8,002,673</u>
Balance as at 1 January 2013	2,494,208	4,548,602	893,013	7,935,823
Net profit for the financial period	-	-	195,730	195,730
Balance as at 30 June 2013	<u>2,494,208</u>	<u>4,548,602</u>	<u>1,088,743</u>	<u>8,131,553</u>

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



RHB CAPITAL BERHAD (312952 – H)
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
Group		
Cash flows from operating activities		
Profit before taxation	1,376,535	1,047,952
Adjustments for:		
Allowance for impairment on loans, financing and other losses	228,518	437,701
Property, plant and equipment		
- Depreciation	57,290	56,018
- Gain on disposal	(41)	(236)
- Written off	125	463
Amortisation of intangible assets	33,168	21,789
Net impairment written back on financial investments AFS and HTM	(120,283)	(17,186)
Share of results of associates and joint ventures	(70)	(972)
Net gain arising from sale/redemption of financial assets HFT, financial investments AFS and HTM	(39,195)	(78,064)
Net (gain)/loss on fair value hedges	(2,445)	639
Net unrealised loss/(gain) on revaluation of financial assets HFT and derivatives	88,126	(102,673)
Unrealised net foreign exchange loss/(gain)	52,188	(9,437)
Gross dividend income from financial assets HFT, financial investments AFS and HTM	(16,400)	(15,053)
Accretion of discount for USD Sub-Notes & borrowings	8,419	1,065
Other non-cash items	(765,413)	(656,192)
Operating profit before working capital changes	<u>900,522</u>	<u>685,814</u>
Increase/(decrease) in operating assets:		
Securities purchased under resale agreements	(45,897)	(15,029)
Deposits and placements with banks and other financial institutions	(1,525,818)	(105,567)
Financial assets HFT	1,164,718	(215,255)
Loans, advances and financing	(11,047,567)	(6,191,831)
Clients' and brokers' balances	781,183	(157,394)
Other assets	(271,387)	(95,033)
Statutory deposits	(784,979)	(518,847)
	<u>(11,729,747)</u>	<u>(7,298,956)</u>
Increase/(decrease) in operating liabilities:		
Deposits from customers	11,918,118	(1,906,548)
Deposits and placements with banks and other financial institutions	1,965,709	(2,268,585)
Obligations on securities sold under repurchase agreements	(310,647)	294,204
Obligations on securities borrowed	325,284	(30,669)
Bills and acceptances payable	(61,226)	184,803
Clients' and brokers' balances	(861,291)	(141,295)
Other liabilities	14,538	15,260
Recourse obligation on loans sold to Cagamas	(91,202)	(86,277)
	<u>12,899,283</u>	<u>(3,939,107)</u>
Cash generated from/(used in) operations	2,070,058	(10,552,249)
Net tax paid	(259,509)	(308,702)
Net cash generated from/(used in) operating activities	<u>1,810,549</u>	<u>(10,860,951)</u>

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



**RHB CAPITAL BERHAD (312952 – H)
 INTERIM FINANCIAL STATEMENTS
 UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS (CONTINUED)
 FOR THE SIX MONTHS ENDED 30 JUNE 2014**

	Six months ended	
	30 June 2014	30 June 2013
Group	RM'000	RM'000
Cash flows from investing activities		
Net redemption of financial investments AFS and HTM	(975,017)	(3,817,374)
Property, plant and equipment:		
- Purchase	(41,588)	(34,724)
- Proceeds from disposal	100	715
Purchase of intangible assets	(42,814)	(34,752)
Financial investments AFS and HTM:		
- Interest received	180,056	440,651
- Investment income received	198,364	177,894
Dividend income received from financial assets HFT and financial investments AFS	16,400	14,920
Net cash inflow from disposal of a subsidiary	265	-
Acquisition of shares from non-controlling interests	(95)	-
Net cash used in investing activities	<u>(664,329)</u>	<u>(3,252,670)</u>
Cash flows from financing activities		
Repayment of subordinated notes	-	(45,554)
Drawdown of borrowings	597,641	419,690
Repayment of borrowings	(508,433)	(237,614)
Proceeds from issuance of Subordinated Sukuk Murabahah	500,000	-
Dividends paid to non-controlling interests	(993)	(10,136)
Net cash generated from financing activities	<u>588,215</u>	<u>126,386</u>
Net increase/(decrease) in cash and cash equivalents	1,734,435	(13,987,235)
Effects of exchange rate differences	4,006	116,371
Cash and cash equivalents		
- at the beginning of the financial year	9,998,667	23,973,950
- at the end of the financial year	<u>11,737,108</u>	<u>10,103,086</u>
Cash and cash equivalents comprise the following:		
Cash and short term funds	11,737,126	10,103,178
Overdrafts	(18)	(92)
	<u>11,737,108</u>	<u>10,103,086</u>

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



RHB CAPITAL BERHAD (312952 – H)
INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2014

	Six months ended	
	30 June 2014	30 June 2013
	RM'000	RM'000
Company		
Cash flows from operating activities		
(Loss)/profit before taxation	(77,840)	207,885
Adjustments for:		
Interest expense	60,446	65,722
Unrealised foreign exchange loss/(gain)	80	(9)
Property, plant and equipment		
- Depreciation	105	127
- Gain on disposal	-	(2)
Dividend income	(17,756)	(303,148)
Interest income	(6,270)	(568)
Operating loss before working capital changes	(41,235)	(29,993)
Increase in deposits and placements with banks and other financial institutions	(17)	(16)
Increase in inter-company balances	(2,047)	(1,184)
Decrease in other assets	21,403	2,113
(Decrease)/increase in other liabilities	(4,043)	4,263
Net cash used in operating activities	(25,939)	(24,817)
Cash flows from investing activities		
Dividend income received from subsidiaries	17,756	35,232
Interest income received	6,241	361
Purchase of property, plant and equipment	(172)	(54)
Proceeds from disposal of investments in subsidiaries	-	7,964
Proceeds from disposal of property, plant and equipment	-	2
Net cash generated from investing activities	23,825	43,505
Cash flows from financing activities		
Drawdown of borrowings	107,000	15,000
Repayment of borrowings	-	(10,150)
Interest expense paid	(52,058)	(52,652)
Net cash generated from/(used in) financing activities	54,942	(47,802)
Net increase/(decrease) in cash and cash equivalents	52,828	(29,114)
Cash and cash equivalents		
- at the beginning of the financial period	16,973	36,177
- at the end of the financial period	69,801	7,063
Cash and cash equivalents comprise the following:		
Cash and short term funds	69,819	7,155
Overdrafts	(18)	(92)
	69,801	7,063

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



**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2014**

A1. 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 Boards ('MASB') and should be read in conjunction with the audited financial statements of the Group and the Company for the financial year ended 31 December 2013.

The accounting policies and presentation adopted by the Group and the Company 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 Company.

A2. Auditors' Report

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

A3. Seasonal or Cyclical Factors

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

A4. Exceptional or Unusual Items

There were no exceptional or unusual items for the six months ended 30 June 2014.

A5. 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.

A6. 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 as disclosed in Note B6(e).

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.

A7. Dividends Paid

No dividend has been paid during the six months ended 30 June 2014.



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	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
A8. Interest Income				
<u>Group</u>				
Loans and advances	1,448,485	1,335,106	2,821,402	2,622,773
Money at call and deposits and placements				
with banks and other financial institutions	40,826	85,072	89,128	200,741
Securities purchased under resale agreements	27	1,331	75	2,060
Financial assets HFT	15,292	13,438	25,758	26,428
Financial investments AFS	139,652	105,594	268,256	211,175
Financial investments HTM	188,199	164,116	382,095	321,386
Others	2,909	3,405	6,790	6,904
	1,835,390	1,708,062	3,593,504	3,391,467
Of which:				
Interest income accrued on impaired loans and advances	40,456	46,107	86,411	88,320
<u>Company</u>				
Money at call and deposits and placements				
with banks and other financial institutions	80	102	135	361
Others	6,135	104	6,135	207
	6,215	206	6,270	568



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	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
A9. Interest Expense				
<u>Group</u>				
Deposits and placements of banks and other financial institutions	134,585	27,503	193,700	83,293
Deposits from customers	743,342	739,882	1,491,470	1,452,369
Borrowings and senior debt securities	38,909	45,815	77,735	91,179
Subordinated obligations	52,320	57,206	104,031	114,271
Hybrid Tier-1 Capital Securities	11,245	11,239	22,363	22,351
Recourse obligation on loans sold to Cagamas	10,615	10,861	21,138	21,626
Others	16,647	12,941	33,156	24,933
	1,007,663	905,447	1,943,593	1,810,022
<u>Company</u>				
Borrowings	30,568	33,057	60,446	65,722



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	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
A10. Other Operating Income				
Group				
Fee income				
- Service charges and fees	57,146	56,517	122,927	103,565
- Commission	36,679	31,476	74,997	62,750
- Guarantee fees	18,736	11,121	42,115	20,808
- Commitment fees	13,261	11,835	27,340	23,454
- Net brokerage income	88,490	103,643	173,133	194,228
- Fund management fees	26,346	24,348	51,026	45,189
- Unit trust fee income	7,844	24,915	19,326	53,931
- Corporate advisory fees	14,454	9,406	29,790	22,651
- Underwriting and arrangement fees	10,332	25,617	22,527	38,451
- Other fee income	25,462	18,607	56,681	28,246
	298,750	317,485	619,862	593,273
Net gain/(loss) arising from financial assets HFT				
- Net gain on disposal	11,321	11,385	32,157	25,695
- Unrealised net gain/(loss) on revaluation	1,691	(15,621)	5,150	(12,440)
- Gross dividend income	2,166	1,331	3,929	2,677
	15,178	(2,905)	41,236	15,932
Net gain on revaluation of derivatives	(7,077)	46,683	(4,373)	49,034
Net gain/(loss) on fair value hedges	1,287	(854)	2,445	(639)
Net gain arising from financial investments AFS				
- Net (loss)/gain on disposal	5,154	31,116	4,403	43,215
- Gross dividend income	6,547	9,046	12,471	12,376
	11,701	40,162	16,874	55,591
Net gain arising from financial investments HTM				
- Net gain on redemption	179	-	221	10
	179	-	221	10



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	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
A10. Other Operating Income (continued)				
Other income				
- Foreign exchange gain/(loss)				
- Realised	79,186	71,623	183,284	126,037
- Unrealised	(23,164)	(29,226)	(52,188)	9,437
- Insurance underwriting surplus before management expenses	35,952	22,702	72,185	46,175
- Net gain on disposal of property, plant and equipment	36	219	41	236
- Rental income	251	1,116	712	2,027
- Net loss on disposal of a subsidiary	-	-	(247)	-
- Other operating income	20,237	19,063	42,842	36,452
- Other non-operating income	1,382	1,156	3,108	3,382
	113,880	86,653	249,737	223,746
	433,898	487,224	926,002	936,947
Company				
Gross dividend income from:				
- Subsidiaries	17,756	303,148	17,756	303,148
Other income				
- Foreign exchange (loss)/gain				
- Realised	(28,040)	-	(28,040)	-
- Unrealised	(12)	(378)	(80)	9
- Net gain on disposal of property, plant and equipment	-	2	-	2
	(28,052)	(376)	(28,120)	11
	(10,296)	302,772	(10,364)	303,159



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	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
A11. Other Operating Expenses				
<u>Group</u>				
Personnel costs				
- Salaries, bonus, wages and allowances	383,578	344,768	770,984	688,389
- Defined contribution plan	55,664	48,464	109,123	95,871
- Other staff related costs	45,288	29,300	78,799	56,958
	484,530	422,532	958,906	841,218
Establishment costs				
- Property, plant and equipment				
- Depreciation	28,805	27,702	57,290	56,018
- Written off	124	399	125	463
- Intangible assets				
- Amortisation	14,857	11,137	33,168	21,789
- Information technology expenses	39,048	32,830	69,553	63,089
- Repair and maintenance	10,160	11,066	19,069	20,092
- Security and escorting charges	12,955	10,850	23,234	21,536
- Rental of premises	36,707	33,984	73,405	67,529
- Water and electricity	9,793	8,866	18,676	16,606
- Rental of equipment	2,682	2,589	5,122	5,501
- Insurance	5,245	5,819	11,941	10,205
- Others	4,658	5,555	9,173	8,761
	165,034	150,797	320,756	291,589
Marketing expenses				
- Sales commission	22,946	30,116	46,889	66,206
- Advertisements and publicity	14,511	16,451	29,203	27,792
- Others	31,654	29,745	61,255	62,273
	69,111	76,312	137,347	156,271
Administration and general expenses				
- Communication expenses	43,804	43,439	83,977	82,144
- Legal and professional fee	8,967	15,989	16,938	25,425
- Others	25,469	40,458	65,336	70,586
	78,240	99,886	166,251	178,155
	796,915	749,527	1,583,260	1,467,233



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	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
A11. Other Operating Expenses (continued)				
<u>Company</u>				
Personnel costs				
- Salaries, bonus, wages and allowances	516	3,714	7,770	9,449
- Defined contribution plan	89	575	1,027	1,460
- Other staff related costs	356	833	868	1,100
	961	5,122	9,665	12,009
Establishment costs				
- Rental of premises	16	315	230	609
- Depreciation of property, plant and equipment	57	63	105	127
- Information technology expenses	3	2	4	6
- Repair and maintenance	7	35	36	73
- Security and escorting charges	7	11	16	20
- Rental of equipment	-	2	-	5
- Water and electricity	7	25	33	43
- Insurance	-	-	-	1
	97	453	424	884
Marketing expenses				
- Advertisements and publicity	66	102	527	269
- Others	23	76	99	134
	89	178	626	403
Administration and general expenses				
- Communication expenses	14	54	100	131
- Legal and professional fee	867	9,270	1,764	16,228
- Others	464	227	721	465
	1,345	9,551	2,585	16,824
	2,492	15,304	13,300	30,120



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	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
A12. Allowance for Impairment on Loans, Financing and Other Losses				
<u>Group</u>				
Allowance for impaired loans and financing				
- Individual impairment allowance made	(42,367)	86,263	(35,318)	165,277
- Collective impairment allowance made	77,549	25,166	168,025	124,913
Impaired loans and financing recovered	(68,600)	(80,231)	(156,961)	(138,267)
Bad debts written off	51,612	117,174	99,512	149,022
Allowance made for impairment on other assets	(846)	(3,805)	(3,701)	(1,511)
	17,348	144,567	71,557	299,434



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	Group	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
A13. Financial Assets Held-for-trading		
At fair value		
<u>MONEY MARKET INSTRUMENTS:</u>		
Malaysian Government Securities	717,677	498,989
Malaysian Government Investment Issues	566,165	266,950
Bank Negara Malaysia ('BNM') Monetary Notes	-	1,151,172
Negotiable instruments of deposits	-	198,686
Sukuk Perumahan Kerajaan ('SPK') bonds	91,421	-
Singapore Government Treasury Bills	475,676	466,438
Thailand Treasury Bills	39,185	6,372
<u>QUOTED SECURITIES:</u>		
In Malaysia		
Shares, exchange traded funds and warrants	205,143	178,224
Unit trusts	55,518	3,323
Private debt securities	1,255	2,707
Outside Malaysia		
Shares, exchange traded funds and warrants	154,452	59,352
Unit trusts	23,769	34,008
<u>UNQUOTED SECURITIES:</u>		
In Malaysia		
Private debt securities	482,655	816,024
Commercial paper	77,212	-
Outside Malaysia		
Private debt securities	48,311	355,483
	2,938,439	4,037,728

Included in financial assets HFT are private debt securities outside Malaysia, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RMNil (31 December 2013: RM200,296,000).



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A13. Financial Assets Held-for-trading (continued)

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

The effects of the reclassification on the income statements for the period from the date of reclassification to 30 June 2014 were as follows:

	Group	
	As at	As at
	30 June 2014	31 December 2013
	RM'000	RM'000
<u>Carrying amount</u>		
Reclassified from financial assets HFT to financial investments AFS	30,120	31,214
Reclassified from financial assets HFT to financial investments HTM	19,396	19,786
	49,516	51,000
<u>Fair value</u>		
Reclassified from financial assets HFT to financial investments AFS	29,766	30,798
Reclassified from financial assets HFT to financial investments HTM	20,043	20,711
	49,809	51,509
Fair value gains that would have been recognised if the financial assets HFT had not been reclassified	293	509



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	Group	
	As at	As at
	30 June 2014	31 December 2013
	RM'000	RM'000
A14. Financial Investments Available-for-sale		
At fair value		
<u>MONEY MARKET INSTRUMENTS:</u>		
Malaysian Government Securities	1,126,401	1,051,413
Malaysian Government Investment Issues	2,144,589	2,078,025
Cagamas Bonds	154,934	130,468
Khazanah bonds	56,479	63,654
1 Malaysia Sukuk	307,684	318,010
Wakala Global Sukuk	78,338	153,099
Bankers' acceptances and Islamic acceptable bills	88,131	378,121
Negotiable instruments of deposits	268,789	503,046
Sukuk Perumahan Kerajaan ('SPK') bonds	174,831	114,212
Singapore Government Securities	133,743	136,433
Singapore Government Treasury Bills	475,719	272,185
Thailand Government bonds	90,756	96,341
<u>QUOTED SECURITIES:</u>		
In Malaysia		
Corporate loan stocks	-	1,495
Shares and warrants	7,438	31,374
Unit trusts	5,767	5,571
Outside Malaysia		
Shares and warrants	1,596	1,332
Unit trusts	27,047	4,081
<u>UNQUOTED SECURITIES:</u>		
In Malaysia		
Private and Islamic debt securities	12,050,021	10,546,051
Shares and warrants	577,568	540,941
Corporate loan stocks	17,208	294,689
Prasarana bonds	19,706	19,816
Perpetual notes/Sukuk	371,647	286,149
Outside Malaysia		
Private and Islamic debt securities	778,878	360,082
Corporate loan stocks	2,047	2,093
Credit link notes	156,849	-
Shares	23,786	34,375
	19,139,952	17,423,056
Accumulated impairment losses	(282,434)	(492,543)
	18,857,518	16,930,513

Included in financial investments AFS are private and Islamic debt securities, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM302,816,000 (31 December 2013: RM260,231,000).



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	Group	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
A15. Financial Investments Held-to-maturity		
At amortised cost		
<u>MONEY MARKET INSTRUMENTS:</u>		
Malaysian Government Securities	2,343,860	2,639,090
Malaysian Government Investment Issues	6,466,827	6,833,778
Cagamas bonds	2,416,111	2,495,181
Khazanah bonds	99,622	79,176
Negotiable instruments of deposits	2,525,041	2,449,025
Bankers' acceptances and Islamic acceptable bills	-	33,634
Wakala Global Sukuk	229,772	234,800
SPK bonds	111,173	111,202
Singapore Government Securities	182,219	183,686
Thailand Government Securities	270,318	293,052
Sukuk (Brunei) Incorporation	36,012	38,897
<u>UNQUOTED SECURITIES:</u>		
In Malaysia		
Private and Islamic debt securities	6,910,460	6,724,212
Corporate loan stocks	74,661	43,292
Bonds	883	883
Prasarana bonds	821,442	822,555
Outside Malaysia		
Private and Islamic debt securities	68,679	70,063
	<u>22,557,080</u>	<u>23,052,526</u>
Accumulated impairment losses	(275,738)	(274,517)
	<u>22,281,342</u>	<u>22,778,009</u>

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



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	Group	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
A16. Loans, Advances and Financing		
At amortised cost		
Overdrafts	6,328,491	5,990,867
Term loans/financing		
- Housing loans/financing	28,461,349	25,375,496
- Syndicated term loans/financing	4,385,544	3,974,387
- Hire purchase receivables	13,466,467	13,052,001
- Lease receivables	40,608	70,174
- Other term loans/financing	61,250,354	55,620,652
Bills receivable	3,102,402	2,561,904
Trust receipts	529,356	523,804
Claims on customers under acceptance credits	4,154,455	4,327,803
Staff loans/financing	235,038	252,240
Credit card receivables	1,995,509	2,004,163
Revolving credits/financing	8,529,563	7,999,405
Gross loans, advances and financing	<u>132,479,136</u>	<u>121,752,896</u>
Fair value changes arising from fair value hedges	(27,101)	(26,697)
	<u>132,452,035</u>	<u>121,726,199</u>
Allowance for impaired loans, advances and financing		
- Individual impairment allowance	(877,321)	(903,388)
- Collective impairment allowance	(1,286,722)	(1,280,266)
Net loans, advances and financing	<u>130,287,992</u>	<u>119,542,545</u>

Included in loans, advances and financing 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).



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	Group	
	As at 30 June 2014	As at 31 December 2013
	RM'000	RM'000
A16. Loans, Advances and Financing (continued)		
(a) By type of customer		
Domestic non-bank financial institutions		
- Others	1,790,570	2,716,376
Domestic business enterprises		
- Small and medium enterprises	13,143,154	12,432,608
- Others	36,638,682	31,997,072
Government and statutory bodies	8,483,712	8,476,645
Individuals	60,021,999	55,093,448
Other domestic entities	135,788	126,933
Foreign entities	12,265,231	10,909,814
	<u>132,479,136</u>	<u>121,752,896</u>
(b) By geographical distribution		
Malaysia	119,337,097	110,010,249
Labuan Offshore	3,703,810	3,399,433
Singapore	7,801,543	6,861,280
Thailand	762,156	749,899
Brunei	93,641	94,029
Indonesia	9,082	20,639
Hong Kong	207,957	148,102
Cambodia	563,850	469,265
	<u>132,479,136</u>	<u>121,752,896</u>
(c) By interest/profit rate sensitivity		
Fixed rate		
- Housing loans/financing	1,087,782	1,021,668
- Hire purchase receivables	13,466,467	13,052,001
- Other fixed rate loans/financing	18,742,063	18,093,114
Variable rate		
- Base lending/financing rate plus	57,094,203	49,342,388
- Cost-plus	34,768,356	32,953,484
- Other variable rates	7,320,265	7,290,241
	<u>132,479,136</u>	<u>121,752,896</u>



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	Group	
	As at 30 June 2014	As at 31 December 2013
	RM'000	RM'000
A16. Loans, Advances and Financing (continued)		
(d) By purpose		
Purchase of securities	15,219,616	13,070,551
Purchase of transport vehicles	12,315,963	11,863,407
Purchase of landed property		
- Residential	28,271,227	25,518,909
- Non-residential	8,719,717	7,448,743
Purchase of property, plant and equipment other than land and building	3,351,833	3,350,106
Personal use	7,298,259	7,193,757
Credit card	1,995,509	2,004,163
Purchase of consumer durables	30,384	31,513
Construction	3,577,259	3,121,181
Working capital	31,085,893	29,096,506
Merger and acquisition	3,844,618	3,215,709
Other purpose	16,768,858	15,838,351
	<u>132,479,136</u>	<u>121,752,896</u>
(e) By remaining contractual maturities		
Maturity within one year	47,600,833	43,226,153
One year to three years	8,327,538	9,751,531
Three years to five years	9,760,748	10,125,124
Over five years	66,790,017	58,650,088
	<u>132,479,136</u>	<u>121,752,896</u>



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	Group	
	As at	As at
	30 June 2014	31 December 2013
	RM'000	RM'000
A16. Loans, Advances and Financing (continued)		
(f) Impaired loans, advances and financing		
(i) Movements in impaired loans, advances and financing		
Balance as at the beginning of the financial period/year	3,426,629	3,337,637
Classified as impaired	1,655,305	4,122,777
Reclassified as non-impaired	(1,216,696)	(2,645,660)
Amount recovered	(385,199)	(782,440)
Amount written off	(270,692)	(614,408)
Transfer from financial investment AFS	39,543	-
Exchange differences	(3,843)	8,723
Balance as at the end of the financial period/year	<u>3,245,047</u>	<u>3,426,629</u>

	Group	
	As at	As at
	30 June 2014	31 December 2013
	RM'000	RM'000
(ii) By purpose		
Purchase of securities	146,903	161,957
Purchase of transport vehicles	229,830	218,392
Purchase of landed property		
- Residential	805,310	876,201
- Non-residential	105,871	99,639
Purchase of property, plant and equipment other than land and building	38,338	45,211
Personal use	158,386	150,366
Credit card	43,422	41,330
Purchase of consumer durables	2,164	1,724
Construction	115,915	125,127
Working capital	1,446,742	1,536,514
Other purpose	152,166	170,168
	<u>3,245,047</u>	<u>3,426,629</u>



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	Group	
	As at 30 June 2014	As at 31 December 2013
	RM'000	RM'000

A16. Loans, Advances and Financing (continued)

(f) Impaired loans, advances and financing (continued)

(iii) By geographical distribution

Malaysia	3,071,237	3,252,442
Labuan Offshore	50,152	49,901
Singapore	95,871	85,600
Thailand	15,875	16,025
Brunei	8,388	8,536
Cambodia	3,524	14,125
	<u>3,245,047</u>	<u>3,426,629</u>

	Group	
	As at 30 June 2014	As at 31 December 2013
	RM'000	RM'000

(iv) Movements in allowance for impaired loans, advances and financing

<u>Individual impairment allowance</u>		
Balance as at the beginning of the financial period/year	903,388	801,495
Net allowance made	(35,318)	297,254
Amount written off	(5,742)	(203,000)
Reclassified (to)/from collective impairment allowance	(3,485)	2,509
Net transfer from financial investments AFS/HTM	20,071	-
Exchange differences	(1,593)	5,130
Balance as at the end of the financial period/year	<u>877,321</u>	<u>903,388</u>
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial period/year	1,280,266	1,401,946
Net allowance made	168,025	194,069
Amount written off	(164,003)	(316,200)
Reclassified from/(to) individual impairment allowance	3,485	(2,509)
Exchange differences	(1,051)	2,960
Balance as at the end of the financial period/year	<u>1,286,722</u>	<u>1,280,266</u>



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	Group	
	As at	As at
	30 June 2014	31 December 2013
	RM'000	RM'000
A17. Other Assets		
Other debtors	579,910	624,877
Deposits	85,772	89,432
Prepayments	82,563	61,000
Amount due from reverse repo transactions	378,072	32,915
Deposits for proposed acquisition of PT Bank Mestika Dharma (refer to Note B6(a))	-	112,515
	1,126,317	920,739

	Company	
	As at	As at
	30 June 2014	31 December 2013
	RM'000	RM'000
Other debtors	93,706	2,339
Prepayments	3,559	3,624
Deposits for proposed acquisition of PT Bank Mestika Dharma (refer to Note B6(a))	-	112,515
	97,265	118,478



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	Group	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
A18. Deposits from Customers		
(a) By type of deposits		
Demand deposits	27,019,312	24,572,177
Savings deposits	7,844,820	7,532,754
Fixed/investment deposits	114,673,412	105,594,645
Negotiable instruments of deposits	33,687	41,665
	<u>149,571,231</u>	<u>137,741,241</u>
(b) By type of customer		
Government and statutory bodies	12,824,242	11,940,337
Business enterprises	91,270,770	82,779,114
Individuals	40,257,989	38,461,412
Others	5,218,230	4,560,378
	<u>149,571,231</u>	<u>137,741,241</u>
(c) By maturity structure of fixed/investment deposits and negotiable instruments of deposits		
Due within six months	98,220,912	92,955,781
Six months to one year	15,780,154	12,212,827
One year to three years	681,715	438,629
Three years to five years	23,461	29,073
Over five years	857	-
	<u>114,707,099</u>	<u>105,636,310</u>
A19. Deposits and Placements of Banks and Other Financial Institutions		
Licensed banks	12,263,154	10,564,885
Licensed Islamic banks	684,345	609,614
Licensed investment banks	264,988	362,348
BNM	775,137	826,123
Other financial institutions	4,954,551	4,635,385
	<u>18,942,175</u>	<u>16,998,355</u>



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	Group	
	As at	As at
	30 June 2014	31 December 2013
	RM'000	RM'000
A20. Other Liabilities		
Other creditors and accruals	1,012,554	871,628
Short term employee benefits	160,658	258,377
Lessee deposits	29,806	29,774
Prepaid instalment	71,842	73,852
Remisiers' trust deposits	57,139	55,887
Amount due to Danaharta	1,847	1,864
Amount due to trust funds	12,180	35,355
	<u>1,346,026</u>	<u>1,326,737</u>
	Company	
	As at	As at
	30 June 2014	31 December 2013
	RM'000	RM'000
Other creditors and accruals	1,229	2,535
Short term employee benefits	972	3,709
	<u>2,201</u>	<u>6,244</u>



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A21. Segment Reporting

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

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

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

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

(a) CIB

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

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

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

(b) Retail Banking

Retail Banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgages, hire purchase financing, study loans, lease financing and personal loans), credit cards, remittance services, deposit collection, general insurance and investment products.

(c) Business Banking

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

(d) Group Treasury

Group Treasury 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.



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A21. Segment Reporting (continued)

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

(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) Support Center and Others

Support Center and Others comprise results from other business segments in the Group (nominee services, property investment and rental, dormant operations and other related financial services), funding center of the commercial banking subsidiary and investment holding company, whose results are not material to the Group and therefore do not render a 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, centralised cost, funding center and the application of transfer pricing, where appropriate, has been used in preparing the segmental reporting.



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A21. Segment Reporting (continued)

Segment Profit and Loss for the Six Months Ended 30 June 2014

	CIB	Retail Banking	Business Banking	Group Treasury	Group International Business	Support Center and Others	Inter-segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	887,604	1,236,526	439,230	266,979	196,478	(115,818)	-	2,910,999
Inter-segment revenue	23,857	7,386	-	21,907	(9,062)	2,771	(46,859)	-
Segment revenue	911,461	1,243,912	439,230	288,886	187,416	(113,047)	(46,859)	2,910,999
Other operating expenses	(489,166)	(663,904)	(206,547)	(64,973)	(140,797)	(64,732)	46,859	(1,583,260)
Including:								
Depreciation of property, plant and equipment	(12,204)	(32,130)	(3,085)	(1,236)	(4,230)	(4,405)	-	(57,290)
Amortisation of intangible assets	(12,182)	(12,371)	(4,758)	(2,585)	(1,272)	-	-	(33,168)
Allowance for impairment on loans, financing and other losses	94,153	(158,940)	2,414	(1,491)	827	(8,520)	-	(71,557)
Impairment losses written back on other assets	123,477	21	623	(3,363)	5	(480)	-	120,283
	639,925	421,089	235,720	219,059	47,451	(186,779)	-	1,376,465
Share of results of associates								(112)
Share of results of joint ventures								182
Profit before taxation								1,376,535
Taxation								(363,785)
Net profit for the financial period								1,012,750



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A21. Segment Information (continued)

Segment Profit and Loss for the Six Months Ended 30 June 2013

	CIB	Retail Banking	Business Banking	Group Treasury	Group International Business	Support Center and Others	Inter-segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	839,050	1,191,293	380,246	296,123	155,345	(65,680)	-	2,796,377
Inter-segment revenue	13,676	5,254	-	(288)	1,767	14,368	(34,777)	-
Segment revenue	852,726	1,196,547	380,246	295,835	157,112	(51,312)	(34,777)	2,796,377
Other operating expenses	(490,109)	(603,104)	(178,827)	(48,700)	(117,232)	(64,038)	34,777	(1,467,233)
Including:								
Depreciation of property, plant and equipment	(13,483)	(30,726)	(4,162)	(1,180)	(3,371)	(3,096)	-	(56,018)
Amortisation of intangible assets	(5,320)	(9,096)	(4,086)	(2,367)	(920)	-	-	(21,789)
Change in allowance for impairment on loans, financing and other losses	(173,591)	(73,028)	(48,318)	-	(6,574)	2,077	-	(299,434)
Impairment losses written back on other assets	11,773	84	26	5,387	-	-	-	17,270
	200,799	520,499	153,127	252,522	33,306	(113,273)	-	1,046,980
Share of results of associates								720
Share of results of joint ventures								252
Profit before taxation								1,047,952
Taxation								(264,977)
Net profit for the financial period								<u>782,975</u>



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A21. Segment Reporting (continued)

Segment Assets as at 30 June 2014

	CIB	Retail Banking	Business Banking	Group Treasury	Group International Business	Support Center and Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	53,550,011	63,656,083	17,213,543	50,396,242	18,345,962	711,757	203,873,598
Investments in associates and joint ventures							20,743
Tax recoverable							96,221
Deferred tax assets							25,491
Unallocated assets							1,507,230
Total assets							<u>205,523,283</u>
Segment liabilities	33,998,987	42,830,812	12,246,928	64,506,702	13,540,183	7,203,452	174,327,064
Tax liabilities							59,562
Deferred tax liabilities							79,334
Borrowings and senior debt securities							4,597,027
Subordinated obligations							5,083,604
Hybrid Tier-1 Capital Securities							601,231
Unallocated liabilities							2,818,763
Total liabilities							<u>187,566,585</u>



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A21. Segment Information (continued)

Segment Assets as at 31 December 2013

	CIB	Retail Banking	Business Banking	Group Treasury	Group International Business	Support Center and Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	48,337,466	59,162,237	16,162,419	49,514,075	15,706,504	597,206	189,479,907
Investments in associates and joint ventures							20,949
Tax recoverable							148,677
Deferred tax assets							31,225
Unallocated assets							1,409,149
Total assets							<u>191,089,907</u>
Segment liabilities	30,492,105	41,530,299	11,897,733	60,541,429	12,536,052	5,559,403	162,557,021
Tax liabilities							29,767
Deferred tax liabilities							51,814
Borrowings and senior debt securities							4,546,825
Subordinated obligations							4,580,967
Hybrid Tier-1 Capital Securities							601,201
Unallocated liabilities							1,779,585
Total liabilities							<u>174,147,180</u>



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A22. Valuation of Property, Plant and Equipment

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

A23. Material Events Subsequent to the 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 in nominal value of Subordinated Notes under the RM3.0 billion Medium Term Note Programme ('MTN Programme') by RHB Bank Berhad ('RHB Bank')

RHB 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 2 capital of RHB Bank in accordance with the Capital Adequacy Framework (Capital Components) issued by BNM on 28 November 2012.

Proceeds raised from the Subordinated Notes will be utilised for RHB Bank's working capital purposes.

- (b) On 7 March 2014, RHB Investment Bank Berhad ('RHB Investment Bank') entered into a sale and purchase agreement with iFast Corporation Pte. Ltd. for the sale of all the shares owned by RHB Investment Bank in iFast-OSK Sdn Bhd ('iFast'), comprising 9.07 million ordinary shares, representing 34.88% of the issued share capital of iFast, at the consideration of RM9.07 million.

The transaction was completed on 18 July 2014, and satisfied wholly in cash.

A24. Changes in Composition of the Group

There were no significant changes in the composition of the Group for the six months ended 30 June 2014 other than the following:

- (a) Disposal of the entire equity interest in RD RHB OSK Indonesia Dynamic Resources Plus Fund by RHB Investment Bank for a cash consideration of RM6.5 million, and
- (b) The establishment of RHB Bank (Lao) Limited ('RHB Bank Lao') following the granting of the Business Registration License by the Ministry Democratic Republic on 30 May 2014. RHB Bank Lao has commenced operations with effect from 6 June 2014.



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A25. Changes In Contingent Liabilities Since The Last Annual Statements Of Financial Position

(a) Commitments and Contingencies

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

The commitments and contingencies comprise the following:

Group	As at 30 June 2014			As at 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	3,738,396	3,705,381	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	1,244,596	622,298	182,769	343,648	171,824	123,356
Irrevocable commitments to extend credit						
- maturity not exceeding one year	12,423,561	6,271,246	4,266,698	12,531,458	6,181,453	4,611,035
- maturity exceeding one year	35,257,082	17,046,321	11,226,242	30,827,639	15,207,203	10,671,666
Foreign exchange related contracts^						
- less than one year	16,722,670	323,045	188,048	11,477,071	257,638	199,534
- one year to less than five years	8,523,371	1,215,589	431,488	8,496,637	1,259,794	461,462
Interest rate related contracts^						
- less than one year	6,103,013	18,555	4,846	4,780,460	10,730	4,364
- one year to less than five years	23,017,561	690,030	225,233	21,957,869	674,566	265,257
- more than five years	1,612,676	113,094	41,799	1,475,893	103,342	38,207
	113,984,687	31,639,377	19,706,862	100,232,255	29,408,079	19,690,273

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

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



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A25. Changes In Contingent Liabilities Since The Last Annual Statements Of Financial Position (continued)

(a) Commitments and Contingencies (continued)

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

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

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

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



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A25. Changes In Contingent Liabilities Since The Last Annual Statements Of Financial Position (continued)

(b) Guarantees Issued by Group and Company

	<u>As at 30 June 2014</u>	<u>As at 31 December 2013</u>
	<u>RM'000</u>	<u>RM'000</u>
Group		
Corporate guarantee in favour of client's trading facilities granted by a subsidiary	<u>68,000</u>	<u>68,000</u>
Company		
Corporate guarantee provided to licensed banks for credit facilities granted to subsidiaries	196,798	327,742
Corporate guarantee in favour of client's trading facilities granted by a subsidiary	68,000	68,000
Letter of undertaking in favour of Monetary Authority of Singapore provided for a subsidiary	<u>128,615</u>	<u>129,680</u>
	<u>393,413</u>	<u>525,422</u>

The Company has given a continuing guarantee to Labuan Offshore Financial Services Authority ('LOFSA') to meet the liabilities and financial obligations and requirements of its subsidiary, OSK Investment Bank (Labuan) Limited ('OSKL'), arising from its offshore investment banking business in the Federal Territory of Labuan. The said corporate guarantee is still applicable as at 30 June 2014 and will only be terminated upon the surrender of the offshore investment banking business following the transfer of the entire business, assets and liabilities of OSKL to RHB Bank (L) Ltd.

A26. Capital Commitments

	Group	
	<u>As at 30 June 2014</u>	<u>As at 31 December 2013</u>
	<u>RM'000</u>	<u>RM'000</u>
Capital expenditure for property, plant and equipment:		
- authorised and contracted for	62,258	52,638
- authorised but not contracted for	<u>162,832</u>	<u>215,323</u>
	<u>225,091</u>	<u>267,961</u>
Proposed acquisition of PT Bank Mestika Dharma (refer to Note B6(a))	-	538,620
	<u>225,091</u>	<u>806,581</u>



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A27. Capital Adequacy Ratio

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

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

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

	RHB Bank[@]	
	As at 30 June 2014	As at 31 December 2013
	RM'000	RM'000
Common Equity Tier 1 ('CET 1')/Tier I Capital		
Paid-up ordinary share capital	3,318,085	3,318,085
Share premium	8,563	8,563
Retained profits	6,257,631	5,424,998
Other reserves	3,464,464	3,492,002
AFS reserves	230,556	179,873
	13,279,299	12,423,521
Less:		
Goodwill	(905,519)	(905,519)
Intangible assets (include associated deferred tax liabilities)	(128,167)	(109,845)
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 deductions#	(13,497)	(17,374)
Total CET 1 Capital	11,524,251	11,011,085
Hybrid Tier-I Capital Securities*	480,000	540,000
Total Tier I Capital	12,004,251	11,551,085
Tier II Capital		
Subordinated obligations**	3,200,000	3,600,000
Collective impairment allowance [^]	270,073	269,973
	3,470,073	3,869,973
Less:		
Investments in subsidiaries***	(1,331,358)	(1,539,997)
Total Tier II Capital	2,138,715	2,329,976
Total Capital	14,142,966	13,881,061
<u>Capital ratios</u>		
Before proposed dividends:		
CET I Capital Ratio	11.075%	11.103%
Tier I Capital Ratio	11.536%	11.647%
Total Capital Ratio	13.592%	13.997%
After proposed dividends:		
CET I Capital Ratio	10.907%	11.103%
Tier I Capital Ratio	11.368%	11.647%
Total Capital Ratio	13.423%	13.997%

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

[^] 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.

* 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 Capital Adequacy Framework (Capital Components).

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



**RHB CAPITAL BERHAD (312952 – H)
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A27. Capital Adequacy Ratio (continued)

	RHB Islamic Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
CET I/Tier I Capital		
Paid-up ordinary share capital	1,173,424	1,173,424
Retained profits	488,981	441,401
Other reserves	489,188	441,609
AFS reserves	(32,314)	(29,302)
	<u>2,119,279</u>	<u>2,027,132</u>
Less:		
Net deferred tax assets	(17,693)	(17,281)
Intangible assets (include associated deferred tax liabilities)	(2,529)	(5,580)
Other deductions#	(2)	(92)
Total CET I Capital/Total Tier I Capital	<u>2,099,055</u>	<u>2,004,179</u>
Tier II Capital		
Collective impairment allowance^	92,984	81,059
Subordinated sukuk*	500,000	-
Total Tier II Capital	<u>592,984</u>	<u>81,059</u>
Total Capital	<u>2,692,039</u>	<u>2,085,238</u>
Capital ratios		
Before proposed dividends:		
CET I Capital Ratio	12.681%	13.864%
Tier I Capital Ratio	12.681%	13.864%
Total Capital Ratio	16.264%	14.424%
After proposed dividends:		
CET I Capital Ratio	12.681%	13.864%
Tier I Capital Ratio	12.681%	13.864%
Total Capital Ratio	16.264%	14.424%

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

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

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



**RHB CAPITAL BERHAD (312952 – H)
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A27. Capital Adequacy Ratio (continued)

	RHB Investment Bank	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
CET 1/Tier I capital		
Paid-up ordinary share capital	818,646	818,646
Share premium	1,515,150	1,515,150
Retained profits	208,778	176,310
Other reserves	311,018	278,549
AFS reserves	(19,306)	(32,510)
	<u>2,834,286</u>	<u>2,756,145</u>
Less:		
Goodwill	(1,118,418)	(1,118,418)
Investments in subsidiaries**	(222,200)	-
Intangible assets (include associated deferred tax liabilities)	(32,842)	(42,967)
Securitisation exposure subject to deductions	(478)	(1,744)
Other deductions	(1,333)	(2,019)
Deferred tax assets	(3,845)	(11,382)
Reduction in excess of Tier II capital due to insufficient Tier II Capital#	(339,429)	(554,041)
Total CET 1 Capital/Tier I Capital	<u>1,115,741</u>	<u>1,025,574</u>
Tier II Capital		
Subordinated obligations*	539,765	545,000
Collective impairment allowance^	9,605	7,714
	<u>549,370</u>	<u>552,714</u>
Less:		
Investments in subsidiaries and associates**	(549,370)	(552,714)
Total Tier II Capital	<u>-</u>	<u>-</u>
Total Capital	<u>1,115,741</u>	<u>1,025,574</u>
<u>Capital ratios</u>		
Before proposed dividends:		
CET 1 Capital Ratio	21.099%	24.556%
Tier I Capital Ratio	21.099%	24.556%
Total Capital Ratio	21.099%	24.556%
After proposed dividends:		
CET 1 Capital Ratio	20.831%	24.556%
Tier I Capital Ratio	20.831%	24.556%
Total Capital Ratio	20.831%	24.556%

^ 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'.

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

The remaining portion of regulatory adjustments not deducted in the calculation of Tier II capital shall be deducted in the next higher tier of capital as prescribed under paragraph 31.1 of the BNM's Capital Adequacy Framework (Capital Components).

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



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A27. Capital Adequacy Ratio (continued)

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

	RHB Bank[®]	RHB Islamic Bank	RHB Investment Bank
<u>30 June 2014</u>			
Credit risk	92,863,799	15,594,567	3,198,843
Market risk	3,385,479	121,258	1,394,957
Operational risk	7,803,424	836,179	694,081
Total risk-weighted assets	<u>104,052,702</u>	<u>16,552,004</u>	<u>5,287,881</u>
<u>31 December 2013</u>			
Credit risk	88,598,853	13,511,201	2,518,192
Market risk	2,899,375	160,838	1,070,638
Operational risk	7,670,991	783,884	587,482
Total risk-weighted assets	<u>99,169,219</u>	<u>14,455,923</u>	<u>4,176,312</u>

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

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

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

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

(c) **RHB Indochina Bank**

	<u>As at 30 June 2014</u>	<u>As at 31 December 2013</u>
	RM'000	RM'000
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 RHB Indochina Bank is the nearest equivalent regulatory compliance ratio in Cambodia computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as RHB Indochina Bank's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement in Cambodia is 15%.

No equivalent ratio in Cambodia.



**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
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	Group	
	As at 30 June 2014	As at 31 December 2013
	RM'000	RM'000
A28. Operations of Islamic Banking		
(a) Unaudited Statement of Financial Position as at 30 June 2014		
ASSETS		
Cash and short-term funds	2,933,160	3,330,835
Deposits and placements with banks and other financial institutions	750,559	704,325
Financial assets HFT	169,171	793,559
Financial investments AFS	2,399,136	2,379,701
Financial investments HTM	2,802,627	2,586,660
Financing and advances	21,216,504	18,463,746
Other assets	106,098	48,131
Derivative Assets	1,402	-
Statutory deposits	833,654	790,000
Deferred tax assets	12,849	12,146
Property, plant and equipment	13,482	13,923
Intangible assets	7,375	10,715
Total assets	31,246,017	29,133,741
LIABILITIES		
Deposits from customers	20,514,568	21,034,100
Deposits and placements of banks and other financial institutions	1,114,794	1,604,395
Bills and acceptances payable	11,789	15,090
Recourse obligation on financing sold to Cagamas	1,228,530	1,308,332
Other liabilities	148,785	92,816
Tax liabilities	22,890	13,799
Subordinated obligations	503,187	-
Total liabilities	23,544,543	24,068,532
Islamic Banking Funds	7,701,474	5,065,209
Total liabilities and Islamic Banking Funds	31,246,017	29,133,741
Commitments and contingencies	7,658,765	5,539,470



RHB CAPITAL BERHAD (312952 – H)
 NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED 30 JUNE 2014

	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
A28. Operations of Islamic Banking (continued)				
(b) Unaudited Income Statement for the Six Months Ended 30 June 2014				
Group				
Income derived from investment of depositors' funds	309,014	271,177	592,087	541,997
Income derived from investment of shareholder's funds	36,516	27,859	63,891	53,771
Allowance for impairment on financing and advances	(13,556)	(21,698)	(12,403)	(30,800)
Impairment losses (made)/written back on other assets	(480)	(701)	143	(701)
Total distributable income	331,494	276,637	643,718	564,267
Income attributable to depositors	(162,193)	(154,742)	(320,892)	(317,783)
Total net income	169,301	121,895	322,826	246,484
Personnel expenses	(17,178)	(20,287)	(38,274)	(38,891)
Other overheads and expenditures	(43,984)	(38,511)	(82,026)	(69,663)
Profit before taxation	108,139	63,097	202,526	137,930
Taxation	(15,415)	(2,566)	(31,357)	(16,018)
Net profit for the financial period	92,724	60,531	171,169	121,912



RHB CAPITAL BERHAD (312952 – H)
 NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED 30 JUNE 2014

	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
A28. Operations of Islamic Banking (continued)				
(c) Unaudited Statement of Comprehensive Income for the Six Months Ended 30 June 2014				
Group				
Net profit for the financial period	<u>92,724</u>	<u>60,531</u>	<u>171,169</u>	<u>121,912</u>
Other comprehensive income/(loss) in respect of:				
Items that will be reclassified subsequently to profit or loss				
- Unrealised net (loss)/gain on revaluation of financial investments AFS	988	(13,347)	(6,517)	(12,224)
- Net transfer to income statements on disposal or impairment of financial investments AFS	146	(5,101)	2,501	(7,433)
Income tax relating to components of other comprehensive (income)/loss	<u>(283)</u>	<u>4,612</u>	<u>1,004</u>	<u>4,914</u>
Other comprehensive income/(loss) net of tax, for the financial period	<u>851</u>	<u>(13,836)</u>	<u>(3,012)</u>	<u>(14,743)</u>
Total comprehensive income for the financial period	<u>93,575</u>	<u>46,695</u>	<u>168,157</u>	<u>107,169</u>



RHB CAPITAL BERHAD (312952 – H)
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	Group	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
A28. Operations of Islamic Banking (continued)		
(d) Financing and Advances		
At amortised cost		
Cashline	214,386	173,543
Term financing		
- Housing financing	5,430,824	4,555,440
- Syndicated term financing	220,680	439,831
- Hire purchase receivables	5,266,507	4,921,395
- Other term financing	7,942,634	6,254,242
Bills receivable	921,525	667,633
Trust receipts	24,932	36,094
Staff financing	5,519	5,717
Credit card receivables	217,184	199,631
Revolving financing	1,231,087	1,467,692
Gross financing and advances	21,475,278	18,721,218
Less: Allowance for impaired financing and advances		
- Individual impairment allowance	(93,129)	(111,703)
- Collective impairment allowance	(165,645)	(145,769)
Net financing and advances	<u>21,216,504</u>	<u>18,463,746</u>



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	Group	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
A28. Operations of Islamic Banking (continued)		
(d) Financing and Advances (continued)		
(i) Movements in impaired financing and advances		
Balance as at the beginning of the financial period/year	431,266	409,064
Classified as impaired	207,190	474,197
Reclassified as non-impaired	(170,109)	(308,233)
Amount recovered	(34,847)	(85,391)
Amount written off	(22,719)	(58,371)
Balance as at the end of the financial period/year	<u>410,781</u>	<u>431,266</u>
(ii) Movements in allowance for impaired financing and advances		
<u>Individual impairment allowance</u>		
Balance as at the beginning of the financial period/year	111,703	89,013
Net allowance (written back)/made	(15,089)	24,677
Amount written off	-	(6,637)
Reclassified (to)/from collective impairment allowance	(3,485)	4,650
Balance as at the end of the financial period/year	<u>93,129</u>	<u>111,703</u>
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial period/year	145,769	177,774
Net allowance made	29,935	6,521
Amount written off	(13,544)	(33,876)
Reclassified from/(to) individual impairment allowance	3,485	(4,650)
Balance as at the end of the financial period/year	<u>165,645</u>	<u>145,769</u>



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	Group	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
A28. Operations of Islamic Banking (continued)		
(e) Other Assets		
Prepayments	2,102	1,005
Deposits	1,218	1,213
Other debtors	102,778	45,913
	106,098	48,131
(f) Deposits from Customers		
<u>Non-Mudharabah Funds</u>		
Demand deposits	2,946,441	2,090,486
Savings deposits	1,046,735	779,844
Commodity Murabahah	4,839,936	3,835,078
Wakalah money market deposits	-	3,867
	8,833,112	6,709,275
<u>Mudharabah Funds</u>		
Demand deposits	19,613	537,782
Savings deposits	-	156,497
General investment accounts	798,855	896,771
Special investment accounts	10,862,988	12,733,775
	20,514,568	21,034,100



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B1. Review of Group Results

(a) Current Financial Year vs Previous Financial Year

The Group registered total income of RM2.9 billion, representing an expansion of 4.1% compared to the corresponding period in the preceding year. This was largely attributable to strong double-digit growth in Islamic Banking income and higher net interest income.

Net interest income rose 4.3% year-on-year during the same period to RM1.6 billion on the back of an 11.8% increase in conventional gross loans. Net interest margin was lower at 2.29% in the second quarter of 2014 compared to 2.33% in the previous quarter.

In line with the business expansion of the Group, manpower cost increased by 14.0% on the back of growth in employee strength and the appointment of key senior personnel, which in turn contributed to the overall 7.9% increase in other operating expenses.

Overall, net profit increased by 31.2% year-on-year to RM1.0 billion underpinned by healthy total income growth, higher write back of impairment on other assets and significant improvement in the loans impairment charges. For the first half of 2014, allowance for impairment on loans and financing decreased significantly to RM71.6 million from RM299.4 million recorded in the same period last year. This was mainly due to individual impairment allowance made on certain corporate accounts in the preceding corresponding period and one time bad debts written off pertaining to the refinement of application of MFRS 139 in last year.

Total assets stood at RM205.5 billion as at 30 June 2014. Shareholders' equity strengthened further with a 6.1% growth to RM17.8 billion. Net assets per share improved to RM6.97 versus RM6.57 as at 31 December 2013.

For the first six months of 2014, the Group recorded strong loans growth of 8.8% to RM132.5 billion. The growth was broad based, predominantly from purchase of securities, purchase of residential properties and working capital. The Group continued to gain traction in the domestic loans segment. As at 30 June 2014, domestic loans market share increased to 9.7%, from 9.3% as at 31 December 2013.

Asset quality strengthened further with impaired loans ratio improved to 2.45% vis-à-vis 2.81% in December 2013. On an absolute basis, gross impaired loans decreased by 5.3% over the six months period to RM3.2 billion.

The Group's liquidity and funding position remained healthy with loans-to-deposits ratio stood largely unchanged at 88.6%. For the first six month of the year, customer deposits expanded at a healthy rate of 8.6% to RM149.6 billion boosted by 10.0% growth in Current Account balances. Meanwhile, Savings Accounts balances increased by 4.1% over the same period. CASA composition was at 23.3% as at 30 June 2014.



**RHB CAPITAL BERHAD (312952 – H)
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B1. Review of Group Results (continued)

(a) Current Financial Year vs Previous Financial Year (continued)

Performance by Operating Segment

Corporate and Investment Banking

Segment profit increased significantly to RM639.9 million, mainly attributable to the absence of large individual allowance made on certain corporate accounts in the previous year, higher impairment write back on other assets, higher capital market related income and higher net interest income.

Retail Banking

Segment profit was lower by 19.1% to RM421.1 million mainly due to higher allowances for loans, advances and financing and higher overhead expenses. This was partially offset by higher net interest income, higher general insurance related income and higher fee income.

Business Banking

Segment profit increased by RM53.9% to RM235.7 million, mainly attributable to higher net interest income and write back of allowances for loans, advances and financing against a net charge in the previous year, partially offset by higher overhead expenses.

Group Treasury

Segment profit was lower by 13.3% to RM219.1 million, mainly due to lower net gain from investment and trading securities, partially offset by higher net foreign exchange gain.

Group International Business

Segment profit was higher by 42.5% to RM47.5 million, mainly due to higher net interest income partially offset by lower net foreign exchange gain and higher overhead expenses.

B2. Current Quarter vs Previous Quarter

Pre-tax profit for the second quarter of 2014 was at RM739.1 million, 16.0% higher as compared to RM637.4 million recorded in the preceding quarter ended 31 March 2014. This was mainly attributable to higher impairment write back on other assets, lower impairment allowances for loans and financing, higher income from Islamic Banking business and higher net interest income. This was, however, partially offset by lower other operating income and higher other operating expenses.

B3. 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 Group expects 2014 performance to be better than 2013.

B4. Variance of Actual Profit from Forecast Profit and Profit Guarantee

There were no profit forecast or profit guarantee issued by the Group and the Company.



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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
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B5. Taxation

	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
Group				
Income tax based on profit for the financial period				
- Malaysian income tax	185,538	146,313	338,351	250,448
- Overseas tax	4,906	(899)	10,271	1,955
Deferred tax	(10,900)	(16,840)	18,443	3,970
	<u>179,544</u>	<u>128,574</u>	<u>367,065</u>	<u>256,373</u>
(Over)/under provision in respect of prior years				
- Taxation	(1,266)	(1,040)	(5,603)	833
- Deferred tax	1,570	6,963	2,323	7,771
	<u>179,848</u>	<u>134,497</u>	<u>363,785</u>	<u>264,977</u>

The effective tax rate of the Group for the second quarter ended 30 June 2014 was lower than the statutory tax rate mainly due to certain income not subject to tax.

The effective tax rate of the Group for the six months ended 30 June 2014 was higher than the statutory tax rate mainly due to non deductibility of certain expense for tax purpose.

	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
Company				
Income tax based on profit for the financial period				
- Malaysian income tax	675	12,719	675	12,719
Deferred tax	241	7,436	734	(564)
	<u>916</u>	<u>20,155</u>	<u>1,409</u>	<u>12,155</u>



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B6. Status of Corporate Proposals

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

On 19 October 2009, RHB Investment Bank had, on behalf of the Company, announced that the Company will undertake the following proposals subject to relevant regulatory authorities' approval:

- (i) proposed acquisition of 80% of the issued and paid up share capital in Bank Mestika for a total cash consideration of Indonesian Rupiah ('Rp') 3,118,300 million (or equivalent to approximately RM1,163 million) ('Proposed Acquisition');
- (ii) proposed put and call option for 9% of the issued and paid-up share capital in Bank Mestika ('Proposed Options');
- (iii) proposed renounceable rights issue of new ordinary shares of RM1.00 each in RHB Capital ('Shares') to raise gross proceeds of approximately RM1.3 billion ('Proposed Rights Issue'); and
- (iv) proposed increase in the authorised share capital of the Company from RM2,500,000,000 comprising 2,500,000,000 RHB Capital shares to RM5,000,000,000 comprising 5,000,000,000 RHB Capital shares ('Proposed Increase In Authorised Share Capital').

In the same announcement, the Company also announced that RHB Venture Capital Sdn Bhd ('RHBVC'), a wholly-owned subsidiary of the Company, had been identified as the entity to hold the investment in Bank Mestika on behalf of the Company pursuant to the Proposed Acquisition and Proposed Options. Accordingly, on 23 October 2009, the Company had assigned all of its rights, title, interest, benefit and entitlement and novated all of its obligations and liabilities as follows to

- (i) the conditional sale and purchase agreement dated 19 October 2009 with PT Mestika Benua Mas ('Vendor') ('CSPA') in relation to the Proposed Acquisition;
- (ii) the escrow agreement dated 19 October 2009 with the Vendor and The Hong Kong and Shanghai Banking Corporation Limited (Jakarta Office), acting as the escrow agent, to facilitate the deposit of an amount equal to 10% of the purchase consideration for the Proposed Acquisition by the Company; and
- (iii) the agreement dated 19 October 2009 with the Vendor in relation to the Proposed Options.

BNM had, on 4 January 2010, granted its approval for the Company to acquire up to 89% of the issued and paid-up capital of Bank Mestika, subject to the following conditions:

- (i) the Company is to obtain written confirmation from its auditors on the compliance with Financial Reporting Standards in arriving at the impairment methodology adopted and in respect of any change in equity interest in Bank Mestika; and
- (ii) the sources of funding and funding cost for the additional capital required by Bank Mestika post-acquisition should not exert pressure on the Company and its subsidiaries' capital and financial soundness.

Subsequently, on 9 April 2010, RHB Investment Bank, on behalf of the Company, announced the proposed revision to the utilisation of proceeds arising from the Proposed Rights Issue to, among others, repay the borrowings to finance the Proposed Acquisition in view that the Proposed Acquisition is likely to be completed prior to the completion of the Proposed Rights Issue.

As announced on 22 April 2010, Bursa Malaysia Securities Berhad ('Bursa Securities') had, vide its letter dated 20 April 2010, approved the listing and quotation of new ordinary shares of RM1.00 each in the Company, to be issued pursuant to the Proposed Rights Issue subject to the condition as stated therein. Bursa Securities had further, on 9 May 2011, granted the Company an extension of time until 19 October 2011 to complete the implementation of the Proposed Rights Issue. The shareholders of the Company had also, at the Extraordinary General Meeting of the Company held on 19 May 2010, approved the Proposed Rights Issue and the Proposed Increase In Authorised Share Capital. Bursa Securities had on 21 October 2011, granted the Company a further extension of time of six (6) months from 20 October 2011 until 19 April 2012 to complete the implementation of the Proposed Rights Issue. As at 19 April 2012, the necessary regulatory approvals for the Proposed Acquisition are still pending and hence, given that the Proposed Rights Issue is conditional upon the Proposed Acquisition, the Company has not been able to implement the Proposed Rights Issue. Bursa Securities' approval for the extension of time of up to 19 April 2012 to complete the implementation of the Proposed Rights Issue thus lapsed on the same day. The Company will, amongst others, resubmit an application to Bursa Securities for the implementation of the Proposed Rights Issue upon obtaining the necessary regulatory approvals for the Proposed Acquisition.



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B6. Status of Corporate Proposals (continued)

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

RHBVC had further, on 17 December 2010, assigned and novated the same to RHB Bank, which becomes the new acquirer for the Proposed Acquisition.

As announced on 19 April 2011, RHB Bank and the Vendor had, subsequently on 18 April 2011, by way of an exchange of letter, mutually agreed to further extend the period to satisfy or waive the condition precedent based on the terms of the CSPA to 31 December 2011. The extension of the CSPA is conditional upon, inter-alia, permission and approval from RHB Bank for Bank Mestika to distribute dividend to the Vendor no later than 19 May 2011, pending which, the CSPA will only be extended until 19 May 2011 ('Initial Extension Period'). In the event the Initial Extension Period lapses, the CSPA will be deemed automatically terminated.

RHB Bank has subsequently agreed to give its permission and approval for Bank Mestika to distribute dividend out of the retained earnings accumulated subsequent to the financial year ended 31 December 2008 to the Vendor and the dividend distribution will not have any impact on the purchase consideration for the Proposed Acquisition or the price-to-book ratio represented by the purchase consideration for the Proposed Acquisition.

On 21 December 2011, RHB Investment Bank, on behalf of the Company, announced that RHB Bank and the Vendor had on 16 December 2011, by way of exchange of letters, mutually agreed to further extend the period to satisfy or waive the conditions precedent of the CSPA for the Proposed Acquisition to 29 February 2012. On 24 February 2012, RHB Bank and the Vendor had mutually agreed to further extend such period to 30 June 2012. Both parties had subsequently, on 29 June 2012, mutually agreed to further extend such period to 30 November 2012. On 30 November 2012, both parties had mutually agreed to further extend such period to 31 January 2013.

On 31 January 2013, RHB Investment Bank had, on behalf of the Company, announced that RHB Bank had, on 30 January 2013, entered into an amended agreement to the CSPA ('Amended CSPA') with the Vendor to revise the proposed acquisition from up to 89% of the issued and paid-up share capital in Bank Mestika to 40%, for a total cash consideration of Rp2,066,437 million (equivalent to approximately RM651,134,299 based on an assumed exchange rate of Rp100,000 : RM31.51 as at 23 January 2013) ('Proposed 40% Acquisition'). Pursuant to the Amended CSPA, the conditional period for the completion of the Amended CSPA was amended to 30 June 2013, or such other date as may be agreed in writing by RHB Bank and the Vendor.

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

On 26 June 2013, RHB Investment Bank, on behalf of the Company, announced that RHB Bank and the Vendor had on even date, by way of an exchange of letters, mutually agreed to extend the period to satisfy or waive the conditions precedent of the Amended CSPA ('Conditional Period') to 30 September 2013. Furtherance thereto, on 27 September 2013, RHB Bank and the Vendor had mutually agreed to extend such period to 31 December 2013. Both parties had subsequently on 19 December 2013, mutually agreed to further extend such period to 30 June 2014. As at 30 June 2014, the approval from Otoritas Jasa Keuangan (Financial Services Authority of Indonesia) is still pending, hence, the conditions precedent of the Amended CSPA have not been satisfied. The parties to the Amended CSPA have decided not to extend the Conditional Period. Accordingly, the Amended CSPA lapsed on the same date and terminated in accordance with the terms of the Amended CSPA, and the deposit shall be refunded to RHB Bank in accordance with the terms of the Amended CSPA.

The termination of the Proposed 40% Acquisition is not expected to have a material impact on the consolidated earnings per share and net assets per share of RHB Capital for the financial year ending 31 December 2014.

None of the Directors, major shareholders and/or persons connected with them has any interest, direct or indirect, in the above transaction.



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B6. Status of Corporate Proposals (continued)

(b) Member's Voluntary Winding-Up of Indirect Wholly-Owned Subsidiaries

The following indirect wholly-owned subsidiaries of the Company had commenced member's voluntary winding-up pursuant to Section 254(1) of the Companies Act, 1965:

<u>Commencement Date of Member's Voluntary Winding-Up</u>	<u>Name of Subsidiaries</u>
(i) 16 February 2011	(1) Utama Gilang Sdn Bhd (2) RHB Delta Sdn Bhd (3) RHB Marketing Services Sdn Bhd
(ii) 28 March 2012	(1) KYB Sdn Bhd (2) SSSB Services (Melaka) Sdn Bhd (3) RHB Unit Trust Management Berhad (4) RHB Progressive Sdn Bhd (5) RHB Excel Sdn Bhd

The above subsidiaries were incorporated in Malaysia and are presently dormant.

The winding-up of the above subsidiaries will not have any material effect on the Group's performance for the financial year 2014.

(c) Dividend Reinvestment Plan of RHB Capital Berhad

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

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

On 24 February 2014, the Board of Directors of the Company ('Board') had proposed a single dividend of 10.30% in respect of the financial year ended 31 December 2013 ('Final Dividend'). The Board had also determined that the existing DRP as mentioned above shall apply to the said Final Dividend.

The shareholders had, at the Annual General Meeting ('AGM') held on 8 May 2014, approved the Final Dividend and the renewal of the authority to allot and issue such number of new RHB Capital Shares from time to time as may be required to be allotted and issued pursuant to the DRP until the conclusion of the next AGM. Subsequent thereto, the Company had on 12 May 2014, submitted an application to Bursa Securities in respect of the listing of and quotation for up to 40,608,626 new RHB Capital Shares pursuant to the DRP, on the Main Market of Bursa Securities ('Listing Application').

On 4 June 2014, RHB Investment Bank, on behalf of the Company, announced that Bursa Securities had vide its letter dated 3 June 2014, approved the Listing Application, subject to the following conditions:

- (i) RHB Capital and its adviser, RHB Investment Bank, must fully comply with the relevant provisions under the Market Listing Requirements pertaining to the implementation of the DRP;
- (ii) RHB Capital and RHB Investment Bank to inform Bursa Securities upon the completion of the DRP; and
- (iii) RHB Capital to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the DRP is completed.

On 9 June 2014, the issue price of the new RHB Capital Shares to be issued pursuant to the DRP has been fixed at RM7.44 per new RHB Capital Share. On even date, the book closure date pursuant to the Final Dividend has been fixed on 23 June 2014. The New RHB Capital Shares arising from the DRP will be listed on the Main Market of Bursa Securities on 24 July 2014.

On 26 June 2014, the Company has despatched the DRP statement and Notice of Election (including Dividend Reinvestment Form) to the entitled shareholders whose registered address in the Company's Record of Depositors is in Malaysia.



**RHB CAPITAL BERHAD (312952 – H)
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B6. Status of Corporate Proposals (continued)

(c) Dividend Reinvestment Plan of RHB Capital Berhad (continued)

On 23 July 2014, the Company has issued and allotted 25,546,821 new RHB Capital Shares representing 72.47% of the total number of 35,251,878 new RHB Capital Shares that would have been issued pursuant to the DRP, had all the entitled shareholders elected to reinvest their respective electable portions into new RHB Capital Shares. The said new RHB Capital Shares are listed and quoted on the Main Market of Bursa Securities on 24 July 2014 and this marked the completion of the DRP. With the listing of the above new shares, the enlarged issued and paid-up share capital of RHB Capital is 2,572,456,783 RHB Capital Shares.

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

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

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

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

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

(e) Proposed Subordinated Sukuk Murabahah Programme for the issuance of up to RM1.0 billion in nominal value of Subordinated Sukuk ('Sukuk Programme') by RHB Islamic Bank

RHB Islamic Bank has obtained approval and authorisation from the SC vide its letter dated 14 February 2014 for the Sukuk Programme. The Subordinated Sukuk to be issued under the Sukuk Programme are Basel III compliant.

In addition, the approval from BNM for the establishment of the Sukuk Programme had also been obtained on 20 December 2013 (subject to the terms and conditions contained therein).

The proceeds raised from the Sukuk Programme will be utilised for RHB Islamic Bank's working capital and general banking purposes, including but not limited to repayment of its financing facilities and any subordinated Sukuk provided always that any such utilisation shall be for Shariah-compliant purposes.

On 15 May 2014, RHB Islamic Bank had issued Subordinated Sukuk Murabahah of RM500.0 million in nominal value. 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.



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B6. Status of Corporate Proposals (continued)

(f) Proposal to Commence Negotiation for a Merger of Business and Undertakings

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

(RHB Capital, CIMB Group and MBSB collectively defined as the 'Parties')

Pursuant to BNM's approval, the Parties have on the same day, entered into an exclusivity agreement to negotiate and finalise pricing, structure, and other relevant terms and conditions for the Proposed Merger for a period of ninety (90) days (unless otherwise agreed by the Parties) ('Exclusivity Period'). There will be an automatic extension of the Exclusivity Period upon a submission being made to BNM by the Parties on the Proposed Merger, until the date of execution of the relevant definitive agreement(s) to effect the Proposed Merger.

All consideration used to effect the Proposed Merger shall be referenced to the closing price of RHB Capital, CIMB Group and MBSB on the stock exchange on 9 July 2014.



RHB CAPITAL BERHAD (312952 – H)
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B7. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings and Senior Debt Securities, Subordinated Obligations and Hybrid Tier-1 Capital Securities

	Group	
	As at	As at
	30 June 2014	31 December 2013
	RM'000	RM'000
(a) Deposits from customers and placements of banks and other financial institutions		
Deposits from customers		
- one year or less	148,865,198	137,273,539
- more than one year	706,033	467,702
	<u>149,571,231</u>	<u>137,741,241</u>
Deposits and placements of banks and other financial institutions		
- one year or less	18,007,468	16,056,312
- more than one year	934,707	942,043
	<u>18,942,175</u>	<u>16,998,355</u>

	Group	
	As at	As at
	30 June 2014	31 December 2013
	RM'000	RM'000
(b) Borrowings and Senior Debt Securities		
<u>Borrowings</u>		
Secured		
Revolving credits:		
- Hong Kong Dollar	125,945	66,805
Unsecured		
Revolving credits:		
- Ringgit Malaysia ('RM')	447,987	439,265
- Singapore Dollar ('SGD')	83,602	-
- Thai Baht	29,677	-
Term loans:		
- RM	1,151,463	1,151,592
- United States Dollar	510,757	571,049
- SGD	-	25,937
- Indonesia Rupiah	34,064	44,451
Overdrafts	18	-
RM1.1 billion 7 years Commercial Papers/Medium Term Notes	600,046	600,092
<u>Senior debt securities</u>		
USD300 million 3.25% senior debt securities due in 2017	963,301	982,867
USD200 million 3.25% senior debt securities due in 2017	650,167	664,767
	<u>4,597,027</u>	<u>4,546,825</u>
Schedule repayment of borrowings and senior debt securities:		
Within one year	2,239,699	2,093,811
One year to three years	559,168	563,404
Three years to five years	1,766,050	1,819,942
Over five years	32,110	69,668
	<u>4,597,027</u>	<u>4,546,825</u>



RHB CAPITAL BERHAD (312952 – H)
 NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
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B7. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings and Senior Debt Securities, Subordinated Obligations and Hybrid Tier-1 Capital Securities (continued)

	Company	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
(b) Borrowings and Senior Debt Securities (continued)		
<u>Borrowings</u>		
Unsecured:		
Revolving credits - RM	1,036,041	920,227
Overdrafts	18	-
Term loans - RM	1,416,083	1,416,281
RM1.1 billion 7 years Commercial Papers/Medium Term Notes	600,046	600,092
	<u>3,052,188</u>	<u>2,936,600</u>
 Schedule repayment of borrowings:		
Within one year	2,702,188	2,586,600
One year to three years	350,000	350,000
	<u>3,052,188</u>	<u>2,936,600</u>



RHB CAPITAL BERHAD (312952 – H)
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FOR THE SIX MONTHS ENDED 30 JUNE 2014

B7. Deposits from Customers and Placements of Banks and Other Financial Institutions, Borrowings, Subordinated Obligations and Hybrid Tier-1 Capital Securities (continued)

	Group	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
(c) Subordinated obligations		
5.50% RM700 million Tier II Subordinated Notes 2007/2022	703,375	703,481
5.00% RM700 million Tier II Subordinated Notes 2010/2020	706,041	706,137
5.60% RM300 million Tier II Subordinated Notes 2010/2025	302,900	302,946
4.25% RM250 million Tier II Subordinated Notes 2011/2021	251,136	251,003
4.30% RM750 million Tier II Subordinated Notes 2012/2022	754,267	754,171
4.40% RM1,300 million Tier II Subordinated Notes 2012/2022	1,304,097	1,304,131
4.40% RM245 million Tier II Subordinated Notes 2012/2022	250,995	245,659
7.25% RM125 million Tier II Subordinated Notes 2010/2020	128,877	131,536
7.15% RM75 million Tier II Subordinated Notes 2010/2020	76,652	78,342
5.20% RM100 million Tier II Subordinated Notes 2011/2021	102,077	103,561
4.95% RM1.0 billion Subordinated Sukuk Murabahah 2014/2024	503,187	-
	5,083,604	4,580,967

The subordinated obligations comprise unsecured liabilities of its commercial bank, investment bank and islamic bank subsidiaries and are subordinated to the senior indebtedness in accordance with their respective terms and conditions of issuance and qualify as Tier II capital (as disclosed in Note A27) for the purpose of determining the capital adequacy ratios of the respective subsidiaries.

(d) Hybrid Tier-1 Capital Securities

	Group	
	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
RM370 million 8.00% Hybrid Tier-1 Capital Securities due in 2039, callable with step-up coupon rate at 9.00% in 2019	367,907	375,577
RM230 million 6.75% Hybrid Tier-1 Capital Securities due in 2039, callable with step-up coupon rate at 7.75% in 2019	233,324	225,624
	601,231	601,201

The Hybrid Tier-1 Capital Securities comprise of unsecured liabilities of its commercial bank and qualify as additional Tier 1 capital (as disclosed in Note A27) for the purpose of determining the capital adequacy ratios of the commercial bank subsidiary.



**RHB CAPITAL BERHAD (312952 – H)
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B8. Derivative Financial Instruments

Details of derivative financial instruments outstanding are as follows:

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts

Group	As at 30 June 2014			As at 31 December 2013		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
	RM'000	Assets RM'000	Liabilities RM'000	RM'000	Assets RM'000	Liabilities RM'000
By type						
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- forwards/swaps	15,645,474	99,678	91,785	11,661,635	137,103	85,439
- options	1,471,146	6,437	6,428	174,339	772	772
- cross-currency	8,129,421	124,817	65,708	8,137,734	143,163	105,309
Subtotal	<u>25,246,041</u>	<u>230,932</u>	<u>163,921</u>	<u>19,973,708</u>	<u>281,038</u>	<u>191,520</u>
Interest rate related contracts						
- futures	25,688	23	87	-	-	-
- swaps	30,707,562	127,179	150,580	27,069,222	177,995	136,913
Subtotal	<u>30,733,250</u>	<u>127,202</u>	<u>150,667</u>	<u>27,069,222</u>	<u>177,995</u>	<u>136,913</u>
Structured warrants	-	-	22,123	13,099	-	16,642
	<u>-</u>	<u>-</u>	<u>22,123</u>	<u>13,099</u>	<u>-</u>	<u>16,642</u>
<u>Hedging Derivatives:</u>						
Interest rate related contracts						
- swaps	-	-	-	1,145,000	-	2,988
Subtotal	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,145,000</u>	<u>-</u>	<u>2,988</u>
Total	<u>55,979,291</u>	<u>358,134</u>	<u>336,711</u>	<u>48,201,029</u>	<u>459,033</u>	<u>348,063</u>



RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
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B8. Derivative Financial Instruments (continued)

Details of derivative financial instruments outstanding are as follows: (continued)

i) Derivative financial instruments measured at their fair values together with their corresponding contract/notional amounts

<u>Group</u>	<u>As at 30 June 2014</u>			<u>As at 31 December 2013</u>		
	<u>Contract/ Notional Amount</u>	<u>Fair Value</u>		<u>Contract/ Notional Amount</u>	<u>Fair Value</u>	
	<u>RM'000</u>	<u>Assets RM'000</u>	<u>Liabilities RM'000</u>	<u>RM'000</u>	<u>Assets RM'000</u>	<u>Liabilities RM'000</u>
By remaining period to maturity/next re-pricing date						
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Less than 1 year	16,722,670	90,046	86,452	11,477,071	120,670	76,257
- 1 year to 3 years	2,634,837	29,864	12,133	2,367,471	20,831	27,986
- More than 3 years	5,888,534	111,023	65,336	6,129,166	139,537	87,277
Subtotal	25,246,041	230,933	163,921	19,973,708	281,038	191,520
Interest rate related contracts						
- Less than 1 year	6,267,557	4,497	12,491	4,180,460	16,950	5,323
- 1 year to 3 years	9,206,714	20,192	44,851	7,616,128	33,770	31,151
- More than 3 years	15,258,979	102,513	93,325	15,272,634	127,275	100,439
Subtotal	30,733,250	127,202	150,667	27,069,222	177,995	136,913
Structured warrants						
- Less than 1 year	-	-	645	13,099	-	16,642
- 1 year to 3 years	-	-	21,478	-	-	-
	-	-	22,123	13,099	-	16,642
<u>Hedging Derivatives:</u>						
Interest rate related contracts						
- Less than 1 year	-	-	-	600,000	-	959
- 1 year to 3 years	-	-	-	545,000	-	2,029
Subtotal	-	-	-	1,145,000	-	2,988
Total	55,979,291	358,135	336,711	48,201,029	459,033	348,063



**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
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B8. Derivative Financial Instruments (continued)

ii) Related accounting policies

Derivative financial instruments and hedge accounting

Derivative financial instruments are initially recognised at fair values on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

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

(c) Derivatives that do not qualify for hedge accounting

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



**RHB CAPITAL BERHAD (312952 – H)
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B9. Fair Value of Financial Instruments

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

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

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

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

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

Group	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
As at 30 June 2014				
Recurring fair value measurements				
Financial assets				
Financial investments HFT:	440,137	2,458,302	40,000	2,938,439
- Money market instruments	-	1,890,124	-	1,890,124
- Quoted securities	440,137	-	-	440,137
- Unquoted securities	-	568,178	40,000	608,178
Financial investments AFS:	37,011	17,850,176	970,331	18,857,518
- Money market instruments	-	5,100,394	-	5,100,394
- Quoted securities	37,011	-	-	37,011
- Unquoted securities	-	12,749,782	970,331	13,720,113
Derivative assets	-	358,134	-	358,134
- Money market instruments	-	358,134	-	358,134
	477,148	20,666,612	1,010,331	22,154,091
Financial liabilities				
Derivative liabilities	21,478	315,233	-	336,711

As at 31 December 2013

Recurring fair value measurements

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



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NOTES TO THE CONDENSED FINANCIAL STATEMENTS
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B9. Fair Value of Financial Instruments (Continued)

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 is readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include quoted securities and unit trusts.

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

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio economic reasons and unquoted corporate loan stocks. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. For unquoted corporate loan stocks, discounted cash flow analysis have been performed to determine the recoverability of the instruments, in accordance with the Group's impairment losses policy.

Current year valuation methodologies were consistent with those disclosed in the audited financial statements for the financial year ended 31 December 2013.

Reconciliation of movements in Level 3 financial instruments

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

	Financial assets HFT		Financial investments AFS	
	30 June 2014	31 December 2013	30 June 2014	31 December 2013
	RM'000	RM'000	RM'000	RM'000
Group				
Balance as at the beginning of the financial period/year	33,295	-	1,062,016	629,617
Total gains/(losses) recognised in other comprehensive income	455	(8,550)	35,659	123,256
Purchases	-	-	2,021	348,925
Settlements	(2,300)	-	(266,546)	(60,329)
Impairment losses written back/(made)	8,550	-	138,729	(14,692)
Transferred from Level 2	-	41,845	-	30,297
Exchange differences	-	-	(1,548)	4,942
Balance as at the end of the financial period/year	<u>40,000</u>	<u>33,295</u>	<u>970,331</u>	<u>1,062,016</u>



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B10. Supplementary Information Disclosed Pursuant to Bursa Securities Listing Requirements

The following analysis of realised and unrealised profits or losses of the Group and the Company is prepared in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements, as issued by the Malaysian Institute of Accountants.

The breakdown of retained profits of the Group is as follows:

Group	As at 30 June 2014		
	Realised Profits/ (Losses) RM'000	Unrealised Profits RM'000	Total RM'000
Operating subsidiaries	7,813,525	361,894	8,175,419
Dormant subsidiaries*	(7,875,306)	-	(7,875,306)
Total retained profits/(losses) of the Group	(61,781)	361,894	300,113
Total share of retained profits from associates and joint ventures	4,319	-	4,319
	(57,462)	361,894	304,432
Less: Consolidation adjustments			6,185,116
Total Group retained profits			6,489,548

Group	As at 31 December 2013		
	Realised Profits/ (Losses) RM'000	Unrealised Profits RM'000	Total RM'000
Operating subsidiaries	6,763,395	491,177	7,254,572
Dormant subsidiaries*	(7,925,232)	-	(7,925,232)
Total retained profits/(losses) of the Group	(1,161,837)	491,177	(670,660)
Total share of retained profits from associates and joint ventures	4,249	-	4,249
	(1,157,588)	491,177	(666,411)
Less: Consolidation adjustments			6,229,588
Total Group retained profits			5,563,177

* The realised losses relate mainly to dormant subsidiaries which are currently in the process of being liquidated.



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B10. Supplementary Information Disclosed Pursuant to Bursa Securities Listing Requirements (continued)

The breakdown of retained profits of the Company is as follows:

<u>Company</u>	As at 30 June 2014 RM'000	As at 31 December 2013 RM'000
Realised profits	566,775	645,290
Unrealised profits	447	1,181
Total Company retained profits	<u>567,222</u>	<u>646,471</u>

The disclosure of realised and unrealised profits or losses above is solely for compliance with the directive issued by the Bursa Securities and should not be used for any other purpose.

On 20 December 2010, the Malaysian Institute of Accountants issued Guidance on Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Securities Listing Requirements. Accordingly, the Group views translation gains or losses on monetary items as realised as it is incurred in the ordinary course of business.

The disclosure above does not affect or alter the existing divisible profit rule in Malaysia. Likewise, this shall not be applied to address or interpret any legal matters regarding the availability of profit for distribution to shareholders. Listed corporations are required to observe the existing requirements in the Malaysian legal framework in dealing with matters related to distribution of profits to shareholders.

B11 Dividends

No dividend has been proposed for the second quarter ended 30 June 2014.



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B12. Earnings per Share

	2nd quarter ended		Six months ended	
	30 June 2014	30 June 2013	30 June 2014	30 June 2013
Basic/diluted earnings per share				
Profit attributable to equity holders of the Company (RM'000)	<u>556,508</u>	<u>410,333</u>	<u>1,007,199</u>	<u>767,527</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,546,910</u>	<u>2,494,208</u>	<u>2,546,910</u>	<u>2,494,208</u>
Basic earnings per share (sen)	<u>21.9</u>	<u>16.5</u>	<u>39.5</u>	<u>30.8</u>

The diluted Earnings Per Share ('EPS') of the Group is calculated by dividing the net profit attributable to equity holders of the Company for the six months ended 30 June 2014 by the weighted average number of ordinary shares in issue and adjusted for the number of shares that could have been issued under the approved DRP scheme of the Company as detailed in Note B6(c).

In the diluted EPS calculation, it has been assumed that 100% of the electable portion of the FY2013 proposed final dividend under the DRP will be exercised into new ordinary shares of RM1.00 each in the Company. The new shares will be issued at RM7.44 per new RHB Capital shares for FY2013 final dividend as disclosed in B6(c). These calculations serve to determine the number of dilutive shares to be added to the weighted average ordinary shares in issue for the purpose of computing the dilution. No adjustment has been made to the net profit attributable to the equity holders of the Company for the six months ended 30 June 2014.

The dilution effect on the basic EPS arising from the DRP is estimated to be immaterial. As a result, the diluted EPS is equal to the basic EPS for the six months ended 30 June 2014.

Other than the above, there were no other dilutive potential ordinary shares outstanding as at 30 June 2014.

BY ORDER OF THE BOARD

AZMAN SHAH MD YAMAN
(License No. LS0006901)

Company Secretary
27 August 2014