

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

	Note	Group		Bank	
		As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
ASSETS					
Cash and short-term funds		11,613,392	15,536,640	5,371,931	11,493,133
Securities purchased under resale agreements		19,748	376,418	-	320,480
Deposits and placements with banks and other financial institutions		2,074,442	2,045,284	8,428,067	7,737,974
Financial assets held-for-trading	8	1,165,042	2,043,302	1,145,040	1,691,414
Financial investments available-for-sale	9	21,319,501	15,783,001	18,265,901	13,313,563
Financial investments held-to-maturity	10	18,406,920	19,698,097	16,278,364	17,594,801
Loans, advances and financing	11	147,043,991	139,544,308	113,218,855	109,982,719
Other assets	12	2,525,523	1,071,882	2,601,360	1,157,823
Derivative assets		4,410,652	1,283,855	4,401,475	1,283,574
Statutory deposits		5,054,086	5,201,170	3,845,277	4,055,229
Tax recoverable		96,139	59,792	96,134	59,771
Deferred tax assets		16,181	9,956	3,643	-
Investments in subsidiaries		-	-	1,918,889	1,864,514
Property, plant and equipment		667,555	666,426	465,531	487,906
Goodwill and intangible assets		1,353,922	1,316,923	1,128,455	1,091,300
TOTAL ASSETS		215,767,094	204,637,054	177,168,922	172,134,201
LIABILITIES AND EQUITY					
Deposits from customers	13	157,962,126	154,856,511	125,674,426	127,815,617
Deposits and placements of banks and other financial institutions	14	16,234,802	17,956,370	13,985,268	16,201,550
Obligations on securities sold under repurchase agreements		4,242,238	489,506	4,242,238	489,506
Bills and acceptances payable		970,913	476,322	964,461	467,486
Other liabilities	15	1,839,701	1,214,536	1,614,726	916,455
Derivative liabilities		4,132,353	1,193,538	4,158,540	1,214,797
Recourse obligation on loans sold to Cagamas Berhad		3,194,754	3,315,335	2,170,635	2,167,659
Tax liabilities		24,354	22,418	-	-
Deferred tax liabilities	5	5	40,818	-	40,814
Borrowings		617,121	669,892	617,121	669,892
Subordinated obligations		5,386,055	5,549,961	4,876,630	5,046,910
Hybrid Tier-I Capital Securities		603,190	606,529	603,190	606,529
Senior debt securities		3,563,153	2,810,655	3,563,153	2,810,655
TOTAL LIABILITIES		198,770,765	189,202,391	162,470,388	158,447,870
Share capital		3,460,585	3,365,486	3,460,585	3,365,486
Reserves		13,535,744	12,069,177	11,237,949	10,320,845
TOTAL EQUITY		16,996,329	15,434,663	14,698,534	13,686,331
TOTAL LIABILITIES AND EQUITY		215,767,094	204,637,054	177,168,922	172,134,201
COMMITMENTS AND CONTINGENCIES	24	171,297,242	131,915,311	164,871,972	127,828,020

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2014.

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

Group	Note	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
		30 September 2015	30 September 2014	30 September 2015	30 September 2014
		RM'000	RM'000	RM'000	RM'000
Interest income	16	1,898,972	1,821,977	5,657,821	5,217,381
Interest expense	17	<u>(1,060,049)</u>	<u>(987,182)</u>	<u>(3,246,255)</u>	<u>(2,762,504)</u>
Net interest income		838,923	834,795	2,411,566	2,454,877
Other operating income	18	<u>196,514</u>	<u>280,570</u>	<u>720,497</u>	<u>757,382</u>
Income from Islamic Banking business	19	<u>1,035,437</u> <u>221,864</u>	<u>1,115,365</u> <u>196,197</u>	<u>3,132,063</u> <u>635,647</u>	<u>3,212,259</u> <u>530,898</u>
Net Income		1,257,301	1,311,562	3,767,710	3,743,157
Other operating expenses	20	<u>(888,394)</u>	<u>(598,582)</u>	<u>(2,087,794)</u>	<u>(1,740,170)</u>
Operating profit before allowances Allowance for impairment on loans, advances and financing		368,907	712,980	1,679,916	2,002,987
Impairment written back on other assets	21	<u>(90,477)</u> <u>2,179</u>	<u>(94,808)</u> <u>1,058</u>	<u>(96,344)</u> <u>8,769</u>	<u>(180,870)</u> <u>122,738</u>
Profit before taxation		280,609	619,230	1,592,341	1,944,855
Taxation		<u>(77,449)</u>	<u>(150,511)</u>	<u>(389,123)</u>	<u>(475,671)</u>
Net profit for the financial period		<u>203,160</u>	<u>468,719</u>	<u>1,203,218</u>	<u>1,469,184</u>
Earnings per share (sen)					
- Basic	22	<u>2.94</u>	<u>7.06</u>	<u>17.55</u>	<u>22.14</u>

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RHB BANK BERHAD (6171-M)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

Group	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Net profit for the financial period	203,160	468,719	1,203,218	1,469,184
Other comprehensive income/(loss):				
Items that will be reclassified subsequently to profit or loss:				
- Currency translation differences	382,281	26,414	558,874	(8,743)
- Unrealised net (loss)/gain on revaluation of financial investments available-for-sale ('AFS')	(122,379)	65,183	(21,009)	131,578
- Net transfer to income statements on disposal or impairment of financial investments AFS	(7,716)	(8,284)	(51,267)	(11,011)
Income tax relating to components of other comprehensive loss/(income)	32,384	(14,257)	17,668	(30,253)
Other comprehensive income, net of tax, for the financial period	284,570	69,056	504,266	81,571
Total comprehensive income for the financial period	487,730	537,775	1,707,484	1,550,755

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RHB BANK BERHAD (6171-M)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

Bank	Note	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
		30 September 2015 RM'000	30 September 2014 RM'000	30 September 2015 RM'000	30 September 2014 RM'000
Interest income	16	1,902,218	1,830,420	5,682,911	5,217,746
Interest expense	17	(1,048,307)	(978,854)	(3,216,394)	(2,738,577)
Net interest income		853,911	851,566	2,466,517	2,479,169
Other operating income	18	184,622	272,869	696,866	743,653
Net Income		1,038,533	1,124,435	3,163,383	3,222,822
Other operating expenses	20	(816,405)	(541,284)	(1,889,499)	(1,549,313)
Operating profit before allowances		222,128	583,151	1,273,884	1,673,509
Allowance for impairment on loans, advances and financing	21	(56,236)	(89,391)	(36,252)	(175,663)
Impairment written back on other assets		2,179	1,417	8,769	122,949
Profit before taxation		168,071	495,177	1,246,401	1,620,795
Taxation		(54,461)	(122,774)	(321,053)	(415,759)
Net profit for the financial period		113,610	372,403	925,348	1,205,036
Earnings per share (sen)					
- Basic	22	1.64	5.61	13.49	18.16

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RHB BANK BERHAD (6171-M)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

Bank	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2015 RM'000</u>	<u>30 September 2014 RM'000</u>	<u>30 September 2015 RM'000</u>	<u>30 September 2014 RM'000</u>
Net profit for the financial period	113,610	372,403	925,348	1,205,036
Other comprehensive income/(loss):				
Items that will be reclassified subsequently to profit or loss:				
- Currency translation differences	182,266	6,028	273,652	(9,111)
- Unrealised net (loss)/gain on revaluation of financial investments AFS	(91,229)	48,852	(10,023)	121,807
- Net transfer to income statements on disposal or impairment of financial investments AFS	(6,506)	(5,049)	(44,616)	(10,004)
Income tax relating to components of other comprehensive loss/(income)	24,434	(10,961)	13,660	(27,961)
Other comprehensive income, net of tax, for the financial period	108,965	38,870	232,673	74,731
Total comprehensive income for the financial period	222,575	411,273	1,158,021	1,279,767

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2014.

RHB BANK BERHAD (6171-M)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

Group	← Attributable to equity holders of the Bank →							Total
	Share capital	Share premium	Statutory reserves	Translation reserves	Regulatory reserves	AFS reserves	Retained profits	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2015	3,365,486	136,162	4,031,903	135,471	-	190,466	7,575,175	15,434,663
Net profit for the financial period	-	-	-	-	-	-	1,203,218	1,203,218
Other comprehensive income/(loss):								
Items that will be reclassified subsequently to profit or loss:								
Currency translation differences	-	-	-	558,874	-	-	-	558,874
Financial investments AFS:								
- Unrealised net loss on revaluation	-	-	-	-	-	(21,009)	-	(21,009)
- Net transfer to income statements on disposal or impairment	-	-	-	-	-	(51,267)	-	(51,267)
Income tax relating to components of other comprehensive loss	-	-	-	-	-	17,668	-	17,668
Other comprehensive income/(loss), net of tax, for the financial period	-	-	-	558,874	-	(54,608)	-	504,266
Total comprehensive income/(loss) for the financial period	-	-	-	558,874	-	(54,608)	1,203,218	1,707,484
Issuance of rights issue	95,099	342,355	-	-	-	-	-	437,454
Dividend paid	-	-	-	-	-	-	(583,272)	(583,272)
Transfer to statutory reserves	-	-	63,295	-	-	-	(63,295)	-
Transfer to regulatory reserves	-	-	-	-	546,002	-	(546,002)	-
Balance as at 30 September 2015	3,460,585	478,517	4,095,198	694,345	546,002	135,858	7,585,824	16,996,329
Balance as at 1 January 2014	3,318,085	8,563	3,919,746	19,469	-	150,571	5,995,662	13,412,096
Net profit for the financial period	-	-	-	-	-	-	1,469,184	1,469,184
Other comprehensive income/(loss):								
Items that will be reclassified subsequently to profit or loss:								
Currency translation differences	-	-	-	(8,743)	-	-	-	(8,743)
Financial investments AFS:								
- Unrealised net gain on revaluation	-	-	-	-	-	131,578	-	131,578
- Net transfer to income statements on disposal or impairment	-	-	-	-	-	(11,011)	-	(11,011)
Income tax relating to components of other comprehensive income	-	-	-	-	-	(30,253)	-	(30,253)
Other comprehensive (loss)/income, net of tax, for the financial period	-	-	-	(8,743)	-	90,314	-	81,571
Total comprehensive (loss)/income for the financial period	-	-	-	(8,743)	-	90,314	1,469,184	1,550,755
Transfer to statutory reserves	-	-	47,580	-	-	-	(47,580)	-
Balance as at 30 September 2014	3,318,085	8,563	3,967,326	10,726	-	240,885	7,417,266	14,962,851

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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

Bank	← Non-distributable →					Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Translation reserves RM'000	Regulatory reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2015	3,365,486	136,162	3,478,138	109,350	-	219,930	6,377,265	13,686,331
Net profit for the financial period	-	-	-	-	-	-	925,348	925,348
Other comprehensive income/(loss):								
Items that will be reclassified subsequently to profit or loss:								
Currency translation differences	-	-	-	273,652	-	-	-	273,652
Financial investments AFS:								
- Unrealised net loss on revaluation	-	-	-	-	-	(10,023)	-	(10,023)
- Net transfer to income statements on disposal or impairment	-	-	-	-	-	(44,616)	-	(44,616)
Income tax relating to components of other comprehensive loss	-	-	-	-	-	13,660	-	13,660
Other comprehensive income/(loss), net of tax, for the financial period	-	-	-	273,652	-	(40,979)	-	232,673
Total comprehensive income/(loss) for the financial period	-	-	-	273,652	-	(40,979)	925,348	1,158,021
Issuance of rights issue	95,099	342,355	-	-	-	-	-	437,454
Dividend paid	-	-	-	-	-	-	(583,272)	(583,272)
Transfer to regulatory reserves	-	-	-	-	392,519	-	(392,519)	-
Balance as at 30 September 2015	3,460,585	478,517	3,478,138	383,002	392,519	178,951	6,326,822	14,698,534
Balance as at 1 January 2014	3,318,085	8,563	3,478,138	55,541	-	180,119	5,035,720	12,076,166
Net profit for the financial period	-	-	-	-	-	-	1,205,036	1,205,036
Other comprehensive income/(loss):								
Items that will be reclassified subsequently to profit or loss:								
Currency translation differences	-	-	-	(9,111)	-	-	-	(9,111)
Financial investments AFS:								
- Unrealised net gain on revaluation	-	-	-	-	-	121,807	-	121,807
- Net transfer to income statements on disposal or impairment	-	-	-	-	-	(10,004)	-	(10,004)
Income tax relating to components of other comprehensive income	-	-	-	-	-	(27,961)	-	(27,961)
Other comprehensive (loss)/income, net of tax, for the financial period	-	-	-	(9,111)	-	83,842	-	74,731
Total comprehensive income for the financial period	-	-	-	(9,111)	-	83,842	1,205,036	1,279,767
Balance as at 30 September 2014	3,318,085	8,563	3,478,138	46,430	-	263,961	6,240,756	13,355,933

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RHB BANK BERHAD (6171-M)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

	Nine Months Ended	
	30 September 2015	30 September 2014
	RM'000	RM'000
Group		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,592,341	1,944,855
Adjustments for non-cash items	<u>(57,304)</u>	<u>(519,072)</u>
Operating profit before changes in working capital	1,535,037	1,425,783
Changes in working capital:		
Net changes in operating assets	(5,559,091)	(16,344,976)
Net changes in operating liabilities	<u>2,694,151</u>	<u>16,516,337</u>
Cash (used in)/generated from operations	(1,329,903)	1,597,144
Taxation paid	<u>(456,030)</u>	<u>(382,700)</u>
Net cash (used in)/generated from operating activities	<u>(1,785,933)</u>	<u>1,214,444</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(32,087)	(45,424)
Purchase of computer software license	(72,723)	(57,271)
Proceeds from disposal of property, plant and equipment	8,380	413
Financial investments AFS:		
- net purchase	(4,357,446)	(2,163,383)
- interest received	365,398	297,281
- investment income received	69,343	59,729
- dividend income	3,969	3,865
Financial investments held-to-maturity:		
- net redemption	1,430,259	1,368,678
- interest received	505,160	529,803
- investment income received	<u>66,203</u>	<u>65,588</u>
Net cash (used in)/generated from investing activities	<u>(2,013,544)</u>	<u>59,279</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of subordinated notes	500,000	1,000,000
Proceeds from issuance of ordinary shares	437,454	-
Proceeds from issuance of Subordinated Sukuk Murabahah	-	500,000
Redemption of subordinated obligations	(700,000)	-
Net repayment of borrowings	(291,044)	(84,707)
Dividend paid to shareholders	<u>(583,272)</u>	<u>-</u>
Net cash (used in)/generated from financing activities	<u>(1,136,862)</u>	<u>1,415,293</u>
Net (decrease)/increase in cash and cash equivalents	(4,936,339)	2,689,016
Effects of exchange rate differences	513,091	(207,201)
Cash and cash equivalents:		
- at the beginning of the financial period	15,536,640	9,231,558
- at the end of the financial period	<u>11,113,392</u>	<u>11,713,373</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	<u>11,113,392</u>	<u>11,713,373</u>

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INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

	Nine Months Ended	
	30 September 2015	30 September 2014
	RM'000	RM'000
Bank		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	1,246,401	1,620,795
Adjustments for non-cash items	62,485	(618,150)
Operating profit before changes in working capital	1,308,886	1,002,645
Changes in working capital:		
Net changes in operating assets	(2,469,815)	(13,858,979)
Net changes in operating liabilities	(2,663,565)	15,901,253
Cash (used in)/generated from operations	(3,824,494)	3,044,919
Taxation paid	(392,178)	(339,204)
Net cash (used in)/generated from operating activities	(4,216,672)	2,705,715
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(28,583)	(42,367)
Purchase of computer software license	(71,894)	(56,207)
Proceeds from disposal of property, plant and equipment	8,291	413
Financial investments AFS:		
- net purchase	(3,780,723)	(1,936,892)
- interest received	362,451	294,511
- dividend income	3,902	3,858
Financial investments held-to-maturity:		
- net redemption	1,454,851	1,292,449
- interest received	500,159	525,112
Additional share subscription/investment in a subsidiary	(54,375)	(124,200)
Net cash used in investing activities	(1,605,921)	(43,323)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issuance of subordinated notes	500,000	1,000,000
Proceeds from issuance of ordinary shares	437,454	-
Net repayment of borrowings	(291,044)	(84,707)
Redemption of subordinated obligations	(700,000)	-
Dividend paid to shareholders	(583,272)	-
Net cash (used in)/generated from financing activities	(1,136,862)	915,293
Net (decrease)/increase in cash and cash equivalents	(6,959,455)	3,577,685
Effects of exchange rate differences	338,253	(208,978)
Cash and cash equivalents:		
- at the beginning of the financial period	11,493,133	5,575,273
- at the end of the financial period	4,871,931	8,943,980
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	4,871,931	8,943,980

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2014.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015

1 Basis Of Preparation

The interim financial statements are unaudited and has been prepared in compliance with Malaysian Financial Reporting Standard ('MFRS') 134, 'Interim Financial Reporting' issued by Malaysian Accounting Standards Boards ('MASB') and should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2014.

The accounting policies and presentation adopted by the Group and the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2014, except for the adoption of the following annual improvements to MFRS and revision to Bank Negara Malaysia's ('BNM') Policy:

(a) Annual Improvements to MFRS 2012 - 2014 Cycle

The adoption of the above Annual Improvements to MFRS 2012 - 2014 Cycle does not give rise to any material financial impact to the Group and the Bank.

(b) Revised BNM's Policy on Classification and Impairment Provisions for Loans/Financing ('Revised Policy')

BNM, had on 6 April 2015, issued the Revised Policy on Classification and Impairment Provisions for Loans/Financing. The requirements to the Revised Policy are effective for financial years beginning on or after 1 January 2015, except for the following:

(i) Classification of a loan/financing as impaired when the loan/financing is classified as rescheduled and restructured ('R&R') in BNM's Central Credit Reference Information System ('CCRIS') effective on or after 1 April 2015. The R&R loan/financing shall only be reclassified from impaired to non-impaired when repayments based on revised and restructured terms have been observed continuously for a period of at least 6 months; and

(ii) Banking institutions are required to maintain, in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances, effective beginning 31 December 2015.

The Group and the Bank has early adopted the requirement to maintain, in aggregate, the collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances, effective from financial period ended 30 June 2015.

2 Auditors' Report

The auditors' report for the financial year ended 31 December 2014 was not subject to any qualification.

3 Seasonal Or Cyclical Factors

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

4 Exceptional Or Unusual Items

There were no exceptional or unusual items for the nine months ended 30 September 2015.

5 Changes In Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the nine months ended 30 September 2015.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (CONT'D)

6 Changes In Debt and Equity Securities

There were no 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 nine months ended 30 September 2015, other than as disclosed below:

- (a) The Bank has on 3 April 2015 increased its issued and paid up share capital from RM3,365,486,000 to RM3,460,585,000 via the issuance of rights issue of 190,197,391 new ordinary shares of RM0.50 sen each at an issue price of RM2.30 per share, amounting to RM437,454,000 to preserve its capital adequacy for business growth purposes.

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

- (b) On 29 April 2015, the Bank has fully redeemed its existing subordinated notes of 5.00% RM700.0 million in nominal value, which was issued on 29 April 2010.
- (c) On 8 May 2015, the Bank completed its first issuance of RM500.0 million subordinated notes in nominal value under its RM5.0 billion MCMTN Programme. The subordinated notes, which qualify as Tier II Capital in accordance with the Capital Adequacy Framework (Capital Components) issued by BNM on 28 November 2012, are issued for a tenure of 10 non-callable 5 years with a fixed coupon rate of 4.75% per annum, payable semi-annually, throughout the entire tenure.

7 Dividends Paid

During the nine months ended 30 September 2015, the Bank has paid a second interim dividend in respect of the financial year ended 31 December 2014, amounting to RM583,272,000, of which 75% of the paid dividend has been recapitalised into the Bank as disclosed in Note 6(a) above.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

8 Financial Assets Held-For-Trading

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
At fair value				
<u>Money market instruments:</u>				
Malaysian Government Securities	118,237	557,950	118,237	557,950
Malaysian Government Investment Issues	577,993	728,286	557,991	376,398
Cagamas bonds	-	6,968	-	6,968
Thailand Government bond	12,097	-	12,097	-
Singapore Government Treasury Bills	123,593	502,281	123,593	502,281
Sukuk Perumahan Kerajaan (SPK)	164,714	20,116	164,714	20,116
Other foreign government securities	143,787	-	143,787	-
<u>Quoted securities:</u>				
<u>In Malaysia</u>				
Private debt securities	3,847	3,841	3,847	3,841
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Private debt securities	20,774	-	20,774	-
Commercial paper	-	49,870	-	49,870
<u>Outside Malaysia</u>				
Credit link notes	-	173,990	-	173,990
	1,165,042	2,043,302	1,145,040	1,691,414

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

The effects of reclassification on the income statements for the period from the date of reclassification to 30 September 2015 were as follows:

	Group		Fair value	
	Carrying amount As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Reclassified from financial assets HFT to financial investments HTM	-	21,140	-	21,409

	Group	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Fair value gain that would have been recognised if the financial assets HFT had not been reclassified	-	269

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

9 Financial Investments Available-For-Sale

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
At fair value				
<u>Money market instruments:</u>				
Malaysian Government Securities	1,625,527	740,436	1,625,527	740,436
Malaysian Government Investment Issues	2,275,088	1,859,753	1,543,377	1,275,744
Cagamas bonds	300,868	101,364	240,509	41,450
Khazanah bonds	8,502	8,285	-	-
Singapore Government Treasury Bills	1,881,954	409,666	1,881,954	409,666
Singapore Government Securities	383,154	161,233	383,154	161,233
Thailand Government bonds	286,058	120,895	286,058	120,895
1 Malaysia Sukuk	-	330,256	-	330,256
Wakala Global Sukuk	104,557	84,587	89,909	72,734
Sukuk Perumahan Kerajaan (SPK)	163,378	57,640	163,378	57,640
Malaysia Sovereign Sukuk	66,098	-	66,098	-
<u>Quoted securities:</u>				
<u>In Malaysia</u>				
Shares	6,169	15,783	5,145	13,882
<u>Outside Malaysia</u>				
Shares	8,782	212	8,520	-
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Corporate loan stocks	3,425	3,425	3,425	3,425
Shares	573,856	511,703	573,109	510,991
Prasarana bonds	98,391	-	98,391	-
Private and Islamic debt securities	13,230,789	11,217,008	11,197,739	9,614,889
Perpetual notes/sukuk	290,444	286,084	86,922	85,530
<u>Outside Malaysia</u>				
Shares	110	145	-	-
Private debt securities	138,023	425	138,023	425
	<u>21,445,173</u>	<u>15,908,900</u>	<u>18,391,238</u>	<u>13,439,196</u>
Accumulated impairment losses	<u>(125,672)</u>	<u>(125,899)</u>	<u>(125,337)</u>	<u>(125,633)</u>
	<u><u>21,319,501</u></u>	<u><u>15,783,001</u></u>	<u><u>18,265,901</u></u>	<u><u>13,313,563</u></u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

10 Financial Investments Held-To-Maturity

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
At amortised cost				
<u>Money market instruments:</u>				
Malaysian Government Securities	2,207,917	2,322,570	2,207,917	2,322,570
Malaysian Government Investment Issues	5,039,873	5,254,804	4,496,741	4,629,323
Cagamas bonds	1,436,757	1,846,208	1,356,256	1,647,832
Khazanah bonds	94,618	91,554	65,280	63,107
Negotiable instruments of deposits	1,540,628	2,027,550	1,341,091	2,027,550
Singapore Government Securities	61,813	187,519	61,813	187,519
Thailand Government Securities	172,335	275,711	172,335	275,711
Bankers' acceptances	48,814	-	48,814	-
Sukuk (Brunei) Incorporation	46,385	39,689	46,385	39,689
Wakala Global Sukuk	303,052	242,456	303,052	242,456
Sukuk Perumahan Kerajaan (SPK)	111,234	111,177	101,189	101,233
 <u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Bonds	860	860	860	860
Prasarana bonds	772,896	770,025	772,896	770,025
Private and Islamic debt securities	6,642,971	6,581,282	5,376,968	5,361,374
Corporate loan stocks	34,336	38,334	34,336	38,334
<u>Outside Malaysia</u>				
Private debt securities	-	21,140	-	-
	18,514,489	19,810,879	16,385,933	17,707,583
Accumulated impairment losses	(107,569)	(112,782)	(107,569)	(112,782)
	18,406,920	19,698,097	16,278,364	17,594,801

Included in financial investments HTM for the Group and the Bank are unquoted private debt securities in Malaysia, which is pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM4,030,000,000 (31 December 2014: RM500,000,000).

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

11 Loans, Advances and Financing

(i) By type

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
At amortised cost				
Overdrafts	6,397,723	6,327,913	5,899,424	5,939,301
Term loans/financing:				
- housing loans/financing	36,400,355	31,988,629	29,026,460	25,672,576
- syndicated term loans/financing	7,065,650	5,536,833	3,311,869	3,276,960
- hire purchase receivables	12,125,132	13,348,197	6,193,243	7,464,572
- lease receivables	23,938	33,706	-	-
- other term loans/financing	67,524,802	66,085,317	53,582,151	54,313,571
Bills receivable	2,703,043	2,452,642	2,150,526	1,983,046
Trust receipts	839,528	626,381	820,400	604,938
Claims on customers under acceptance credits	3,904,228	3,662,085	3,904,228	3,662,085
Staff loans/financing	202,403	219,567	187,502	208,797
Credit card receivables	1,935,514	1,994,710	1,699,008	1,770,794
Revolving credit	9,584,529	9,051,092	7,810,211	6,600,840
Floor stocking	1,639	664	1,639	664
	<u>148,708,484</u>	141,327,736	<u>114,586,661</u>	111,498,144
Fair value changes arising from fair value hedge	(28,891)	(26,870)	(5,241)	(1,678)
	<u>148,679,593</u>	141,300,866	<u>114,581,420</u>	111,496,466
Allowance for impaired loans, advances and financing:				
- individual impairment allowance	(437,490)	(409,674)	(406,720)	(382,769)
- collective impairment allowance	(1,198,112)	(1,346,884)	(955,845)	(1,130,978)
	<u>(1,635,602)</u>	(1,756,558)	<u>(1,362,565)</u>	(1,513,747)
Net loans, advances and financing	<u>147,043,991</u>	<u>139,544,308</u>	<u>113,218,855</u>	<u>109,982,719</u>

Included in loans, advances and financing are housing loans, hire purchase receivables and other term loans/financing sold to Cagamas with recourse to the Group and the Bank amounting to RM3,102,278,000 (31 December 2014: RM3,304,749,000) and RM2,083,984,000 (31 December 2014: RM2,163,306,000) respectively.

(ii) By type of customer

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Domestic non-bank financial institutions:				
- Others	1,967,203	2,048,118	779,822	1,029,470
Domestic business enterprises:				
- Small medium enterprises	21,985,139	16,230,833	19,936,442	15,009,234
- Others	34,259,353	36,747,824	25,071,059	28,458,818
Government and statutory bodies	5,354,783	7,457,968	1,970,973	4,141,761
Individuals	66,575,763	63,721,685	51,764,700	50,386,600
Other domestic entities	144,120	124,840	36,392	13,426
Foreign entities	18,422,123	14,996,468	15,027,273	12,458,835
	<u>148,708,484</u>	141,327,736	<u>114,586,661</u>	111,498,144

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

11 Loans, Advances and Financing (cont'd)

(iii) By geographical distribution

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Malaysia	129,207,152	125,145,269	100,749,771	99,749,771
Labuan Offshore	4,322,047	3,639,900	-	-
Singapore operations	12,981,534	10,736,087	12,981,534	10,736,087
Thailand operations	710,611	897,289	710,611	897,289
Brunei operations	144,745	114,997	144,745	114,997
Cambodia operations	1,254,788	758,885	-	-
Lao operations	87,607	35,309	-	-
	148,708,484	141,327,736	114,586,661	111,498,144

(iv) By interest/profit rate sensitivity

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Fixed rate:				
- Housing loans/financing	1,578,962	1,522,767	974,362	851,244
- Hire purchase receivables	12,125,132	13,348,197	6,193,243	7,464,572
- Other fixed rate loans/financing	15,901,172	17,745,722	8,300,645	10,326,613
Variable rate:				
- BLR/BFR plus	67,327,061	62,930,045	53,319,290	51,816,270
- Cost-plus	38,735,263	37,358,039	36,756,256	35,715,358
- Other variable rates	13,040,894	8,422,966	9,042,865	5,324,087
	148,708,484	141,327,736	114,586,661	111,498,144

(v) By purpose

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Purchase of securities	12,682,415	13,531,675	12,494,884	13,531,675
Purchase of transport vehicles	11,156,978	12,222,703	4,970,352	6,122,060
Purchase of landed property:				
- Residential	36,590,916	31,467,991	29,482,294	25,412,842
- Non-residential	12,021,202	10,470,961	10,696,326	9,356,160
Purchase of property, plant and equipment other than land and building	3,919,381	3,675,777	2,902,103	2,782,323
Personal use	8,551,206	7,650,256	6,793,382	6,270,575
Credit card	1,935,514	1,994,710	1,699,008	1,770,794
Purchase of consumer durables	34,153	28,926	25,230	28,920
Construction	6,056,300	4,914,115	5,018,347	4,256,028
Working capital	38,813,697	36,206,818	29,056,190	27,881,940
Merger and acquisition	2,362,521	3,227,805	1,833,806	2,772,946
Other purposes	14,584,201	15,935,999	9,614,739	11,311,881
	148,708,484	141,327,736	114,586,661	111,498,144

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

11 Loans, Advances and Financing (cont'd)

(vi) By remaining contractual maturities

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Maturity within one year	47,259,759	47,412,371	42,869,820	43,183,764
One year to three years	10,059,072	8,338,602	5,453,178	4,991,549
Three years to five years	12,470,755	11,447,995	8,640,850	7,447,491
Over five years	78,918,898	74,128,768	57,622,813	55,875,340
	148,708,484	141,327,736	114,586,661	111,498,144

(vii) Impaired loans, advances and financing

(a) Movement in impaired loans, advances and financing

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Balance as at the beginning of financial period/year	2,729,581	3,347,712	2,393,693	2,850,589
Classified as impaired during the financial period/year	3,046,218	3,501,847	2,511,066	3,000,886
Reclassified as non-impaired during the financial period/year	(1,838,307)	(2,450,741)	(1,528,940)	(2,067,413)
Amount recovered	(733,601)	(655,545)	(664,816)	(536,657)
Amount written off	(441,563)	(1,019,003)	(390,092)	(853,561)
Exchange differences	27,002	5,311	26,032	(151)
Balance as at the end of financial period/year	2,789,330	2,729,581	2,346,943	2,393,693

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11 Loans, Advances and Financing (cont'd)

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

(b) By purpose

	Group		Bank	
	As at 30 September 2015	As at 31 December 2014	As at 30 September 2015	As at 31 December 2014
	RM'000	RM'000	RM'000	RM'000
Purchase of securities	56,836	129,450	56,836	129,450
Purchase of transport vehicles	144,785	180,120	90,273	119,630
Purchase of landed property:				
- Residential	761,263	783,908	622,840	651,929
- Non-residential	169,247	112,590	109,807	95,017
Purchase of property, plant and equipment other than land and building	53,053	38,835	24,944	25,690
Personal use	165,355	153,432	162,458	150,158
Credit card	42,897	36,911	35,888	31,703
Purchase of consumer durables	1,236	1,425	1,236	1,425
Construction	104,542	115,694	104,542	115,694
Working capital	1,237,334	1,139,888	1,110,872	1,062,901
Other purposes	52,782	37,328	27,247	10,096
	2,789,330	2,729,581	2,346,943	2,393,693

(c) By geographical distribution

	Group		Bank	
	As at 30 September 2015	As at 31 December 2014	As at 30 September 2015	As at 31 December 2014
	RM'000	RM'000	RM'000	RM'000
Malaysia	2,539,839	2,594,152	2,127,161	2,262,000
Labuan Offshore	13,848	-	-	-
Singapore operations	182,904	101,577	182,904	101,577
Thailand operations	24,889	21,871	24,889	21,871
Brunei operations	11,989	8,245	11,989	8,245
Cambodia operations	15,861	3,736	-	-
	2,789,330	2,729,581	2,346,943	2,393,693

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

11 Loans, Advances and Financing (cont'd)

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

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

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Individual impairment allowance				
Balance as at the beginning of financial period/year	409,674	891,294	382,769	723,024
Net allowance made during the financial period/year	76,715	4,594	74,195	28,899
Reclassified (to)/from collective impairment allowance	-	(64)	-	1,677
Transfer to impairment of financial investments HTM	-	(9,871)	-	(9,871)
Amount written off	(59,805)	(481,317)	(59,805)	(362,446)
Exchange differences	10,906	5,038	9,561	1,486
Balance as at the end of financial period/year	<u>437,490</u>	<u>409,674</u>	<u>406,720</u>	<u>382,769</u>
Collective impairment allowance				
Balance as at the beginning of financial period/year	1,346,884	1,272,637	1,130,978	1,088,121
Net allowance made during the financial period/year	106,087	410,921	44,760	352,069
Reclassified from/(to) individual impairment allowance	-	64	-	(1,677)
Amount written off	(269,260)	(339,179)	(225,198)	(308,587)
Exchange differences	14,401	2,441	5,305	1,052
Balance as at the end of financial period/year	<u>1,198,112</u>	<u>1,346,884</u>	<u>955,845</u>	<u>1,130,978</u>

12 Other Assets

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Other receivables	446,425	355,837	257,918	234,748
Collateral pledged for derivative transactions	1,920,296	600,081	1,920,296	600,081
Deposits	57,396	49,169	50,669	43,670
Prepayments	64,304	40,686	50,513	33,693
Amount due from holding company	687	131	687	131
Amounts due from subsidiaries	-	-	284,862	219,543
Amounts due from related companies	36,415	25,978	36,415	25,957
	<u>2,525,523</u>	<u>1,071,882</u>	<u>2,601,360</u>	<u>1,157,823</u>

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13 Deposits from Customers

(i) By type of deposits

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Demand deposits	28,896,685	26,420,489	24,925,054	23,340,867
Savings deposits	8,372,614	7,927,118	7,108,184	6,788,828
Fixed/investment deposits	120,692,597	120,506,630	93,640,958	97,683,648
Negotiable instruments of deposits	230	2,274	230	2,274
	157,962,126	154,856,511	125,674,426	127,815,617

(ii) By type of customer

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Government and statutory bodies	10,769,290	10,601,035	5,826,843	6,953,171
Business enterprises	97,348,025	95,419,158	75,366,503	76,077,473
Individuals	43,500,729	42,815,080	38,867,959	39,470,312
Others	6,344,082	6,021,238	5,613,121	5,314,661
	157,962,126	154,856,511	125,674,426	127,815,617

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

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Due within six months	100,647,388	99,416,368	79,313,609	79,569,121
Six months to one year	19,534,979	20,292,663	13,833,651	17,632,469
One year to three years	477,279	782,244	461,706	467,453
Three years to five years	33,181	17,629	32,222	16,879
	120,692,827	120,508,904	93,641,188	97,685,922

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

14 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Licensed banks	12,292,902	14,868,881	12,678,462	14,834,962
Licensed Islamic banks	1,599,030	221,130	-	-
Licensed investments banks	1,365,146	1,491,249	766,669	746,776
Bank Negara Malaysia	540,713	515,027	539,563	514,252
Others	437,011	860,083	574	105,560
	16,234,802	17,956,370	13,985,268	16,201,550

15 Other Liabilities

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Amount due to holding company	-	126	-	-
Amounts due to subsidiaries	-	-	28,492	27,675
Amounts due to related companies	40,470	3,847	38,887	3,417
Amount due to Danaharta	2,237	1,935	2,237	1,935
Prepaid instalments	67,933	71,037	67,933	71,037
Accrual for operational expenses	134,911	140,452	124,738	125,682
Short term employee benefits	189,784	239,510	178,696	225,033
Career transition scheme	274,554	-	270,956	-
Collateral pledged for derivative transactions	344,104	105,640	344,104	105,640
Other creditors and accruals	785,708	651,989	558,683	356,036
	1,839,701	1,214,536	1,614,726	916,455

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

16 Interest Income

Group	3rd Quarter Ended		Nine Months Ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
Loans and advances	1,563,051	1,468,460	4,636,298	4,214,462
Money at call and deposits and placements with banks and other financial institutions	22,555	55,481	91,204	125,493
Securities purchased under resale agreements	616	67	1,731	142
Financial assets held-for-trading	12,203	10,281	39,056	21,062
Financial investments available-for-sale	141,635	111,462	385,133	314,813
Financial investments held-to-maturity	154,771	176,087	495,179	540,333
Others	4,141	139	9,220	1,076
	1,898,972	1,821,977	5,657,821	5,217,381
Of which:				
Interest income accrued on impaired financial assets	35,974	39,357	116,323	122,828
Bank				
Loans and advances	1,506,978	1,426,895	4,481,542	4,088,907
Money at call and deposits and placements with banks and other financial institutions	84,729	108,064	279,402	259,168
Securities purchased under resale agreements	616	67	1,731	142
Financial assets held-for-trading	12,203	10,281	39,056	21,062
Financial investments available-for-sale	140,507	110,539	381,955	312,031
Financial investments held-to-maturity	153,044	174,435	490,005	535,360
Others	4,141	139	9,220	1,076
	1,902,218	1,830,420	5,682,911	5,217,746
Of which:				
Interest income accrued on impaired financial assets	34,175	36,645	110,447	112,436

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

17 Interest Expense

Group	3rd Quarter Ended		Nine Months Ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	69,263	79,922	243,542	200,987
Deposits from customers	841,865	795,885	2,573,741	2,250,305
Obligations on securities sold under repurchase agreements	16,928	-	32,346	817
Subordinated obligations	57,940	59,651	174,946	154,408
Recourse obligation on loans sold to Cagamas	24,756	10,507	73,792	31,645
Senior Debt Securities	26,654	12,986	73,589	39,432
Hybrid Tier-I Capital Securities	11,459	11,453	34,002	33,983
Borrowings	1,394	1,072	4,238	3,454
Others	9,790	15,706	36,059	47,473
	1,060,049	987,182	3,246,255	2,762,504
Bank				
Deposits and placements of banks and other financial institutions	69,629	77,664	244,791	195,718
Deposits from customers	829,757	789,815	2,542,631	2,231,647
Obligations on securities sold under repurchase agreements	16,928	-	32,346	817
Subordinated obligations	57,940	59,651	174,946	154,408
Recourse obligation on loans sold to Cagamas	24,756	10,507	73,792	31,645
Senior Debt Securities	26,654	12,986	73,589	39,432
Hybrid Tier-I Capital Securities	11,459	11,453	34,002	33,983
Borrowings	1,394	1,072	4,238	3,454
Others	9,790	15,706	36,059	47,473
	1,048,307	978,854	3,216,394	2,738,577

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

18 Other Operating Income

Group	3rd Quarter Ended		Nine Months Ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
a) Fee Income:				
Commission	43,721	48,568	126,071	128,674
Service charges and fees	59,096	66,560	170,630	183,091
Guarantee fees	11,565	11,251	51,097	53,366
Commitment fees	15,538	14,506	45,006	41,831
Other fee income	5,263	5,102	16,340	15,902
	135,183	145,987	409,144	422,864
b) Net (loss)/gain arising from financial assets held-for-trading	(11,152)	8,360	(2,653)	24,745
c) Net (loss)/gain on revaluation of derivatives	(12,627)	17,592	(11,407)	(3,518)
d) Net gain on fair values hedges	4,947	6,139	6,017	8,583
e) Net gain arising from financial investments available-for-sale:				
- net gain on disposal	6,506	5,049	44,616	10,277
- gross dividend income	597	449	3,969	3,865
	7,103	5,498	48,585	14,142
f) Net gain arising from financial investments held-to-maturity:				
- net gain on early redemption	-	12,183	228	12,401
g) Other income:				
Foreign exchange (loss)/gain				
- realised	(272,706)	84,659	(193,924)	292,467
- unrealised	332,262	(12,994)	411,477	(60,304)
Gain on disposal of property, plant and equipment	72	309	6,602	345
Other operating income	12,247	11,099	42,757	40,800
Other non-operating income	1,185	1,738	3,671	4,857
	73,060	84,811	270,583	278,165
	196,514	280,570	720,497	757,382

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18 Other Operating Income (cont'd)

Bank	3rd Quarter Ended		Nine Months Ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
a) Fee Income:				
Commission	43,374	48,422	125,063	128,249
Service charges and fees	58,766	66,286	169,680	182,528
Guarantee fees	11,195	10,822	47,291	50,855
Commitment fees	11,889	12,193	36,398	35,916
Other fee income	4,437	4,429	14,109	14,211
	129,661	142,152	392,541	411,759
b) Net (loss)/gain arising from financial assets held-for-trading	(11,152)	8,360	(2,653)	24,745
c) Net (loss)/gain on revaluation of derivatives	(13,722)	17,994	(10,994)	1,647
d) Net (loss)/gain on fair values hedges	(15)	3,083	24	4,582
e) Net gain arising from financial investments available-for-sale:				
- net gain on disposal	6,506	5,049	44,616	10,004
- gross dividend income	531	443	3,902	3,858
	7,037	5,492	48,518	13,862
f) Net gain arising from financial investments held-to-maturity:				
- net gain on early redemption	-	12,183	228	12,401
g) Other income:				
Foreign exchange (loss)/gain				
- realised	(272,300)	84,760	(193,359)	292,925
- unrealised	332,262	(12,994)	411,477	(60,304)
Gain on disposal of property, plant and equipment	70	309	6,553	345
Other operating income	12,148	10,388	42,458	38,617
Other non-operating income	633	1,142	2,073	3,074
	72,813	83,605	269,202	274,657
	184,622	272,869	696,866	743,653

19 Income from Islamic Banking Business

	3rd Quarter Ended		Nine Months Ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
Income derived from investment of depositors' funds	435,812	355,156	1,253,937	947,243
Income derived from investment of shareholder's funds	28,850	29,298	96,897	93,262
Total distributable income	464,662	384,454	1,350,834	1,040,505
Income attributable to depositors	(242,798)	(188,257)	(715,187)	(509,607)
Income from Islamic Banking Business	221,864	196,197	635,647	530,898
Of which:				
Financing income earned on impaired financing and advances	1,799	2,712	5,876	10,392

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

20 Other Operating Expenses

<u>Group</u>	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	293,546	273,740	886,842	822,621
- Contributions to Employees Provident Fund	44,214	39,563	133,166	122,959
- Career transition scheme	274,554	-	274,554	-
- Other staff related costs	25,942	30,519	79,308	81,009
	<u>638,256</u>	<u>343,822</u>	<u>1,373,870</u>	<u>1,026,589</u>
<u>Establishment costs</u>				
- Property, plant and equipment:				
- Depreciation	21,917	22,136	64,610	63,983
- Written off	1	12	14	13
- Amortisation of computer software license	12,505	10,925	37,874	33,212
- Rental of premises	31,123	30,129	92,823	92,016
- Rental of equipment	2,502	1,706	5,840	4,531
- Insurance	15,559	7,261	38,776	21,615
- Water and electricity	7,318	7,047	20,791	20,566
- Repair and maintenance	6,930	8,043	19,235	21,109
- Security and escorting expenses	12,268	14,347	40,078	40,626
- Information technology expenses	38,110	36,496	100,674	97,217
- Others	173	32	497	505
	<u>148,406</u>	<u>138,134</u>	<u>421,212</u>	<u>395,393</u>
<u>Marketing expenses</u>				
- Sales commission	14,446	13,887	38,057	39,998
- Advertisement and publicity	14,125	13,850	29,548	36,783
- Others	14,421	16,817	43,647	49,241
	<u>42,992</u>	<u>44,554</u>	<u>111,252</u>	<u>126,022</u>
<u>Administration and general expenses</u>				
- Communication expenses	26,041	24,033	78,148	77,708
- Others	32,699	48,039	103,312	114,458
	<u>58,740</u>	<u>72,072</u>	<u>181,460</u>	<u>192,166</u>
	<u>888,394</u>	<u>598,582</u>	<u>2,087,794</u>	<u>1,740,170</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

20 Other Operating Expenses (cont'd)

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September 2015</u>	<u>30 September 2014</u>	<u>30 September 2015</u>	<u>30 September 2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	275,977	259,332	836,418	758,629
- Contributions to Employees Provident Fund	41,746	39,161	126,527	115,278
- Career transition scheme	270,956	-	270,956	-
- Other staff related costs	23,478	28,471	73,263	75,867
	<u>612,157</u>	<u>326,964</u>	<u>1,307,164</u>	<u>949,774</u>
<u>Establishment costs</u>				
- Property, plant and equipment:				
- Depreciation	19,476	20,142	57,781	57,911
- Written off	1	1	7	1
- Amortisation of computer software license	11,657	10,287	35,412	28,946
- Rental of premises	29,751	28,806	89,621	88,340
- Rental of equipment	2,496	1,691	5,822	4,479
- Insurance	14,193	6,387	34,695	18,843
- Water and electricity	6,514	6,266	18,841	18,492
- Repair and maintenance	5,759	7,120	16,309	18,442
- Security and escorting expenses	11,153	13,137	36,766	37,205
- Information technology expenses	35,173	33,578	92,833	88,252
	<u>136,173</u>	<u>127,415</u>	<u>388,087</u>	<u>360,911</u>
<u>Marketing expenses</u>				
- Sales commission	12,986	12,253	34,180	33,479
- Advertisement and publicity	12,845	12,424	25,982	33,744
- Others	13,399	15,468	40,409	44,808
	<u>39,230</u>	<u>40,145</u>	<u>100,571</u>	<u>112,031</u>
<u>Administration and general expenses</u>				
- Communication expenses	23,576	22,173	71,194	70,549
- Others	5,269	24,587	22,483	56,048
	<u>28,845</u>	<u>46,760</u>	<u>93,677</u>	<u>126,597</u>
	<u>816,405</u>	<u>541,284</u>	<u>1,889,499</u>	<u>1,549,313</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

21 Allowance for Impairment on Loans, Advances and Financing

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Group</u>				
Individual impairment allowance	18,663	(3,784)	76,715	(33,975)
Collective impairment allowance	94,807	98,665	106,087	272,518
Impaired loans and financing recovered	(68,077)	(61,306)	(199,994)	(218,208)
Impaired loans written off	45,084	61,233	113,536	160,535
	<u>90,477</u>	<u>94,808</u>	<u>96,344</u>	<u>180,870</u>
<u>Bank</u>				
Individual impairment allowance	16,434	(1,022)	74,195	(11,853)
Collective impairment allowance	65,119	91,330	44,760	243,466
Impaired loans and financing recovered	(65,456)	(55,816)	(188,830)	(200,809)
Impaired loans written off	40,139	54,899	106,127	144,859
	<u>56,236</u>	<u>89,391</u>	<u>36,252</u>	<u>175,663</u>

22 Earnings Per Share

	<u>3rd Quarter Ended</u>		<u>Nine Months Ended</u>	
	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>	<u>30 September</u>
	<u>2015</u>	<u>2014</u>	<u>2015</u>	<u>2014</u>
<u>Group</u>				
Net profit for the financial period (RM'000)	203,160	468,719	1,203,218	1,469,184
Weighted average number of ordinary shares in issue ('000)	6,921,170	6,636,170	6,857,074	6,636,170
Basic earnings per share (sen)	<u>2.94</u>	<u>7.06</u>	<u>17.55</u>	<u>22.14</u>
<u>Bank</u>				
Net profit for the financial period (RM'000)	113,610	372,403	925,348	1,205,036
Weighted average number of ordinary shares in issue ('000)	6,921,170	6,636,170	6,857,074	6,636,170
Basic earnings per share (sen)	<u>1.64</u>	<u>5.61</u>	<u>13.49</u>	<u>18.16</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

23 Capital Adequacy

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

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

	RHB Bank*		RHB Islamic Bank	
	30 September 2015 RM'000	31 December 2014 RM'000	30 September 2015 RM'000	31 December 2014 RM'000
Common Equity Tier-I ('CET-I') Capital/Tier-I Capital				
Paid-up ordinary share capital	3,460,585	3,365,486	1,173,424	1,173,424
Share premium	478,517	136,162	-	-
Retained profits	6,682,168	6,860,657	479,630	553,560
Other reserves	4,051,294	3,589,300	617,060	553,765
AFS reserves	176,236	218,816	(40,380)	(28,352)
	<u>14,848,800</u>	<u>14,170,421</u>	<u>2,229,734</u>	<u>2,252,397</u>
Less: Goodwill	(905,519)	(905,519)	-	-
Net deferred tax assets	(37,678)	-	(17,874)	(15,497)
Other intangible assets (include associated deferred tax liability)	(189,242)	(166,462)	(566)	(1,119)
55% of cumulative gains of AFS financial instruments	(96,930)	(120,349)	-	-
Shortfall of eligible provisions to expected losses under the IRB approach	(242,173)	(307,612)	-	-
Investments in subsidiaries***	(687,429)	(332,839)	-	-
Other deduction#	(84,950)	(29,667)	(1,001)	(551)
Total CET-I Capital	<u>12,604,879</u>	<u>12,307,973</u>	<u>2,210,293</u>	<u>2,235,230</u>
Hybrid Tier-I Capital Securities**	420,000	480,000	-	-
Total Tier-I Capital	<u>13,024,879</u>	<u>12,787,973</u>	<u>2,210,293</u>	<u>2,235,230</u>
Tier-II Capital				
Subordinated obligations [@]	2,800,000	3,200,000	-	-
Subordinated obligations meeting all relevant criteria	1,499,521	1,000,000	-	-
Subordinated sukuk [^]	-	-	500,000	500,000
Collective impairment allowance [^]	375,462	258,406	240,601	100,832
	<u>4,674,983</u>	<u>4,458,406</u>	<u>740,601</u>	<u>600,832</u>
Less: Investments in subsidiaries***	(1,031,143)	(1,331,358)	-	-
Total Tier-II Capital	<u>3,643,840</u>	<u>3,127,048</u>	<u>740,601</u>	<u>600,832</u>
Total Capital	<u>16,668,719</u>	<u>15,915,021</u>	<u>2,950,894</u>	<u>2,836,062</u>
Capital ratios				
Before deducting proposed dividends:				
CET-I capital ratio	11.856%	11.678%	10.853%	12.875%
Tier-I capital ratio	12.251%	12.133%	10.853%	12.875%
Total capital ratio	<u>15.678%</u>	<u>15.100%</u>	<u>14.490%</u>	<u>16.336%</u>
After deducting proposed dividends:				
CET-I capital ratio	11.856%	11.124%	10.853%	12.875%
Tier-I capital ratio	12.251%	11.580%	10.853%	12.875%
Total capital ratio	<u>15.678%</u>	<u>14.547%</u>	<u>14.490%</u>	<u>16.336%</u>

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23 Capital Adequacy (cont'd)

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

	RHB Bank*		RHB Islamic Bank	
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000
Credit risk	94,883,483	94,067,828	19,262,795	16,316,757
Market risk	3,293,772	3,369,497	101,863	124,357
Operational risk	8,139,684	7,957,062	1,000,396	918,886
Total risk-weighted assets	<u>106,316,939</u>	<u>105,394,387</u>	<u>20,365,054</u>	<u>17,360,000</u>

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

^ 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".

Includes the qualifying regulatory reserves for non-impaired loans of RHB Bank and RHB Islamic Bank of RM392,519,000 (31 December 2014 : Nil) and RM137,225,000 (31 December 2014 : Nil) respectively.

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

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

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

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

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

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23 Capital Adequacy (cont'd)

	RHB Bank Group	
	30 September 2015	31 December 2014
	RM'000	RM'000
CET-I/Tier-I Capital		
Paid-up ordinary share capital	3,460,585	3,365,486
Share premium	478,517	136,162
Retained profits	7,320,935	7,575,175
Other reserves	4,789,543	4,167,374
AFS reserves	135,858	190,466
	16,185,438	15,434,663
Less: Goodwill	(1,120,318)	(1,120,318)
Net deferred tax assets	(55,564)	-
Other intangible assets (include associated deferred tax liability)	(194,217)	(171,380)
55% of cumulative gains of AFS financial instruments	(74,722)	(104,757)
Shortfall of eligible provisions to expected losses under the IRB approach	(283,236)	(376,960)
Other deduction [#]	(85,951)	(30,218)
Total CET-I Capital	14,371,430	13,631,030
Hybrid Tier-I Capital Securities**	420,000	480,000
Total Tier-I Capital	14,791,430	14,111,030
Tier-II Capital		
Subordinated obligations [@]	2,800,000	3,200,000
Subordinated obligations meeting all relevant criteria	1,499,521	1,000,000
Qualifying capital instruments of a subsidiary issued to third parties*	362,747	321,075
Collective impairment allowance [^]	556,342	436,711
Total Tier-II Capital	5,218,610	4,957,786
Total Capital	20,010,040	19,068,816

Capital ratios

Before deducting proposed dividends:

CET-I capital ratio	11.675%	11.062%
Tier-I capital ratio	12.016%	11.451%
Total capital ratio	16.256%	15.475%

After deducting proposed dividends:

CET-I capital ratio	11.675%	10.589%
Tier-I capital ratio	12.016%	10.978%
Total capital ratio	16.256%	15.002%

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

	RHB Bank Group	
	30 September 2015	31 December 2014
	RM'000	RM'000
Credit risk	110,511,496	110,761,239
Market risk	3,339,691	3,508,449
Operational risk	9,245,462	8,949,426
Total risk-weighted assets	123,096,649	123,219,114

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

23 Capital Adequacy (cont'd)

[^] 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".

Includes the qualifying regulatory reserves for non-impaired loans of the Group of RM546,002,000 (31 December 2014 : Nil).

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

^{*} Qualifying subordinated sukuk that are recognised as Tier-II capital instruments held by third parties as prescribed under paragraph 16.3 of the BNM Guidelines Capital Adequacy Framework (Capital Components) which are issued by a fully consolidated subsidiary of the Bank.

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

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

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

	RHBIBL	
	30 September 2015	31 December 2014
Before deducting proposed dividends:		
Core capital ratio	#	#
Solvency ratio	16.913%	17.042%
After deducting proposed dividends:		
Core capital ratio	#	#
Solvency ratio	16.913%	17.042%

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

[#] No equivalent ratio in Cambodia.

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24 Commitments And Contingencies

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

<u>Group</u>	<u>30 September 2015</u>			<u>31 December 2014</u>		
	<u>Principal amount</u> RM'000	<u>Credit equivalent amount*</u> RM'000	<u>Risk weighted amount</u> RM'000	<u>Principal amount</u> RM'000	<u>Credit equivalent amount*</u> RM'000	<u>Risk weighted amount</u> RM'000
Direct credit substitutes	2,406,721	2,377,119	1,573,468	2,659,088	2,628,097	1,656,364
Transaction-related contingent items	5,157,990	2,551,151	1,350,808	4,829,166	2,388,120	1,308,323
Short-term self-liquidating trade-related contingencies	2,417,169	481,649	216,987	1,822,569	362,511	177,431
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	3,934,545	3,934,545	16,286	517,610	517,610	27,897
Irrevocable commitments to extend credit:						
- maturity more than one year	28,570,726	19,879,772	10,285,001	30,645,996	14,277,260	9,875,579
- maturity less than one year	910,261	184,113	111,935	1,428,561	144,588	50,232
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	16,093,873	631,251	256,769	15,137,896	605,393	240,215
Foreign exchange related contracts [®] :						
- less than one year	58,571,515	3,056,895	1,468,573	28,320,308	926,671	559,625
- one year to less than five years	11,912,766	2,991,755	982,545	11,236,064	1,696,626	753,543
- more than five years	557,600	191,454	76,451	469,108	596,943	444,525
Interest rate related contracts [®] :						
- less than one year	8,216,366	22,173	6,978	6,289,805	14,886	4,557
- one year to less than five years	30,427,361	924,581	332,773	27,571,220	812,079	281,569
- more than five years	2,120,349	209,535	108,070	987,920	73,660	34,400
Total	171,297,242	37,435,993	16,786,644	131,915,311	25,044,444	15,414,260

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia 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 derivative assets or derivative liabilities.

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

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

24 Commitments And Contingencies (cont'd)

<u>Bank</u>	<u>30 September 2015</u>			<u>31 December 2014</u>		
	<u>Principal amount</u> RM'000	<u>Credit equivalent amount*</u> RM'000	<u>Risk weighted amount</u> RM'000	<u>Principal amount</u> RM'000	<u>Credit equivalent amount*</u> RM'000	<u>Risk weighted amount</u> RM'000
Direct credit substitutes	2,379,033	2,349,431	1,551,808	2,622,714	2,591,723	1,624,312
Transaction-related contingent items	4,511,315	2,227,813	1,118,145	4,295,883	2,121,478	1,125,821
Short-term self-liquidating trade-related contingencies	2,335,075	465,231	211,208	1,767,022	351,401	175,167
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	3,934,545	3,934,545	16,286	517,610	517,610	27,897
Irrevocable commitments to extend credit:						
- maturity more than one year	22,718,297	15,774,076	7,731,299	26,380,190	11,925,958	7,957,393
- maturity less than one year	793,500	138,751	60,779	1,374,689	133,814	40,829
Any commitments that are unconditionally cancelled at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	13,500,085	530,728	181,377	13,059,575	514,983	172,408
Foreign exchange related contracts [®] :						
- less than one year	58,479,974	3,031,352	1,318,441	28,302,199	924,363	533,150
- one year to less than five years	11,923,473	2,998,627	966,196	11,236,064	1,698,406	737,627
- more than five years	557,600	191,454	76,451	469,108	596,943	444,525
Interest rate related contracts [®] :						
- less than one year	9,716,365	24,935	7,530	6,918,826	16,490	4,871
- one year to less than five years	31,902,361	960,151	339,887	29,806,220	863,268	291,807
- more than five years	2,120,349	209,535	102,296	1,077,920	78,160	35,300
Total	164,871,972	32,836,629	13,681,703	127,828,020	22,334,597	13,171,107

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia 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 derivative assets or derivative liabilities.

The CE and RWA of the Bank are computed in accordance with BNM's Guidelines on Capital Adequacy Framework (Basel II - RWA): IRB Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

25 Capital Commitments

	Group		Bank	
	As at 30 September 2015	As at 31 December 2014	As at 30 September 2015	As at 31 December 2014
	RM'000	RM'000	RM'000	RM'000
Capital expenditure for property, plant and equipment:				
- authorised and contracted for	110,622	92,562	106,854	92,562
- authorised but not contracted for	246,983	191,674	241,308	148,761
	<u>357,605</u>	<u>284,236</u>	<u>348,162</u>	<u>241,323</u>

26 Fair Value of Financial Instruments

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

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

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

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

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

<u>Group</u>	<u>Level 1</u> RM'000	<u>Level 2</u> RM'000	<u>Level 3</u> RM'000	<u>Total</u> RM'000
<u>30 September 2015</u>				
<u>Financial assets</u>				
Financial assets held-for-trading:	3,847	1,161,195	-	1,165,042
- money market instruments	-	1,140,421	-	1,140,421
- quoted securities	3,847	-	-	3,847
- unquoted securities	-	20,774	-	20,774
Financial investments available-for-sale:	1,123	20,356,247	962,131	21,319,501
- money market instruments	-	7,095,184	-	7,095,184
- quoted securities	1,123	-	8,520	9,643
- unquoted securities	-	13,261,063	953,611	14,214,674
Derivative assets:				
- money market instruments	-	4,410,652	-	4,410,652
	<u>4,970</u>	<u>25,928,094</u>	<u>962,131</u>	<u>26,895,195</u>
<u>Financial liabilities</u>				
Derivative liabilities:				
- money market instruments	-	4,132,353	-	4,132,353
<u>31 December 2014</u>				
<u>Financial assets</u>				
Financial assets held-for-trading:	3,841	2,039,461	-	2,043,302
- money market instruments	-	1,815,601	-	1,815,601
- quoted securities	3,841	-	-	3,841
- unquoted securities	-	223,860	-	223,860
Financial investments available-for-sale:	10,719	14,905,036	867,246	15,783,001
- money market instruments	-	3,874,115	-	3,874,115
- quoted securities	10,719	-	-	10,719
- unquoted securities	-	11,030,921	867,246	11,898,167
Derivative assets:				
- money market instruments	-	1,283,855	-	1,283,855
	<u>14,560</u>	<u>18,228,352</u>	<u>867,246</u>	<u>19,110,158</u>
<u>Financial liabilities</u>				
Derivative liabilities:				
- money market instruments	-	1,193,538	-	1,193,538

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

26 Fair Value of Financial Instruments (cont'd)

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

Bank	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>30 September 2015</u>				
Financial assets				
Financial assets held-for-trading:	3,847	1,141,193	-	1,145,040
- money market instruments	-	1,120,419	-	1,120,419
- quoted securities	3,847	-	-	3,847
- unquoted securities	-	20,774	-	20,774
Financial investments available-for-sale:	-	17,605,892	660,009	18,265,901
- money market instruments	-	6,279,964	-	6,279,964
- quoted securities	-	-	8,520	8,520
- unquoted securities	-	11,325,928	651,489	11,977,417
Derivative assets:				
- money market instruments	-	4,401,475	-	4,401,475
	<u>3,847</u>	<u>23,148,560</u>	<u>660,009</u>	<u>23,812,416</u>
Financial liabilities				
Derivative liabilities:				
- money market instruments	-	4,158,540	-	4,158,540
<u>31 December 2014</u>				
Financial assets				
Financial assets held-for-trading:	3,841	1,687,573	-	1,691,414
- money market instruments	-	1,463,713	-	1,463,713
- quoted securities	3,841	-	-	3,841
- unquoted securities	-	223,860	-	223,860
Financial investments available-for-sale:	8,736	12,716,719	588,108	13,313,563
- money market instruments	-	3,210,054	-	3,210,054
- quoted securities	8,736	-	-	8,736
- unquoted securities	-	9,506,665	588,108	10,094,773
Derivative assets:				
- money market instruments	-	1,283,574	-	1,283,574
	<u>12,577</u>	<u>15,687,866</u>	<u>588,108</u>	<u>16,288,551</u>
Financial liabilities				
Derivative liabilities:				
- money market instruments	-	1,214,797	-	1,214,797

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

26 Fair Value of Financial Instruments (cont'd)

(i) Valuation techniques and sensitivity analysis

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

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determines fair value based upon valuation techniques that use, 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, non-transferable and non-tradable perpetual notes/sukuk and impaired securities.

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

The following represents the changes in Level 3 instruments for the financial period/year ended 30 September 2015 and 31 December 2014 for the Group and the Bank.

Financial investments available-for-sale

	Group		Bank	
	As at 30 September 2015	As at 31 December 2014	As at 30 September 2015	As at 31 December 2014
	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial period/year	867,246	907,396	588,108	633,063
Total gains recognised in other comprehensive income	61,843	43,065	61,843	43,065
Purchases	22,788	15,897	10,187	-
Settlements	(9,792)	(217,905)	(147)	(201,950)
Impairment losses written back	-	113,930	-	113,930
Exchange differences	20,046	4,863	18	-
Balance as at the end of the financial period/year	962,131	867,246	660,009	588,108

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

27 Segmental Reporting

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

Pursuant to the Group's refinement on internal fund transfer-pricing methodology and internal management reporting framework, funding centre is now under the purview and responsibility of Group Treasury. As such, the Group has restated the corresponding segment information retrospectively. The funding centre was previously categorised under 'Others' segment.

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

(a) Corporate Banking

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

(b) Retail Banking

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

(c) Business Banking

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

(d) Group Treasury

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

(e) Group International Business

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

(f) Others

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

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

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

27 Segmental Reporting (cont'd)

Group

Nine months ended 30 September 2015

	Corporate Banking	Retail Banking	Business Banking	Group Treasury	Group International Business	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	615,016	1,752,538	695,524	305,336	402,683	(3,387)	-	3,767,710
Inter-segment revenue	(6,366)	-	-	7,301	3,769	619	(5,323)	-
Segment revenue	608,650	1,752,538	695,524	312,637	406,452	(2,768)	(5,323)	3,767,710
Overhead expenses including:	(145,328)	(907,472)	(348,537)	(104,665)	(260,137)	(326,978)	5,323	(2,087,794)
Depreciation of property, plant and equipment	(1,796)	(45,727)	(5,486)	(2,157)	(9,299)	(145)	-	(64,610)
Amortisation of computer software license	(2,160)	(19,907)	(7,587)	(3,591)	(4,629)	-	-	(37,874)
Career transition scheme	-	-	-	-	-	(274,554)	-	(274,554)
Allowance (made)/written-back for impairment on loans, advances and financing	(15,877)	32,261	(82,710)	109	(32,010)	1,883	-	(96,344)
Impairment written back on other assets	8,434	-	23	-	312	-	-	8,769
Profit before taxation	455,879	877,327	264,300	208,081	114,617	(327,863)	-	1,592,341
Taxation								(389,123)
Net profit for the financial period								<u>1,203,218</u>

Nine months ended 30 September 2014

	Corporate Banking	Retail Banking	Business Banking	Group Treasury	Group International Business	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	715,792	1,830,797	658,195	293,474	301,329	(56,430)	-	3,743,157
Inter-segment revenue	(11,693)	-	-	12,569	2,837	620	(4,333)	-
Segment revenue	704,099	1,830,797	658,195	306,043	304,166	(55,810)	(4,333)	3,743,157
Overhead expenses including:	(137,766)	(936,898)	(316,591)	(93,636)	(216,029)	(43,583)	4,333	(1,740,170)
Depreciation of property, plant and equipment	(1,670)	(48,873)	(4,962)	(1,961)	(6,371)	(146)	-	(63,983)
Amortisation of computer software license	(2,081)	(18,188)	(7,043)	(3,789)	-	(2,111)	-	(33,212)
Allowance (made)/written-back for impairment on loans, advances and financing	116,761	(256,980)	(16,366)	(22,841)	(8,678)	7,234	-	(180,870)
Impairment written back/(made) on other assets	122,949	-	623	-	5	(839)	-	122,738
Profit before taxation	806,043	636,919	325,861	189,566	79,464	(92,998)	-	1,944,855
Taxation								(475,671)
Net profit for the financial period								<u>1,469,184</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

27 Segmental Reporting (cont'd)

Group

As at 30 September 2015

	Corporate Banking	Retail Banking	Business Banking	Group Treasury	Group International Business	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	51,626,323	69,309,897	20,083,010	56,240,877	26,168,705	325,500	(9,486,432)	214,267,880
Deferred tax assets								16,181
Tax recoverable								96,139
Unallocated assets								1,386,894
Total assets								<u>215,767,094</u>
Segment liabilities	39,058,412	44,647,665	16,992,760	76,421,498	19,019,975	11,401,709	(9,873,918)	197,668,101
Deferred tax liabilities								5
Tax liabilities								24,354
Unallocated liabilities								1,078,305
Total liabilities								<u>198,770,765</u>

As at 31 December 2014

	Corporate Banking	Retail Banking	Business Banking	Group Treasury	Group International Business	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	50,260,028	66,121,767	18,726,577	53,322,357	22,795,976	201,079	(8,170,294)	203,257,490
Deferred tax assets								9,956
Tax recoverable								59,792
Unallocated assets								1,309,816
Total assets								<u>204,637,054</u>
Segment liabilities	34,393,188	44,021,482	13,823,462	75,383,980	17,015,729	12,226,860	(8,500,524)	188,364,177
Deferred tax liabilities								40,818
Tax liabilities								22,418
Unallocated liabilities								774,978
Total liabilities								<u>189,202,391</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

28 Valuation of Property, Plant and Equipment

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

29 Status of Corporate Proposals

(a) Rights Issue, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment and Proposed Transfer of Listing Status (collectively referred to as the 'Proposals')

The holding company, RHB Capital Berhad ('RHB Capital') had announced that it proposes to undertake the following proposals:

(i) Rights Issue

RHB Capital is proposing to undertake a renounceable rights issue of new RHB Capital Shares ('Rights Shares') to entitled shareholders to raise proceeds of up to RM2.5 billion ('Intended Gross Proceeds').

On 7 September 2015, the issue price and the entitlement basis for the Rights Issue has been fixed at RM4.82 per Rights Share on the basis of one (1) Right Share for every five (5) existing RHB Capital Shares held by the entitled shareholders of RHB Capital as at the entitlement date of 23 November 2015.

It is the intention of RHB Capital to inject the Intended Gross Proceeds to the Bank to further capitalise the Bank and to finance the working capital requirements of the Bank and its subsidiaries ('RHB Bank Group'), only if the relevant approvals for the Proposed Internal Reorganisation are obtained and implemented ('Capital Injection').

Prior to the Capital Injection, the Bank will undertake a consolidation of two (2) ordinary shares of RM0.50 each in the Bank ('RHB Bank Shares') into one (1) ordinary share of RM1.00 each ('Consolidated RHB Bank Share').

Pursuant to the Capital Injection, the Bank will be issuing new Consolidated RHB Bank Shares to RHB Capital at an issue price equivalent to the fair market value of RHB Bank Group, which will be determined based on, amongst others, the price-to-book ratio of comparable financial institution groups listed on Bursa Malaysia Securities Berhad ('Bursa Securities').

In the event that the Proposed Internal Reorganisation is not implemented, the Intended Gross Proceeds shall be utilised to repay external bank borrowings of RHB Capital and any surplus thereafter for injection as equity into the Bank and/or repayment of borrowings from the Bank, if required.

(ii) Proposed Internal Reorganisation

The proposed Internal Reorganisation will entail the transfer by RHB Capital of its entire equity interests in, or certain assets and liabilities of its subsidiaries to the Bank, after the Rights Issue, for a total indicative consideration of approximately RM3.71 billion ('Disposal Consideration'). The Disposal Consideration was arrived at based on a 'willing-buyer, willing-seller' basis after taking into consideration the audited net assets ('NA')/net liabilities and/or the audited net book value of the Identified Assets as extracted from the audited financial statements of the respective subsidiaries of RHB Capital as at 31 December 2014.

The Identified Assets shall comprise, amongst others, the entire equity interest in RHB Investment Bank Berhad (which shall include its subsidiaries, associates and joint ventures), the entire equity interest in RHB Insurance Berhad ('RHB Insurance') and certain assets and liabilities of RHB Hartanah Sdn Bhd, including its subsidiary RHB Property Management Sdn Bhd. The Identified Assets are not exhaustive and may be varied as the Board may deem fit until completion of the Proposed Internal Reorganisation.

The Disposal Consideration to be received by RHB Capital under the Proposed Internal Reorganisation will be utilised to repay the bank borrowings of RHB Capital as well as to defray expenses relating to the Proposed Internal Reorganisation. Any excess cash after the repayment of all of RHB Capital's bank borrowings and defrayment of expenses relating to the Proposed Internal Reorganisation and after setting aside adequate cash to defray any expenses of RHB Capital will be injected into the Bank together with the proceeds from the redemption of RHB OSK Rupiah Liquid Fund (collectively referred to as the 'Excess Cash') as additional capital, in exchange for new Consolidated RHB Bank Shares, which will be issued at the same issue price as the new Consolidated RHB Bank Shares to be issued to RHB Capital pursuant to the Capital Injection.

The Proposed Internal Reorganisation will be undertaken to streamline the businesses of RHB Capital Group under the Bank with the aim to achieve greater tax efficiency in view of the change from the two-tier tax system to a single-tier tax system as well as to position the Bank to spearhead the Group's future growth.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

29 Status of Corporate Proposals (cont'd)

(iii) Proposed Distribution and Capital Repayment

The Proposed Distribution and Capital Repayment will entail the distribution of the entire shareholdings of RHB Capital in the Bank after the Rights Issue and Proposed Internal Reorganisation to entitled shareholders of RHB Capital whose names appear in the Record of Depositors of RHB Capital on an entitlement date to be determined and announced later upon completion of the Rights Issue and Proposed Internal Reorganisation and the receipt of all relevant approvals for the Proposed Distribution and Capital Repayment. The basis for the Proposed Distribution and Capital Repayment can only be determined later.

RHB Capital will cease to be a shareholder of the Bank upon completion of the Proposed Distribution and Capital Repayment. The effective percentage shareholdings of the shareholders of RHB Capital in RHB Bank shall remain unchanged before and after the Proposed Distribution and Capital Repayment.

(iv) Proposed Transfer of Listing Status

Upon completion of the Proposed Distribution and Capital Repayment, the Bank will assume the listing status of RHB Capital. Accordingly, it is proposed that the Bank will be admitted to the Official List of Bursa Securities in place of RHB Capital with the listing of and quotation for the entire issued and paid-up share capital the Bank on the Main Market of Bursa Securities.

The Proposed Transfer of Listing Status will also enable RHB Bank Group to gain direct access to the capital markets to raise funds for its continued growth, to gain recognition and corporate stature through its listing status and further enhance its corporate reputation and assist RHB Bank Group in expanding its customer base.

The inter-conditionally of the Proposals are as follows:

- (i) The Rights Issue is not conditional upon any of the other Proposals.
- (ii) The Proposed Internal Reorganisation is conditional upon the Rights Issue but is not conditional upon the Proposed Distribution and Capital Repayment and the Proposed Transfer of Listing Status.
- (iii) The Proposed Distribution and Capital Repayment and the Proposed Transfer of Listing Status are interconditional upon each other and are also conditional upon the Proposed Internal Reorganisation and Rights Issue.

The Proposed Transfer of Listing Status can only be effected after the approval of the shareholders of RHB Capital for the Proposed Winding Up of RHB Capital have been obtained at a separate EGM to be convened.

To date, the following approvals have been obtained for the Proposals:

- (i) Ministry of Finance and/or Bank Negara Malaysia (as the case may be) on 23 July 2015 for the Rights Issue, Proposed Internal Reorganisation and the Proposed Distribution and Capital Repayment under the Financial Services Act, 2013.
- (ii) Bursa Securities on 30 July 2015 and 4 September 2015 for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities pursuant to the Rights Issue as well as the Proposed Transfer of Listing Status, respectively.
- (iii) Shareholders of RHB Capital on 27 August 2015 at on EGM for the Rights Issue, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments of RHB Capital.

RHB Capital is currently in the midst of procuring all the other approvals required for the Proposals from the relevant parties/regulatory authorities.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

29 Status of Corporate Proposals (cont'd)

(b) Proposed disposal of RHB OSK Indochina Securities Limited ('RHBISL')

On 1 October 2014, RHBIBL has entered into a share sale agreement with RHB Investment Bank Berhad for the disposal of the entire equity interest in RHBISL for a consideration of USD12,500,000.

RHBISL was incorporated in Cambodia and is registered with the Securities and Exchange Commission of Cambodia ("SECC") as a licensed security firm undertaking securities underwriting business.

Approvals from BNM, SC, SECC (in principle) and National Bank of Cambodia have been obtained on 25 June 2014, 1 July 2014, 2 March 2015 and 7 May 2015 respectively. The matter is currently pending the formal approval from SECC and registration of the amended Memorandum and Articles of Association of RHBISL at the Ministry of Commerce Cambodia.

Upon completion of the disposal, RHBISL will ceased to be the wholly-owned subsidiary of RHBIBL.

30 Changes in the Composition of the Group

On 30 January 2015, the Bank injected additional capital to its wholly-owned commercial bank subsidiary, RHB Indochina Bank, which is incorporated in Cambodia amounting to USD15,000,000 (equivalent to RM54,375,000). As a result, RHB Indochina Bank's share capital has increased from USD52,000,000 to USD67,000,000.

Other than the above, there are no significant changes in the composition of the Group for the nine months ended 30 September 2015.

31 Events Subsequent to Balance Sheet Date

There were no significant events subsequent to the balance sheet date that have not been reflected in the financial statements.

32 Changes in Profit for the Quarter

For the quarter ended 30 September 2015, the Group recorded a pre-tax profit of RM280.6 million as compared to RM684.6 million recorded in the preceding quarter ended 30 June 2015. Excluding a one-off expenses on career transition scheme ('CTS') of RM274.6 million in current quarter, pre-tax profit was lower by RM129.4 million. The lower profit was mainly due to higher impairment allowances for loans, advances and financing by RM136.8 million, lower other operating income by RM62.2 million and lower impairment written back of other assets by RM1.6 million, partially offset by higher net interest income by RM61.2 million, higher income from Islamic Banking business by RM9.2 million and lower other operating expenses by RM0.8 million.

33 Performance Review

For the nine months ended 30 September 2015, the Group reported a pre-tax profit of RM1,592.3 million as compared to RM1,944.9 million recorded in the previous year corresponding period. Excluding the one-off expenses on CTS, the Group's normalised pre-tax profit was lower by 4.0% or RM78.0 million. The lower profit was mainly due to lower impairment written back on other assets by RM114.0 million, higher other operating expenses by RM73.0 million, lower net interest income by RM43.3 million and lower other operating income by RM36.9 million, partially offset by higher income from Islamic Banking business by RM104.7 million and lower impairment allowance for loans, advances and financing by RM84.5 million.

34 Prospects for Financial Year 2015

The 2015 economic growth is expected to moderate to 4.8% from 6.0% in 2014 due to weaker external and domestic demand. Domestic industry loan growth is expected to moderate to 7.5% - 8.5%, while capital market activities will continue to remain low given the macroeconomic uncertainties.

The Bank expected 2015 to be challenging and has focused on maintaining asset quality and improving operational efficiency. Following that, the Bank has adopted the Groups' reframed strategy and IGNITE 2017 Transformation Programme that has optimised to 17 high priority areas, with particular emphasis on performance. The strategy is anchored on three (3) key broad themes namely, funding our journey, winning by differentiating ourselves in the medium term, and getting the people and organization right. The Group is confident that the Transformation Programme will continue its positive momentum to achieve its targets.

Barring unforeseen circumstances, the Group's 2015 performance will be satisfactory.