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The materials relating to the offering do not constitute, and may not be used in connection with, an offer or solicitation in any place where offers or solicitations are not permitted by law. If a jurisdiction requires that the offering be made by a licensed broker or dealer and any of the dealers or any affiliate of any of the dealers is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such dealer or such affiliate on behalf of RHB Bank Berhad in such jurisdiction.

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RHB Bank Berhad

(Company No. 6171-M)

(incorporated with limited liability in Malaysia)

U.S.$5,000,000,000

Euro Medium Term Note Programme

Under the Euro Medium Term Note Programme described in this Offering Circular (the "**Programme**"), RHB Bank Berhad (the "**Issuer**" or the "**Bank**" or "**RHB Bank**"), subject to compliance with all relevant laws, regulations and directives, may from time to time issue Medium Term Notes (the "**Notes**") denominated in any currency agreed between the Issuer and the relevant Dealer (as defined herein). The Notes may be issued in bearer or registered form. The aggregate nominal amount of the Notes outstanding will not at any time exceed U.S.$5,000,000,000 (or the equivalent in other currencies) unless such amount is otherwise increased pursuant to the terms of the Programme. The Notes may be issued on a continuing basis to one or more of the Dealers specified under "Summary of the Programme" or any additional Dealer appointed under the Programme from time to time by the Issuer (each a "**Dealer**" and together the "**Dealers**"), which appointment may be for a specific issue or on an on-going basis. References in this Offering Circular to the **"relevant Dealer"** shall, in the case of an issue of Notes being (or intended to be) subscribed for by more than one Dealer, be to all Dealers agreeing to subscribe for such Notes.

Application has been made to the Labuan International Financial Exchange Inc. (the "**LFX**") for the listing of the Notes issued under the Programme and which are agreed at or prior to the time of issue thereof to be so listed on the LFX. Such permission will be granted when the Programme or such Notes have been admitted to listing on the LFX. Investors are advised to read and understand the contents of this Offering Circular before investing. If in doubt, the investor should consult his or her adviser.

Approval-in-principle has been received from the Singapore Exchange Securities Trading Limited (the "**SGX-ST**") for permission to deal in, and for quotation of, any Notes which are agreed at the time of issue to be so listed on the SGX-ST. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Notes of any Series will be approved.

The SGX-ST and the LFX assume no responsibility for the accuracy of any of the statements made or opinions expressed or reports contained herein or the contents of this document, make no representations as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon any part of the contents of this Offering Circular. The approval-in-principle from, and the admission of any Notes to the LFX and the Official List of the SGX-ST is not to be taken as an indication of the merits of the Issuer, the Programme or the Notes.

Notice of the aggregate nominal amount of Notes, interest (if any) payable in respect of Notes, the issue price of Notes and any other terms and conditions not contained herein which are applicable to each Tranche (as defined in "Overview of the Programme") of Notes will be set out in a pricing supplement (the "**Pricing Supplement**") which, with respect to Notes to be listed on the SGX-ST, will be delivered to the SGX-ST before the listing of Notes of such Tranche.

The relevant Pricing Supplement in respect of the issue of any Notes will specify whether or not such Notes will be listed on the SGX-ST, LFX or any other stock exchange. The Issuer may also issue unlisted Notes.

The Notes of each Series (as defined in "Overview of the Programme") issued in bearer form (the "**Bearer Notes**") will be represented on issue by a temporary global note in bearer form (each a "**temporary Global Note**") or a permanent global note in bearer form (each a "**permanent Global Note**" and, together with the temporary Global Note, the "**Global Note**"). Interests in a temporary Global Note will be exchangeable, in whole or in part, for interests in a permanent Global Note on or after the date 40 days after the later of the commencement of the offering and the relevant issue date (the "**Exchange Date**"), upon certification as to non-U.S. beneficial ownership. Notes in registered form (the "**Registered Notes**") will be represented by registered certificates (each a "**Certificate**"), one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Global Notes and Certificates may be deposited on the relevant issue date with a common depositary on behalf of Euroclear Bank S.A./N.V. ("**Euroclear**") and/or Clearstream Banking, *société anonyme* ("**Clearstream, Luxembourg**") (the "**Common Depositary**"). Global Notes and Certificates may also be deposited with a sub-custodian for the Hong Kong Monetary Authority ("**HKMA**"), as operator of the Central Moneymarkets Unit Service, operated by the HKMA (the "**CMU**"). The provisions governing the exchange of interests in Global Notes for other Global Notes and definitive Notes are described in "Summary of Provisions Relating to the Notes while in Global Form".

The Notes have not been and will not be registered under the United States Securities Act of 1933, as amended (the "**Securities Act**") or with any securities regulatory authority of any state or other jurisdiction of the United States, and Notes in bearer form are subject to U.S. tax law requirements. The Notes may not be offered, sold or (in the case of Notes in bearer form) delivered within the United States, subject to certain exceptions. Accordingly, the Notes are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act. For a description of these and certain further restrictions on offers, sales and transfers of Notes and distribution of this Offering Circular, see "Subscription and Sale".

The Issuer may agree with any Dealer that Notes may be issued in a form not contemplated by the Terms and Conditions of the Notes herein, in which event a supplementary Offering Circular, if appropriate, will be made available which will describe the effect of the agreement reached in relation to such Notes.

The submission to the Securities Commission Malaysia ("**SC**") in respect of the Programme was made by RHB Investment Bank Berhad as the Principal Adviser. The approval and authorisation of the SC for the Programme was obtained on 22 September 2014. The approval and authorisation of the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Notes under the Programme.

The Programme has been rated (P) A3 and BBB+ by Moody's Investors Service Inc. and Standard & Poor's Rating Services, respectively. Tranches of Notes to be issued under the Programme will be rated or unrated. Where a Tranche of Notes is to be rated, such rating will not necessarily be the same as the ratings assigned to the Programme or other Tranches of Notes. Where a Tranche of Notes is rated, the applicable rating(s) will be specified in the relevant Pricing Supplement. A security rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.

Investing in Notes issued under the Programme involves certain risks and may not be suitable for all investors. Investors should have sufficient knowledge and experience in financial and business matters to evaluate the information contained in this Offering Circular and in the applicable Pricing Supplement and the merits and risks of investing in a particular issue of Notes in the context of their financial position and particular circumstances. Investors should also have the financial capacity to bear the risks associated with an investment in Notes. Investors should not purchase the Notes unless they understand and are able to bear the risks associated with the Notes. The principal risk factors that may affect the abilities of the Issuer to fulfil its obligations in respect of the Notes are discussed under the "Risk Factors" section herein.

Principal Adviser

RHB

Arrangers and Dealers

BofA Merrill Lynch **Deutsche Bank** **RHB**

The date of this Offering Circular is 23 September 2014

The Issuer accepts responsibility for the information contained in this Offering Circular. To the best of the knowledge of the Issuer (having taken all reasonable care to ensure that such is the case) the information contained in this Offering Circular is in accordance with the facts and does not omit anything likely to affect the import of such information.

Each Tranche of Notes will be issued on the terms set out herein under "Terms and Conditions of the Notes" (the "**Conditions**") as amended and/or supplemented by the Pricing Supplement specific to such Tranche. This Offering Circular must be read and construed together with any amendments or supplements hereto and with any information incorporated by reference herein and, in relation to any Tranche of Notes, must be read and construed together with the relevant Pricing Supplement.

The distribution of this Offering Circular and any Pricing Supplement and the offering, sale and delivery of the Notes in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Issuer, the Arrangers and the Dealers to inform themselves about and to observe any such restrictions. None of the Issuer, the Arrangers or the Dealers represents that this Offering Circular or any Pricing Supplement may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in any such jurisdiction, or pursuant to an exemption available thereunder, or assumes any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer, the Arrangers or the Dealers which would permit a public offering of any Notes or distribution of this Offering Circular or any Pricing Supplement in any jurisdiction where action for such purposes is required. Accordingly, no Notes may be offered or sold, directly or indirectly, and none of this Offering Circular, any Pricing Supplement or any advertisement or other offering material may be distributed or published in any jurisdiction, except under circumstances that will result in compliance with any applicable laws and regulations.

If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Dealer or any affiliate of the Dealer is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by the Dealer or such affiliate on behalf of the Issuer in such jurisdiction.

There are restrictions on the offer and sale of the Notes and the circulation of documents relating thereto, in certain jurisdictions including, but not limited to, the United States of America, the European Economic Area, the United Kingdom, the Republic of Singapore, Malaysia, the People's Republic of China, Hong Kong, Japan and to persons connected therewith. The Notes have not been and will not be registered under the Securities Act or with any securities regulatory authority of any state or other jurisdiction of the United States and may include Bearer Notes that are subject to U.S. tax law requirements. Subject to certain exceptions, the Notes may not be offered, sold or, in the case of Bearer Notes, delivered within the United States. The Notes are being offered and sold outside the United States in reliance on Regulation S under the Securities Act. For a description of certain restrictions on offers, sales and transfers of Notes and on the distribution of this Offering Circular, see "Subscription and Sale".

This Offering Circular is to be read in conjunction with all documents which are deemed to be incorporated herein by reference (see "Documents Incorporated by Reference"). This Offering Circular shall be read and construed on the basis that such documents are incorporated and form part of this Offering Circular.

Listing of the Notes on the LFX and/or the SGX-ST is not to be taken as an indication of the merits of the Issuer and its subsidiaries (collectively the "**Group**"), the Issuer or the Notes. In making an investment decision, investors must rely on their own examination of the Issuer, the Group and the terms of the offering, including the merits and risks involved. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Notes.

No person has been authorised by the Issuer to give any information or to make any representation not contained in or not consistent with this Offering Circular or any other document entered into in relation to the Programme and the sale of Notes and, if given or made, such information or representation should not be relied upon as having been authorised by the Issuer, any Dealer or the Arrangers.

Neither the delivery of this Offering Circular or any Pricing Supplement nor the offering, sale or delivery of any Note shall, in any circumstances, create any implication that the information contained in this Offering Circular is true subsequent to the date hereof or the date upon which this Offering Circular has been most recently amended or supplemented or that there has been no adverse change, or any event reasonably likely to involve any adverse change, in the prospects or financial or trading position of the Issuer since the date thereof or, if later, the date upon which this Offering Circular has been most recently amended or supplemented or that any other information supplied in connection with the Programme is correct at any time subsequent to the date indicated in the document containing the same.

Neither this Offering Circular nor any Pricing Supplement constitutes an offer or an invitation to subscribe for or purchase any Notes and should not be considered as a recommendation by the Issuer, the Arrangers, the Dealers or any director, officer, employee, agent or affiliate of any such person or any of them that any recipient of this Offering Circular or any Pricing Supplement should subscribe for or purchase any Notes. Each recipient of this Offering Circular or any Pricing Supplement shall be taken to have made its own investigation and appraisal of the condition (financial or otherwise) of the Issuer.

The maximum aggregate principal amount of Notes outstanding at any one time under the Programme will not exceed U.S.$5,000,000,000 (and for this purpose, any Notes denominated in another currency shall be translated into U.S.$ at the date of the agreement to issue such Notes calculated in accordance with the provisions of the Dealer Agreement as defined under "Subscription and Sale"). The maximum aggregate principal amount of Notes which may be outstanding at any one time under the Programme may be increased from time to time, subject to approval of the relevant authorities and/or relevant parties and compliance with the relevant provisions of the Dealer Agreement.

In connection with the issue of any Tranche of Notes, the Dealer or Dealers (if any) named as the stabilising manager(s) (the "Stabilising Manager(s)") (or persons acting on behalf of a Stabilising Manager) in the applicable Pricing Supplement may, to the extent permitted by applicable laws and rules, over-allot the Notes or effect transactions with a view to supporting the market price of the Notes at a level higher than that which might otherwise prevail. However, there is no assurance that the Stabilising Manager(s) (or persons acting on behalf of a Stabilising Manager) will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the offer of the relevant Tranche of Notes is made and, if begun, may be ended at any time, but it must end no later than the earlier of 30 days after the issue date of the relevant Tranche of Notes and 60 days after the date of the allotment of the relevant Tranche of Notes. Any stabilisation or over-allotment must be conducted by the relevant Stabilising Manager(s) (or any person acting on behalf of the relevant Stabilising Manager) in accordance with all applicable laws and rules.

None of the Arrangers or the Dealers have independently verified any of the information contained in this Offering Circular and can give no assurance that this information is accurate, truthful or complete. To the fullest extent permitted by law, neither the Arrangers nor any of the Dealers, or any director, officer, employee, agent or affiliate of any such persons make any representation, warranty or undertaking, express or implied, or accepts any responsibility, with respect to the accuracy or completeness of any of the information in this Offering Circular. To the fullest extent permitted by law, neither the Arrangers nor the Dealers, or any director, officer, employee, agent or affiliate of any such persons, accept any responsibility for the contents of this Offering Circular or for any other statement made or purported to be made by any of the Arrangers, the Dealer, or any director, officer, employee, agent or affiliate of any such person or on its behalf in connection with the Issuer, the Group or the issue and offering of the Notes. Each Arranger and each Dealer accordingly disclaim all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement.

This Offering Circular does not describe all of the risks and Risk Factors (including those relating to each investor's particular circumstances) of an investment in Notes of a particular issue. Each potential purchaser of Notes should refer to and consider carefully the relevant Pricing Supplement for each particular issue of Notes, which may describe additional risks and Risk Factors associated with such Notes. The risks and Risk Factors identified in this Offering Circular and the applicable Pricing Supplement are provided as general information only. Investors should consult their own financial and legal advisers as to the risks and Risk Factors arising from an investment in an issue of Notes and should possess the appropriate resources to analyse such investment and the suitability of such investment in their particular circumstances.

Neither this Offering Circular nor any other information provided or incorporated by reference in connection with the Programme are intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Issuer, the Arrangers or the Dealers, or any director, officer, employee, agent or affiliate of any such persons, that any recipient, of this Offering Circular or of any such information should purchase the Notes. Each potential purchaser of Notes should make its own independent investigation of the financial condition and affairs, and its own appraisal of the creditworthiness, of the Issuer and the Group. Each potential purchaser of Notes should determine for itself the relevance of the information contained in this Offering Circular and its purchase of Notes should be based upon such investigation as it deems necessary. Neither the Arrangers nor the Dealers or any agent or affiliate of any such persons undertake to review the financial condition or affairs of the Issuer or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or potential investor in the Notes of any information coming to the attention of any of the Arrangers or the Dealers or any of them.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding.

Except as otherwise indicated in this Offering Circular, all non-company specific statistics and data relating to the industry or to the economic development of certain regions within Malaysia have been extracted or derived from publicly available information and industry publications. The information has not been independently verified by the Issuer, the Arrangers, the Dealers or by their respective directors and advisers, and neither the Issuer, the Arrangers, the Dealers nor their respective directors and advisers make any representation as to the accuracy or completeness of that information. In addition, third party information providers may have obtained information from market participants and such information may not have been independently verified. Accordingly, such information should not be unduly relied upon.

FORWARD-LOOKING STATEMENTS

Certain statements under "Risk Factors", "Description of the Group" and elsewhere in this Offering Circular constitute "*forward-looking statements*". The words including "*believe*", "*expect*", "*plan*", "*anticipate*", "*schedule*", "*estimate*" and similar words or expressions identify forward-looking statements. In addition, all statements other than statements of historical facts included in this Offering Circular, including, but without limitation, those regarding the financial position, business strategy, prospects, capital expenditure and investment plans of the Group and the plans and objectives of the Group's management for its future operations (including development plans and objectives relating to the Group's operations), are forward-looking statements. Such forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause actual results or performance of the Group to differ materially from those expressed or implied by such forward-looking statements. Such forward-looking statements are based on numerous assumptions regarding the Group's present and future business strategies and the environment in which the Group will operate in the future. The Issuer expressly disclaims any obligation or undertaking to release any updates or revisions to any forward-looking statements contained herein to reflect any change in the Issuer's or the Group's expectations with regard thereto or any change of events, conditions or circumstances, on which any such statements were based. This Offering Circular discloses, under "Risk Factors" and elsewhere, important factors that could cause actual results to differ materially from the Issuer's expectations. All subsequent written and forward-looking statements attributable to the Issuer or persons acting on behalf of the Issuer are expressly qualified in their entirety by such cautionary statements.

In addition, other factors that could cause actual results to differ materially from those estimated by the forward-looking statements contained in this Offering Circular include, but are not limited to, general economic and political conditions in Malaysia, South East Asia, and other countries which have an impact on the Issuer's business activities or investments, political or financial instability in Malaysia or any other country caused by any factor including any terrorist attacks in Malaysia, the United States or elsewhere or any other acts of terrorism worldwide, any anti-terrorist or other attacks by the United States, a United States-led coalition or any other country, the monetary and interest rate policies of Malaysia, military armament or social unrest in any part of Malaysia, inflation, deflation, unanticipated turbulence in interest rates, changes in the value of the Ringgit, foreign exchange rates, equity prices or other rates or prices, the performance of the financial markets, changes in domestic and foreign laws, regulations and taxes, changes in competition and the pricing environment in Malaysia and regional or general changes in asset valuations.

CERTAIN TERMS AND REFERENCES

In this Offering Circular, unless otherwise specified, all references to the "**Government**" are to the Government of Malaysia; all references to "**Singapore**" are to the Republic of Singapore; all references to "**United States**" or "**U.S.**" are to the United States of America; references to "**China**", "**Mainland China**" and the "**PRC**" in this Offering Circular mean the People's Republic of China and for geographical reference only (unless otherwise stated) exclude Taiwan and the Macau and Hong Kong Special Administrative Regions; references to "**PRC Government**" mean the government of the PRC; references to "**Hong Kong**" are to the Hong Kong Special Administrative Region of the People's Republic of China; references to "**Macau**" are to the Macao Special Administrative Region of the People's Republic of China; and all references to "**United Kingdom**" are to the United Kingdom of Great Britain and Northern Ireland. All references to a fiscal year are to the year starting on 1 January and ending on 31 December.

All references in this document to "**euro**" refer to the currency introduced at the start of the third stage of European economic and monetary union pursuant to the Treaty on the functioning of the European Union, and as defined in Article 2 of Council Regulation (EC) No. 974/98 of 3 May 1998 on the introduction of the euro as amended and to "**Ringgit**" and "**RM**" refer to Malaysian Ringgit. In addition, references to "**sterling**" and "**£**" refer to pounds sterling, references to "**U.S. dollars**", "**US$**", "**U.S.$**" and "**$**" refer to United States dollars; all references to "**S$**" refer to Singapore dollars; all references to "**HK$**" and to "**HKD**" are to Hong Kong dollars; all references to "**yen**" are to Japanese yen; and all references to "**Renminbi**", "**CNH**", "**RMB**" and "**CNY**" are to the currency of the PRC.

For the convenience of the readers, certain Ringgit amounts have been translated into U.S. dollar amounts, based on the prevailing exchange rate of RM3.2815 = US$1.00 as of 31 December 2013 and RM3.2105 = US$1.00 as of 30 June 2014, being the mid-day exchange rate for Ringgit against U.S. dollars dealt on those dates by Bank Negara Malaysia ("**BNM**"), the Central Bank of Malaysia. Such translations should not be construed as representations that the Ringgit or U.S. dollar amounts referred to could have been, or could be, converted into Ringgit or U.S. dollars, as the case may be, at that or any other rate or at all.

Rounding adjustments have been made in calculating some of the financial information included in this Offering Circular. As a result, numerical figures shown as totals in some tables may not be exact arithmetic aggregations of the figures that precede them.

SECURITIES COMMISSION MALAYSIA

In accordance with the Capital Markets and Services Act 2007 of Malaysia ("**CMSA**"), a copy of this Offering Circular will be deposited with the SC, which takes no responsibility for its contents. The issue, offer and invitation to subscribe in relation to the Notes in this Offering Circular or otherwise are subject to the fulfilment of various conditions precedent including, without limitation, the applicable approval and authorisation from the SC. The Programme is approved and authorised by the SC pursuant to sections 212(4) and 212(5) of the CMSA, pursuant to the SC's deemed approval process. Please note that the approval and authorisation of the SC shall not be taken to indicate that the SC recommends the subscription or purchase of the Notes. The SC shall not be liable for any non-disclosure on the part of the Issuer and assumes no responsibility for the accuracy of any statements made or opinions or reports expressed in this Offering Circular.

NO OFFER OR SALE IN PRC

The Issuer does not represent that this Offering Circular may be lawfully distributed, or that any Notes may be lawfully offered, in compliance with any applicable registration or other requirements in the PRC, or pursuant to an exemption available thereunder, or assume any responsibility for facilitating any such distribution or offering. In particular, no action has been taken by the Issuer which would permit a public offering of any Notes or distribution of this document in the PRC. Accordingly, the Notes are not being offered or sold within the PRC by means of this Offering Circular or any other document. Neither this Offering Circular nor any advertisement or other offering material may be distributed or published in the PRC, except under circumstances that will result in compliance with any applicable laws and regulations.

INDUSTRY AND MARKET DATA

Industry and market data throughout this Offering Circular was obtained from a combination of internal company surveys, the good faith estimates of management, and data from various research firms, official sources, or trade associations. While the Issuer believes that its internal surveys, estimates of management, and data from research firms, official sources, or trade associations are reliable, none of the Issuer, the Arrangers, the Dealers, the Agents or their respective affiliates has verified this data with independent sources. Accordingly, none of the Issuer, the Arrangers, the Dealers or the Agents makes any representations as to the accuracy or completeness of that data. The Issuer confirms that the industry and market data contained in this Offering Circular has been accurately extracted and contains no omissions or misstatements; however, such data involves risks and uncertainties and is subject to change based on various factors, including those factors discussed in the "Risk Factors" section herein.

DOCUMENTS INCORPORATED BY REFERENCE

This Offering Circular should be read and construed in conjunction with each relevant Pricing Supplement, the most recently published audited annual financial statements and any interim financial statements (whether audited or unaudited) published subsequently to such annual financial statements of the Issuer from time to time (if any), together with the audit or review reports in respect thereof, and all amendments and supplements from time to time to this Offering Circular, which shall be deemed to be incorporated in, and to form part of, this Offering Circular and which shall be deemed to modify or supersede the contents of this Offering Circular to the extent that a statement contained in any such document is inconsistent with such contents.

Copies of all such documents which are so deemed to be incorporated in, and to form part of, this Offering Circular will be available free of charge during usual business hours on any weekday (Saturdays and public holidays excepted) from the specified offices of the Paying Agents and the specified office in the United Kingdom of the Fiscal Agent (as defined under "Summary of the Programme") set out at the end of this Offering Circular.

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Overview of the Programme

The following overview does not purport to be complete and is qualified in its entirety by the remainder of this Offering Circular. Words and expressions defined in "Terms and Conditions of the Notes" below or elsewhere in this Offering Circular have the same meanings in this overview.

Issuer	RHB Bank Berhad
Description	Medium Term Note Programme
Programme Limit	Up to U.S.$5,000,000,000 (or the equivalent in other currencies calculated as described in the Dealer Agreement) outstanding at any time. The Issuer may increase this amount in accordance with the terms of the Dealer Agreement (as defined herein) and subject to obtaining approval or consent of the relevant authorities and/or relevant parties
Arrangers	Merrill Lynch (Singapore) Pte. Ltd., Deutsche Bank AG, Singapore Branch, and RHB Investment Bank Berhad.
Dealers	Merrill Lynch (Singapore) Pte. Ltd., Deutsche Bank AG, Singapore Branch, and RHB Investment Bank Berhad. Pursuant to the Dealer Agreement, the Issuer may from time to time appoint additional dealers either in respect of one or more Tranches or in respect of the whole Programme or terminate the appointment of any dealer under the Programme. References in this Offering Circular to "**Permanent Dealers**" are to the persons listed above as Dealers and to such additional persons that are appointed as dealers in respect of the whole Programme (and whose appointment has not been terminated) and references to "**Dealers**" are to all Permanent Dealers and all persons appointed as a dealer in respect of one or more Tranches.
Principal Adviser	For the purpose of making submission to the Securities Commission Malaysia, RHB Investment Bank Berhad.
Fiscal Agent	Bank of America, N.A.
CMU Lodging and Paying Agent	The Hongkong and Shanghai Banking Corporation Limited
Registrar and Transfer Agent in respect of CMU Notes	The Hongkong and Shanghai Banking Corporation Limited
Transfer Agent in respect of Registered Notes other than CMU Notes	Bank of America, N.A.
Registrar in respect of Registered Notes other than CMU Notes	Merrill Lynch Equity S.a.r.l.
Currencies	Subject to compliance with all relevant laws, regulations and directives, Notes may be issued in any currency as may be agreed between the Issuer and the relevant Dealer.
Specified Denomination	Notes will be issued in such denominations as may be agreed between the Issuer and the relevant Dealer save that the minimum denomination of each Note will be such as may be allowed or required from time to time by the relevant central bank (or equivalent body) or any laws or regulations applicable to the relevant Specified Currency.

	Unless otherwise permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the Financial Services and Markets Act 2000 ("**FSMA**") will have a minimum denomination of £100,000 (or its equivalent in other currencies). The minimum specified denomination of each Note to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under Directive 2003/71/EC (the "**Prospectus Directive**") shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).
Form of Notes	The Notes may be issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") only. Each Tranche of Bearer Notes will be represented on issue by a temporary Global Note if (i) definitive Notes are to be made available to Noteholders following the expiry of 40 days after their issue date or (ii) such Notes have an initial maturity of more than one year and are being issued in compliance with the D Rules (as defined in the "Selling Restrictions" below), otherwise such Tranche will be represented by a permanent Global Note. Registered Notes will be represented by Certificates, one Certificate being issued in respect of each Noteholder's entire holding of Registered Notes of one Series. Certificates representing Registered Notes that are registered in the name of a nominee for one or more clearing systems are referred to as "**Global Certificates**".
Clearing Systems	Euroclear, Clearstream, Luxembourg, the CMU and, in relation to any Tranche, such other clearing system as may be agreed between the Issuer, the Fiscal Agent and the relevant Dealer.
Initial Delivery of Notes	On or before the issue date for each Tranche, the Global Note representing Bearer Notes or the Global Certificate representing Registered Notes may be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or deposited with a sub-custodian for the CMU. Global Notes or Global Certificates may also be deposited with any other clearing system or may be delivered outside any clearing system provided that the method of such delivery has been agreed in advance by the Issuer, the Fiscal Agent and the relevant Dealer. Registered Notes that are to be credited to one or more clearing systems on issue will be registered in the name of nominees or a common nominee for such clearing systems.
Maturities	Subject to compliance with all relevant laws, regulations and directives and such minimum or maximum maturities as may be allowed or required from time to time by the relevant central bank (or equivalent body), any maturity as may be agreed between the Issuer and the relevant Dealer.
Method of Issue	The Notes may be distributed by way of direct placement or bought deal or bookrunning basis, and in each case on a syndicated or non-syndicated basis. The Notes will be issued in series (each a "**Series**")

	having one or more issue dates and on terms otherwise identical (or identical other than in respect of the first payment of interest, if any), the Notes of each Series being intended to be interchangeable with all other Notes of that Series. Each Series may be issued in tranches (each a "**Tranche**") on the same or different issue dates. The specific terms of each Tranche of the Notes (which will be completed, where necessary, with the relevant terms and conditions and, save in respect of the issue date, issue price, first payment of interest and nominal amount of the Tranche, will be identical to the terms of other Tranches of the same Series) will be set out in a pricing supplement to this Offering Circular (a "**Pricing Supplement**").
Issue Price	Notes may be issued at their nominal amount or at a discount or premium to their nominal amount. Partly Paid Notes may be issued, the issue price of which will be payable in two or more instalments.
Fixed Rate Notes	Fixed Rate Notes will bear interest of the fixed rate per annum specified in the applicable Pricing Supplement. Fixed interest will be payable in arrears on such day(s) as may be agreed between the Issuer and the relevant Dealer (as indicated in the applicable Pricing Supplement).
Floating Rate Notes	Floating Rate Notes will bear interest determined separately for each Series as follows: (i) on the same basis as the floating rate under a notional interest rate swap transaction in the relevant Specified Currency governed by an agreement incorporating the 2006 ISDA Definitions published by the International Swaps and Derivatives Association, Inc.; or (ii) by reference to LIBOR, LIBID, LIMEAN or EURIBOR (or such other benchmark as may be specified in the relevant Pricing Supplement) as adjusted for any applicable margin. Interest periods will be specified in the relevant Pricing Supplement.
Variable Rate Notes	Variable Rate Notes may be issued pursuant to the Programme on terms specified in the relevant Pricing Supplement.
Zero Coupon Notes	Zero Coupon Notes may be issued at their nominal amount or at a discount to it and will not bear interest.
Other Notes	Terms applicable to any other type of Note which the Issuer and any relevant Dealer(s) may agree to issue under the Programme will be set out in the relevant Pricing Supplement.
Interest Period and Interest Rates	The length of the interest periods for the Notes and the applicable interest rate or its method of calculation may differ from time to time or be constant for any Series. Notes may have a maximum interest rate, a minimum interest rate, or both. The use of interest accrual periods permits the Notes to bear interest at different rates in the same interest period. All such information will be set out in the relevant Pricing Supplement.
Redemption	The relevant Pricing Supplement will specify the basis for calculating the redemption amounts payable. Unless permitted by then current laws and regulations, Notes (including Notes denominated in sterling) which have a maturity of less than one year and in respect of which the issue proceeds are to be accepted by the Issuer in the

	United Kingdom or whose issue otherwise constitutes a contravention of Section 19 of the FSMA must have a minimum redemption amount of £100,000 (or its equivalent in other currencies).
Redemption by Instalments	The Pricing Supplement issued in respect of each issue of Notes that are redeemable in two or more instalments will set out the dates on which, and the amounts in which, such Notes may be redeemed.
Optional Redemption	The Pricing Supplement issued in respect of each issue of Notes will state whether such Notes may be redeemed prior to their stated maturity at the option of the Issuer (either in whole or in part) and/or the holders, and if so the terms applicable to such redemption.
Withholding Tax	All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Malaysia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders, the Receiptholders and the Couponholders of such amount as would have been received by them had no such withholding or deduction been required, subject to certain exceptions as set out in "Terms and Conditions of the Notes — Taxation".
Status of the Notes	The Notes and the Receipts and Coupons relating to them will constitute direct, unsubordinated and (subject to Condition 4 (Negative Pledge)) unsecured obligations of the Issuer and will at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4 (Negative Pledge), at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.
Negative Pledge	See "Terms and Conditions of the Notes — Negative Pledge".
Events of Default (including Cross Default)	See "Terms and Conditions of the Notes — Events of Default".
Ratings	The Programme has been rated "(P) A3" by Moody's Investors Service, Inc. ("**Moody's**") and "BBB+" by Standard & Poor's Rating Services ("**S&P**"). Each Tranche of Notes issued under the Programme may be rated or unrated. When a Tranche of Notes is rated, its rating will be specified in the relevant Pricing Supplement and its rating will not necessarily be the same as the rating applicable to the Programme. A rating is not a recommendation to buy, sell or hold securities and may be subject to suspension, reduction or withdrawal at any time by the assigning rating agency.
Early Redemption	Except as provided in "Optional Redemption" above, Notes will be redeemable at the option of the Issuer prior to maturity only for tax reasons. See "Terms and Conditions of the Notes — Redemption, Purchase and Options".

Listing	Approval-in-principle has been received from the SGX-ST for permission to deal in, and for quotation of, any Notes which are agreed at the time of issue to be so listed on the SGX-ST. There is no assurance that the application to the Official List of the SGX-ST for the listing of the Notes of any Series will be approved. Application has been made to the LFX for the listing, and permission to deal in the Notes. The Notes may also be listed on such other or further stock exchange(s) as may be agreed between the Issuer and the relevant Dealer in relation to each Series. For so long as any Notes are listed on the SGX-ST and the rules of the SGX-ST so require, such Notes will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies). Unlisted Notes may also be issued. The Pricing Supplement relating to each Series of Notes will state whether or not the Notes of such Series will be listed on any stock exchange(s) and, if so, on which stock exchange(s) the Notes are to be listed.
Governing Law	English law.
Selling Restrictions	The United States, the Public Offer Selling Restriction under the Prospectus Directive (in respect of Notes having a specified denomination of less than €100,000 or its equivalent in any other currency as at the date of issue of the Notes), the United Kingdom, Malaysia, Japan, Singapore, Hong Kong, the PRC and other restrictions as may be required in connection with a particular issue of Notes. See "Subscription and Sale". The Issuer is Category 1 for the purposes of Regulation S under the Securities Act. The Notes will be issued in compliance with U.S. Treas. Reg. §1.163-5(c)(2)(i)(D) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**D Rules**") unless (i) the relevant Pricing Supplement states that the Notes are issued in compliance with U.S. Treas. Reg. §l.163-5(c)(2)(i)(C) (or any successor U.S. Treasury Regulation section including, without limitation, regulations issued in accordance with U.S. Internal Revenue Service Notice 2012-20 or otherwise in connection with the U.S. Hiring Incentives to Restore Employment Act of 2010) (the "**C Rules**") or (ii) the Notes are issued other than in compliance with the D Rules or the C Rules but in circumstances in which the Notes will not constitute "registration required obligations" under the United States Tax Equity and Fiscal Responsibility Act of 1982 ("**TEFRA**"), which circumstances will be referred to in the relevant Pricing Supplement as a transaction to which TEFRA is not applicable.
Use of Proceeds	The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for its and its Subsidiaries' general working capital and other corporate purposes and general financing or refinancing requirements. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement.

Risk Factors

The Issuer believes that the following considerations may affect its ability to fulfil its obligations under the Notes issued under the Programme. All of these considerations are contingencies which may or may not occur and the Issuer is not in a position to express a view on the likelihood of any such contingency occurring.

In addition, considerations which the Issuer believes may be material for the purpose of assessing the market risks associated with Notes issued under the Programme are also described below.

The Issuer believes that the considerations described below represent the principal risks inherent in investing in Notes issued under the Programme, but the inability of the Issuer to pay interest, principal or other amounts on or in connection with any Notes may occur for other reasons which may not be considered significant risks by the Issuer based on information currently available to it or which it may not currently be able to anticipate and the Issuer therefore does not represent that the statements below regarding the risks of holding any Notes are exhaustive. Prospective investors should also read the detailed information set out elsewhere in this Offering Circular and reach their own views prior to making any investment decision. Prior to making any decision to invest in the Notes, prospective investors are also advised to seek professional advice and undertake their own investigations on the Issuer and any other parties or matters connected with the Notes as they may consider necessary.

Considerations relating to the Group

Before investing in the Notes, prospective investors should pay particular attention to the fact that the Group and its activities are subject to the legal, regulatory and business environment in Malaysia and the other markets in which the Group operates (including, but not limited to, Singapore, Brunei, Thailand, Cambodia, Laos, Vietnam and Myanmar). In the event of any of the following investment considerations materialising, the Group's business, financial condition and/or results of operations could be materially and adversely affected.

In the course of its business activities, the Group is exposed to a variety of risks, including but not limited to credit risks, operational risks, liquidity risks and interest rate risks. While the Group believes that it has implemented the appropriate policies, systems and processes to control and mitigate these risks, investors should note that any failure to adequately control these risks could be greater than anticipated and could result in adverse effects on the Group's financial condition, results of operations, prospects and reputation.

Liquidity risks arising in connection with the Group's failure to anticipate changes in funding sources could adversely impact the Group's ability to meet its obligations and may increase its cost of funds

Liquidity risks could arise from the Group's inability to anticipate and provide for unforeseen decreases or changes in funding sources, which could have adverse consequences on the Group's ability to meet its obligations when they fall due. The primary sources of funding include customer deposits, interbank deposits and placements with other financial institutions.

Other sources of funding for the Group include debt securities and the interbank market. See "Capital Adequacy and Funding" section of this Offering Circular. The Group continuously explores different avenues to diversify its funding sources both locally and globally through a variety of instruments, including certificates of deposit, debt securities issuances and asset securitisation.

Although the Group's policy is to maintain prudent liquidity risk management, to maintain a diversified and stable source of cheaper funding and to minimise undue reliance on any particular funding source, there is no assurance that such a policy can be maintained. In relation to its reliance on short-term funding sources, although a substantial portion of these customers' deposits have, in the past, rolled over upon maturity, which provided a stable source of funding for the Group, no assurance can be given that this will happen in the future. If a substantial number of depositors, or a few depositors with significant deposit balances, fail to roll over deposited funds upon maturity, the Group's liquidity position could be adversely affected and the Group may be required to seek alternative sources of short-term or long-term funding, which may be more expensive than deposits, to finance its operations. In addition, the Group may undertake efforts to extend the tenure of its existing funding, which could result in increased funding costs. There can be no assurance that such alternative sources of funding will be available or that the tenure of such funding will be extended as and when required.

Capital and credit markets may be volatile and the availability of funds may be limited during times of volatility. Volatility in international capital markets may result in the Group incurring increased financing costs associated with its debt and with the issuance of debt securities. Moreover, it is possible that the Group's ability to access the capital and credit markets may be limited by these or other factors at a time when the Group would like, or need, to do so, and as a result could have an impact on the Group's ability to grow its business, refinance maturing debt, maintain credit ratings and/or react to changing economic and business conditions. The Group may require additional financing to support the future growth of its business and/or to refinance existing debt obligations. There can be no assurance that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group.

The Group's business is inherently subject to the risk of market fluctuations

The Group's business is inherently subject to risks in financial markets and in the wider economy, including changes in, and increased volatility of, exchange rates, interest rates, inflation rates, credit spreads, commodity, equity, bond and property prices and the risk that its customers may act in a manner which is inconsistent with business, pricing and hedging assumptions. In particular, as a result of the Group's expansion into foreign markets, the Group may become increasingly exposed to changes in, and increased volatility of, foreign currency exchange rates.

Market movements may have an impact on the Group in a number of key areas. For example, changes in interest rate levels, yield curves and spreads affect the interest rate margin realised between lending and borrowing costs. Historically, there have been periods of high and volatile interbank lending margins over official rates (to the extent that banks have been willing to lend at all), which have exacerbated these risks. Competitive pressures on fixed rates or product terms in existing loans and deposits sometimes restrict the Group in its ability to change customer interest rates in response to changes in official and wholesale market rates.

Any failure by the Group to implement, or consistently follow, its risk management systems may adversely affect its financial condition and results of operations, and there can be no assurance that the Group's risk management systems will be effective. In addition, the Group's risk management systems may not be fully effective in mitigating risk exposure in all market environments or against all types of risks, including risks that are unidentified or unanticipated. Some methods of managing risks are based upon observed historical market behaviour. As a result, these methods may not predict future risk exposures, which could be significantly greater than the historical measures indicated.

Credit risks arising in connection with the Group's businesses or a deterioration in the credit quality of the Group's counterparties could affect the recoverability and value of the Group's assets and require increased provisioning

Credit risks arising from adverse changes in the credit quality and recoverability of loans, advances and amounts due from counterparties are inherent in a wide range of the Group's businesses. Credit risks could arise from deterioration in the credit quality of the Group's specific counterparties, from a general deterioration in local or global economic and market conditions or from systemic risks within the financial systems. Although the Group believes that it has adopted a sound asset quality management system, there can be no assurance that the system will remain effective or adequate or that the amount of the Group's impaired or non-performing loans will not increase in the future. If the asset quality of the Group's loan portfolio deteriorates, the Group could be required to make additional provisions and write-offs, which may materially and adversely affect the Group's business, financial condition, results of operations and prospects. See "Risk Management" section of this Offering Circular for a description of the Group's exposure to credit risks.

Deterioration in collateral values, in particular the value of real estate, or inability to realise collateral value may necessitate an increase in the Group's provisions

A significant portion of the Group's net loans are secured by collateral such as real estate, the values of which may, in some cases, decline due to economic deterioration or a general worsening of the current global market outlook. This may result in a portion of the Group's loans exceeding the value of the underlying collateral. Any such deterioration in the value of the collateral securing the Group's loans or its inability to obtain additional collateral or realise the value of existing collateral may require the Group to increase its loan provisions, which may adversely affect the business, financial condition and results of operations of the Group.

Interest rate risks arising in connection with the Group's loan portfolio, holdings of securities and its interbank deposits and placements could adversely impact the Group

The Group's exposure to interest rate risk arises from its loan portfolio, holdings of securities and its interbank deposits and placements. When the market interest rates decline, the Group's net interest margin generally decreases due to the immediate re-pricing of its base lending rate based loans compared with slower re-pricing of the interest paid on customers' deposits, in particular fixed/time deposits which are only re-priced on maturity. In addition, a portion of the portfolio of the Group's loans is composed of fixed rate loans such as hire purchase loans and personal loans, which are financed with fixed interest rates over the tenure of such loans. The net interest margin on certain of the Group's banking products, credit cards for example, may also be compressed in a rising interest rate environment due to statutory caps on the interest rate that the Group may charge its customers, therefore potentially preventing the Group from passing on the full amount of the interest rate increase to its customers. Net interest margin also faces significant pressure due to competition within the Malaysian banking sector, where market participants compete aggressively on price in certain product sectors.

Competitive pressures on fixed rates or product terms in existing loans and deposits sometimes restrict the Group in its ability to change interest rates applying to customers in response to changes in official and wholesale market rates. The actual effect on net interest income due to changes in interest rates will depend on the degree and timing of changes in interest rates, the behaviour and contractual re-pricing dates of the Group's assets and liabilities and the Group's ability to respond to changes in its interest rates on loans and deposits. Although the Group believes that it has adopted sound interest rate risk management strategies, there is no assurance that such strategies will remain effective or adequate in the future.

Ownership Profile of the Issuer and the Group may change

As at the date of this Offering Circular, the Issuer is wholly-owned by RHB Capital Berhad ("**RHB Capital**"). Whilst the Issuer understands that it is the current intention of RHB Capital to maintain its current shareholding position in the Issuer, there is no assurance that RHB Capital will continue to maintain 100 per cent. ownership of the Issuer and there is therefore no assurance that RHB Capital will be able to continue to exercise influence over the Issuer and the Group and its policies and operations in the future.

The Group may be unable to successfully integrate the businesses and undertakings of CIMB Group and RHB Capital or the Islamic banking businesses with MBSB or achieve synergies and other benefits expected from the Proposed Merger

On 10 July 2014, RHB Capital announced that BNM, vide its letter dated 10 July 2014 (the "**BNM Approval**"), had no objection to RHB Capital commencing negotiations with CIMB Group Holdings Berhad ("**CIMB Group**") and Malaysia Building Society Berhad ("**MBSB**") for (i) a possible merger of the businesses and undertakings of CIMB Group and RHB Capital; and (ii) the merger of the Group's Islamic banking businesses with MBSB (together, the "**Proposed Merger**").

Pursuant to the BNM Approval, RHB Capital, CIMB Group and MBSB have entered into an exclusivity agreement to negotiate and finalise the structure, price and other relevant terms and conditions for the Proposed Merger, for a period of ninety days (unless otherwise agreed) with an automatic extension of such period (upon relevant submissions being made to the BNM on the Proposed Merger) until the date of execution of a definitive agreement(s) to effect the Proposed Merger.

At present, it is uncertain whether the Proposed Merger (in whole or in part) (i) will be effected; and (ii) will lead to the kind of integration (if any at all) between RHB Capital, CIMB Group and MBSB as proposed under RHB Capital's merger announcement dated 10 July 2014.

In the event that the Proposed Merger takes effect and results in any form of integration between RHB Capital and either, or both, of CIMB Group and MBSB, difficulties may arise from operating a significantly larger and more complex organisation and the Group may not be able to achieve the desired profitability from such merger.

Furthermore, such merger could be subject to certain additional risks, including:

- Difficulties in the integration of the assets and operations of the merged businesses/undertakings;
- The diversion of management's attention from existing businesses and an interruption of, or loss of momentum in, the activities of such businesses;

- The failure to realise expected profitability or growth;
- The failure to realise expected synergies and cost savings;
- Difficulties arising from coordinating and consolidating corporate and administrative functions, including the integration of internal controls and procedures such as timely financial reporting; and
- Unforeseen legal, regulatory, contractual, labour or other issues.

Further, if the Group is unable to manage the growth in its business or is unable to successfully integrate under a merged structure, the Group's ability to compete effectively could be impaired, which may have a material adverse effect on its business, financial condition and/or results of operations.

Risk of pending or future mergers or acquisitions

In addition to the risks identified in relation to the Proposed Merger, there can be no assurance that any other pending or future mergers or acquisitions, involving the Group or any member thereof, will result in the successful integration of the merged or acquired businesses and operations or will not have any adverse effect on the Group's business, financial condition, results of operations or prospects. In particular, if the Group makes a decision relating to any merger or acquisition in uncertain or highly competitive economic or market conditions or for a substantial consideration, such merger or acquisition may result in an increase to its risk exposure or a depletion of the resources of the Group, which could have an adverse effect on the business, financial condition and results of operations of the Group.

Deteriorating economic conditions could lead to an increase in impaired loans which could adversely impact the Group

Under Malaysian Financial Reporting Standards ("**MFRS**") 139 Financial Instruments: Recognition and Measurement, the Group assesses, at each reporting date, whether there is objective evidence that a loan or a group of loans is impaired. A loan or group of loans is deemed to be impaired if, and only if, there is objective evidence of impairment as a result of one or more events that has occurred after the initial recognition of the loan (an incurred "**loss event**") and that such loss event had an impact on the estimated future cash flows of the loan or group of loans that can be reliably estimated.

The Group first assesses whether objective evidence of impairment exists individually for loans which are individually significant, and individually or collectively for loans which are not individually significant. If it is determined that no objective evidence of impairment exists for an individually assessed loan, the loan is included in a group of loans with similar credit risk characteristics and collectively assessed for impairment.

Loan impairment is measured as the difference between the carrying amount and the present value of estimated future cash flows discounted at the original effective interest rate of loans, advances and financing. The carrying amount of the loans, advances and financing is reduced and the amount of the loss is recognised in the income statement.

The Group's gross impaired loans ratio and loan loss coverage ratio stood at 2.79 per cent. and 64.64 per cent. respectively, as at 31 December 2013. Any worsening of economic conditions in Malaysia or the region may lead to an increase in impaired loans. A substantial increase in impaired loans may materially and adversely affect the Group's business, financial condition, results of operations and prospects and necessitate write-offs, which may materially and adversely impact its capital adequacy ratio.

The Group may be required to raise additional capital if its capital adequacy ratio deteriorates in the future or in order to comply with any new regulatory capital framework, but it may not be able to do so on favourable terms or at all

Pursuant to BNM's Capital Adequacy Framework (Capital Components) guidelines issued on 28 November 2012, which are derived from internationally-agreed standards on capital adequacy promulgated by the Basel Committee on Banking Supervision established by the Bank for International Settlements, BNM requires all banks in Malaysia to have minimum common equity Tier 1 capital ratio ("**CET1**") of 4.5 per cent., a Tier 1 capital ratio of 6.0 per cent. and a total capital ratio of 8.0 per cent. by January 2015 (with the requirement that commencing calendars years 2013, 2014 and 2015, the minimum levels of CET1 are 3.5 per cent., 4.0 per cent.

and 4.5 per cent. respectively, whereas the minimum levels of the Tier 1 capital ratio are 4.5 per cent., 5.5 per cent. and 6.0 per cent. respectively) which would result in the Issuer requiring to increase the minimum quantity and quality of capital which it is obliged to maintain. In addition, such banks will be required to maintain a capital conservation buffer based on a percentage of total Risk-Weighted Assets ("**RWA**"), being 0.625 per cent. in calendar year 2016, 1.25 per cent. in calendar year 2017, 1.875 per cent. in calendar year 2018 and 2.5 per cent. in calendar year 2019. Separately, such banks will be required to maintain a countercyclical capital buffer ranging between 0 per cent. and 2.5 per cent. of total RWA subject to scaling factors of 25 per cent. in calendar year 2016, 50 per cent. in calendar year 2017, and 75 per cent. in calendar year 2018.

As at 31 December 2013, the Group's CET1 capital ratio, Tier 1 capital ratio and total capital ratio were 10.32 per cent., 10.80 per cent. and 14.34 per cent. respectively.

The capital requirements would be supplemented by a leverage ratio, a liquidity coverage ratio and a net stable funding ratio.

The Group's capital base and capital adequacy ratios and, when applicable, required capital buffers, may deteriorate in the future if its results of operations or financial condition deteriorate for any reason, including as a result of any deterioration in the asset quality of its loans, or if the Group is not able to deploy its funding into suitably low-risk assets. If any of the Group's capital adequacy ratios and, when applicable, required capital buffers, deteriorate it may be required to obtain additional Tier 1 or Tier 2 capital in order to remain in compliance with the applicable capital adequacy guidelines. However, the Group may not be able to obtain additional capital on favourable terms, or at all. There is no assurance that the Group will not face increased pressure on its capital in the future to comply with Basel III standards which may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

The Group depends on the recruitment and retention of qualified personnel and any failure to attract and retain such personnel could affect the Group's businesses

The Issuer, to a significant extent, relies on its directors and senior management for its business direction and business strategy. The loss of directors or members of the senior management team could adversely affect its ability to operate its business or to compete effectively, which in turn, could affect its financial performance and prospects. There can be no assurance that there will be continuity in the Issuer's present management team throughout the tenure of the Notes.

The Group's success depends on the ability and experience of its senior management and other key employees. Competition for personnel is intense and the Group may not be successful in attracting or retaining qualified personnel. The loss of any senior management members or key employees, the Group's inability to attract new qualified employees or adequately trained employees, or the delay in hiring key personnel could affect the Group's business, financial condition and results of operations.

Competition for skilled personnel also places upward pressure on wage rates generally and may lead to the restructuring of remuneration packages of key personnel in order for the Group to maximise its retention rates. Both loss of key personnel and pressure on wage rates are exacerbated by new entrants in the Malaysian banking market, particularly foreign banks and financial institutions. Restructuring of remuneration packages may impose additional costs on the Group, both in terms of the costs of salary and non-salary items that make up the restructured remuneration packages and in terms of management time and expertise taken up in developing and implementing the restructured remuneration packages across the Group. There may be significant challenges in implementing restructured remuneration packages across the Group, including the risk of industrial action from employees or their respective unions. General upward pressure on wage rates and the costs associated with restructuring of remuneration packages could affect the Group's business, financial condition and results of operations.

Risk of significant fraud, system failures, calamities or security breaches

Operational risks and losses can result from fraud, error by employees, failure to document transactions properly or to obtain proper internal authorisation, failure to comply with regulatory requirements and conduct of business rules, the failure of internal systems, equipment and external systems (such as those of the Group's counterparties or vendors) and the occurrence of natural disasters. Although the Group has implemented risk controls and loss mitigation strategies and substantial resources are devoted to developing efficient procedures, there can be no assurance that such measures will be successful.

In addition, the Group seeks to protect its computer systems and network infrastructure from physical break-ins as well as security breaches and other disruptive problems caused by the Group's increased use of the internet. Computer break-ins and power disruptions could affect the security of information stored in, and transmitted through, these computer systems and network infrastructure. The Group employs security systems, including firewalls and password encryption, designed to minimise the risk of security breaches. There can be no assurance that these security measures will be adequate or successful.

A significant fraud, system failure, calamity or failure in security measures could have a material adverse effect on the Group's business, financial condition, results of operations and prospects. In addition, the Group's reputation could be adversely affected by significant frauds committed by employees, customers or other third parties. See "Risk Management" section of this Offering Circular for a description of the Group's exposure to operational risks.

If the Group is unable to adapt to rapid technological changes on a timely basis, or is not successful in integrating new technologies into its existing technology framework, its business could suffer

The Group's future success and ability to compete with other banks will depend, in part, on its ability to respond to technological advances and emerging banking industry standards and practices on a cost-effective and timely basis. Any failure to keep pace with technological advances or to maintain an appropriate level of investment in information technology may adversely affect the Group's competitiveness, business, financial condition, results of operations, prospects and reputation. While the Group has dedicated significant resources to implementing the latest technological advances to improve the accessibility of its services, for instance through internet and mobile phone banking and its "Easy by RHB" outlets, there can be no assurance that the Group will successfully implement new technologies effectively or adapt its transaction-processing systems to customer requirements or industry standards, which may, in turn, have a material adverse effect on its business and financial condition. The implementation of new technology may expose the Group to technical or operational risks or difficulties associated with transitioning or integrating its existing systems and infrastructure with the introduction of new technologies, systems or other equipment, which could adversely affect its business, financial condition, results of operations, prospects and reputation.

Considerations relating to Malaysia and overseas markets in which the Group operates

The business of the Group is predominantly concentrated in Malaysia, which may result in a higher level of risk compared to banks whose businesses are spread over diverse locations

The business of the Group is predominantly concentrated in Malaysia, which may result in a higher level of risk compared to some other banks whose businesses are spread over diverse locations. As at 31 December 2013, 93.32 per cent. of the operating revenues of the Group were derived from within Malaysia and 90.94 per cent. of the assets of the Group were employed within Malaysia. The concentration of revenue streams and asset locations in Malaysia may entail a higher level of risk as compared to banks which have revenue streams and/or assets spread over different countries. As a result, a substantial portion of revenue derived by the Group and the overall quality of its loan portfolio depends on the continued strength of Malaysia's economy, which is, in turn, affected by general economic and business conditions in the Asian region.

Developments in the social, political, regulatory and economic environment in Malaysia may have a material adverse impact on the Group

The Group's business, prospects, financial condition and results of operations may be adversely affected by social, political, regulatory and economic developments in Malaysia. Such political and economic uncertainties include, but are not limited to, the risks of war, terrorism, nationalism, nullification of contracts, changes or fluctuation in interest rates, imposition of capital controls and methods of taxation. In addition, the Group could be subject to changes in legal regimes and governmental regulations such as licensing and approvals, taxation and duties and tariffs.

Negative developments in Malaysia's socio-political environment may adversely affect the business, financial condition, results of operations and prospects of the Group. The Malaysian economy registered growth of 6.4 per cent. in the second quarter of 2014, driven by domestic demand amid slowing external demand *(source: Gross Domestic Product Second Quarter of 2014, Press Release)*. Although the overall Malaysian economic environment (in which the Group predominantly operates) appears to be positive, there can be no assurance that this will continue to prevail in the future.

Outbreaks of infectious diseases in Asia and elsewhere could adversely affect the business, financial condition, results of operations or prospects of the Group

The outbreak of an infectious disease such as Influenza A (H1N1, H5N1), avian influenza, or severe acute respiratory syndrome in Asia and elsewhere, together with any resulting restrictions on travel and/or imposition of quarantines, could have a negative impact on the economy, and business activities in Asia and could thereby adversely impact the Group's business, financial condition and results of operations. There can be no assurance that any precautionary measures taken against infectious diseases would be effective.

The RM is subject to exchange rate fluctuations which may negatively impact the Group

BNM has, in the past, intervened in the foreign exchange market to stabilise the RM, and instituted a fixed exchange rate of RM3.80 to U.S.$1.00 on 2 September 1998. Subsequently, on 21 July 2005, BNM adopted a managed float system which benchmarked the RM to a currency basket to ensure that the RM remains close to its fair value. As of 29 August 2014, the mid-day exchange rate was RM 3.1570 to U.S.$1.00. However, there can be no assurance that BNM will, or would be able to intervene in the foreign exchange market in the future or that any such intervention or fixed exchange rate would be effective in achieving BNM's objectives. The Group re-values its foreign currency borrowings and its investments on its balance sheet to account for changes in currency rates and recognises the resulting gains or losses in its income statement. To the extent that the Group is unable to minimise its foreign currency exposure through appropriate foreign currency hedging transactions, fluctuations in the RM's value against other currencies may have an adverse effect on the Group's business, financial condition, results of operations and prospects.

A re-imposition of capital controls may affect investors' ability to repatriate the proceeds from the sale of Notes and interest and principal paid on the Notes from Malaysia

As part of the package of policy responses to the 1997 economic crisis in Southeast Asia, the Government introduced, on 1 September 1998, selective capital control measures. The Government initiated the liberalisation of the selective capital control measures in 1999 to allow foreign investors to repatriate principal capital and profits, subject to a system of graduated exit levies based on the duration of investment in Malaysia. On 1 February 2001, the Government revised the levy to apply only to profits made from portfolio investments retained in Malaysia for less than one year. On 2 May 2001, the Government lifted all such controls in respect of the repatriation of foreign portfolio funds (largely consisting of proceeds from the sale of stocks listed on Bursa Malaysia).

There can be no assurance that the Government will not re-impose these or other capital controls in the future. If the Government re-imposes foreign exchange controls, investors may not be able to repatriate the proceeds of the sale of the Notes and interest and principal paid on the Notes from Malaysia for a specified period of time or may only be able to do so after paying a levy.

Corporate disclosure standards in Malaysia vary from those in other jurisdictions

There are different requirements to make public information about Malaysian public companies, such as the Issuer, than is regularly made available by public companies in other jurisdictions. These differences may relate to: the timing and content of the disclosure of information concerning the beneficial ownership of equity securities by officers, directors and significant shareholders; officer certification of disclosure and financial statements in periodic public reports; and disclosure of off-balance sheet transactions in management's discussion of results of operations in periodic public reports.

Considerations relating to the Malaysian banking industry

Competition

The Malaysian banking industry operates in a very competitive environment fostered by BNM's policies (e.g. the entry of, *inter alia*, foreign banks and domestic licensed Islamic banks which are now allowed to offer/perform products and services that are similar to those of the Group). Further, BNM announced in 2009 further measures to liberalise the Malaysian financial sector, including a framework for the issuance of up to five new commercial banking licences and two new Islamic banking licences to foreign financial institutions and the increase of foreign equity limits to 70 per cent. for existing domestic Islamic banks, investment banks, insurance and takaful companies. The foreign equity limit for existing domestic commercial banks is currently 30 per cent. There can be no assurance that current foreign equity limits in the Malaysian financial sector will not be increased in the future.

All of the above mentioned new commercial banking licences have been issued to foreign financial institutions. Although these policies are designed, in part, to encourage development of financial institutions in Malaysia and to strengthen domestic financial institutions in preparation for increased foreign competition, any increased competition could have an adverse effect on the Group's operations in the form of reduced margins, smaller market share and reduced income generally. The issuance of new commercial banking licences to foreign financial institutions has resulted in intensified competition as domestic banks increase their efficiency to ensure sustainability over the medium to long term. This has created a more challenging business environment due to aggressive pricing, price offerings and product promotions (resulting in shrinking margins) and increasing customer demand for more sophisticated products and improved service standards.

In addition, the Group's future growth will be subject to competition from other service providers in the markets into which the Group exports its services or in which it operates. The Competition Act 2010 ("**Competition Act**") which took effect on 1 January 2012, was introduced to promote economic development by promoting and protecting the process of competition in order to maximise consumer welfare through the prohibition of anticompetitive practices. The Competition Act applies to all commercial activities undertaken within Malaysia and those outside Malaysia which have effects on competition in the Malaysian market. The scope of the Competition Act includes prohibitions of anticompetitive agreements and the abuse of dominant position. However, there can be no assurance that in the future, the Group's business and operations will be in full compliance with the Competition Act. Further, there can be no assurance that the Group will be able to maintain or increase its present market share in the future or that increased competition will not materially and adversely affect the Group's business, financial condition, results of operations and prospects.

Although the Group plans for expansion and growth in future business, the Group's future growth will inevitably be subject to competition from other service providers as well as customer preference. As such, there can be no assurance that the Group will be able to maintain or increase its present market share in the future.

Regulatory constraints

The Group's core business is subject to regulatory review and measures imposed by the relevant regulatory agencies. Banking activity in Malaysia is regulated by BNM under the Financial Services Act, 2013 ("**FSA**") and Islamic Financial Services Act, 2013 ("**IFSA**"). Regulatory measures imposed on banks in Malaysia include restrictions on operations and measures requiring maintenance of reserves and minimum capital adequacy requirements.

The Group is regulated by BNM, which was established on 26 January 1959 pursuant to the Central Bank of Malaya Ordinance, 1958 (now the Central Bank of Malaysia Act,1958) (Revised 1994) as the central bank of Malaysia. BNM is directly involved in the regulation and supervision of Malaysia's financial system. Its principal functions are to (i) formulate and conduct monetary policy in Malaysia; (ii) issue currency in Malaysia; (iii) regulate and supervise financial institutions which are subject to the laws enforced by BNM; (iv) oversee money and foreign exchange markets; (v) exercise oversight over payment systems; (vi) promote a sound, progressive and inclusive financial system; (vii) hold and manage the foreign reserves of Malaysia; (viii) promote an exchange rate regime consistent with Malaysia's economic policy; and (ix) act as financial adviser, banker and financial agent of the government of Malaysia.

BNM and the Minister of Finance of Malaysia have extensive powers under FSA and IFSA, which is the principal statute that sets out the laws for the licensing and regulation of institutions carrying on banking, finance company, investment banking and other financial businesses. In addition to FSA and IFSA, Malaysian licensed institutions are subject to guidelines, practice notes and standards issued by BNM from time to time.

Accordingly, prospective investors should be aware that BNM could, in the future, set interest rates at levels or restrict credit in a way which may be adverse to the operations, financial condition or asset quality of banks and financial institutions in Malaysia, including the Group, and may otherwise significantly restrict the activities of the Group and Malaysian banks and financial institutions generally.

The regulatory measures presently imposed, and as may be introduced from time to time, by the regulatory agencies could affect the Group's business activities. For example, BNM has issued Single Counterparty

Exposure Limit ("**SCEL**") policies (with the objective of ensuring that exposures to a single counterparty and persons connected to it are within a prudent limit at all times), maximum sectorial credit in respect of financing activity, limits on the interest rates charged by banks on certain types of loans, caps on lending to certain sectors of the Malaysian economy and has established priority lending guidelines in furtherance of certain social and economic objectives and a change in credit policies by BNM may restrict certain businesses of the Group and could require the Group to scale down its operations in a particular business area. On 3 November 2010, BNM announced, with immediate effect, a maximum loan-to-value ratio of 70 per cent., which is applicable to a loan taken out by a borrower to finance their third property. On 18 March 2011, BNM placed further restrictions on credit cards provided to low income individuals, raising the minimum income eligibility requirement to RM24,000 per annum (from RM18,000 per annum) and stipulating that persons earning RM36,000 per annum or below may only hold cards from a maximum of two (2) card issuers and that the maximum credit limit on each card must not exceed two (2) times the monthly income of the cardholder. On 18 November 2011, BNM issued new guidelines to financial institutions aiming to promote prudent, responsible and transparent retail financing practices which took effect on 1 January 2012. At present, loans with a loan-to-value ratio greater than 90 per cent. will now have to carry a risk weightage of 100 per cent., compared with 75 per cent. previously. On 16 December 2013, BNM issued its latest SCEL policy to address and clarify, among others, prudential limits and definition of "single counterparty" based on feedback received on its earlier SCEL policy dated 28 February 2013. These regulations place restrictions on the business of the Group and may cause the Group to scale down operations in the areas of its business most affected.

BNM also has broad investigative and enforcement powers. Contravention of BNM regulations and guidelines may expose the Group to enquiries from an investigation by BNM and other Malaysian regulatory agencies. These enquiries or investigations may result in sanctions including fines, corrective orders, restriction of business lines and possible loss of licences required for the Group to operate its businesses and, in addition, may cause the Group's reputation to be adversely affected. Contravention of regulations, policies or guidelines of BNM (or any other regulatory agency) therefore carries with it financial and reputational risks that could materially and adversely affect the Group's business, financial condition, results of operations and prospects.

The FSA and IFSA are the new legislations that provide for the regulation and supervision of financial institutions in Malaysia, payment systems and other relevant entities and also the oversight of the money market and foreign exchange market. These new legislations generally provide for a stricter financial services regime, including the increase in duties and responsibilities of financial institutions and enhanced level of governance and disclosure.

The Group has compliance procedures in place to ensure compliance with new legislation and that effort is made to ensure the Group is compliant with new regulations. The Group is not in a position to predict future actions of regulators applicable to the Group's business. The Group acknowledges that there will be additional compliance costs to the Group on an ongoing basis with respect to regulatory change.

Failure to comply with such rules and regulations may result in penalties, loss of regulatory licences and permits and damage to business reputation, which may have a material adverse effect on the Group's business, prospects, financial condition and/or results of operations.

Deposits in Malaysia are not insured up to the full amount

BNM is not required to act as lender of last resort to meet liquidity needs in the banking system generally or for specific institutions, although it has, in the past and on a case-by-case basis, provided a safety net for individual banks with an isolated liquidity crisis. However, there can be no assurance that BNM will provide such assistance in the future. On 1 September 2005, BNM introduced a deposit insurance system ("**Deposit Insurance System**") pursuant to the establishment of an independent statutory body namely PIDM, under the Malaysia Deposit Insurance Corporation Act 2005 ("**2005 Act**") and all licensed commercial banks (including subsidiaries of foreign banks operating in Malaysia) and Islamic banks are member institutions of the deposit insurance system.

On 16 October 2008, the Government moved to guarantee all bank deposits in an effort to shore up confidence in the Malaysian financial system to curb potentially damaging capital outflows. BNM announced the guarantee for all local and foreign currency deposits from 16 October 2008 until 31 December 2010. With effect from 31 December 2010, the Malaysia Deposit Insurance Corporation Act 2011 ("**2011 Act**") came into effect and replaced the 2005 Act.

The 2011 Act was enacted to implement an enhanced financial consumer protection package, whereby, amongst other changes, the deposit insurance limit was increased to RM250,000 per depositor per member bank with such amount being inclusive of principal and interest. In addition, under the 2011 Act, foreign currency deposits will now benefit from deposit insurance protection.

Under the deposit insurance system, explicit deposit protection is provided to eligible deposits up to the prescribed limit of RM250,000 per depositor, per member institution and such amount is inclusive of principal and interest effective as of 31 December 2010. Separate coverage for the same amount is provided for Islamic deposits (i.e. those accepted under Shariah principles), accounts held under joint ownership and trust accounts, sole proprietorships and partnerships.

Notwithstanding the aforesaid, the fact that not all deposits are insured up to their full amount could lead to or exacerbate liquidity problems, which, if severe, could have an adverse effect on the Group's business, financial condition, results of operations or prospects, or on the Malaysian financial markets generally. In addition, the deposit insurance system could potentially decrease the Group's stability by encouraging risk taking on the part of the Group.

Winding-up of the Issuer

Under the FSA, no application for the winding-up of a licensed person (which is defined to include all banks, including the Issuer), an operator of a payment system or an approved person can be presented to the High Court of Malaya without the prior written approval of BNM.

In addition, a copy of such an application to the High Court of Malaya must also be delivered to BNM at the same time as it is presented to the High Court of Malaya. The failure to comply with such requirements is an offence and a person convicted of such offence is liable to imprisonment and/or a fine.

U.S. Foreign Account Tax Compliance Withholding

Whilst the Notes are in global form and held within the clearing systems, in all but the most remote circumstances, it is not expected that the new reporting regime and potential withholding tax imposed by Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") will affect the amount of any payment received by the clearing systems (see "Taxation — Foreign Account Tax Compliance Act"). However, FATCA may affect payments made to custodians or intermediaries in the subsequent payment chain leading to the ultimate investor if any such custodian or intermediary generally is unable to receive payments free of FATCA withholding. It also may affect payment to any ultimate investor that is a financial institution that is not entitled to receive payments free of withholding under FATCA, or an ultimate investor that fails to provide its broker (or other custodian or intermediary from which it receives payment) with any information, forms, other documentation or consents that may be necessary for the payments to be made free of FATCA withholding. Investors should choose the custodians or intermediaries with care (to ensure each is compliant with FATCA or other laws or agreements related to FATCA) and should provide each custodian or intermediary with any information, forms, other documentation or consents that may be necessary for such custodian or intermediary to make a payment free of FATCA withholding. Investors should consult with their own tax adviser to obtain a more detailed explanation of FATCA and how FATCA may affect them. The Issuer's obligations under the Notes are discharged once it has paid the common depositary for the clearing systems (as bearer or registered holder of the Notes) and the Issuer has therefore no responsibility for any amount thereafter transmitted through the clearing systems and custodians or intermediaries.

Risks related to the structure of a particular issue of Notes

A wide range of Notes may be issued under the Programme. A number of these Notes may have features which contain particular risks for potential investors. Set out below is a description of the most common of such features.

Notes subject to optional redemption by the Issuer

An optional redemption feature of Notes is likely to limit their market value. During any period when the Issuer may elect to redeem Notes, the market value of those Notes generally will not rise substantially above the price at which they can be redeemed. This may also be true prior to any redemption period.

The Issuer may be expected to redeem Notes when its cost of borrowing is lower than the interest rate on the Notes. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Notes being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

Partly Paid Notes

The Issuer may issue Notes where the issue price is payable in more than one instalment. Failure to pay any subsequent instalment could result in an investor losing all of his investment.

Variable Rate Notes with a multiplier or other leverage factor

Notes with variable interest rates can be volatile investments. If they are structured to include multipliers or other leverage factors, or caps or floors, or any combination of those features or other similar related features, their market values may be even more volatile than those for securities that do not include those features.

Inverse Floating Rate Notes

Inverse Floating Rate Notes have an interest rate equal to a fixed rate minus a rate based upon a reference rate such as LIBOR. The market values of those Notes are typically more volatile than market values of other conventional floating rate debt securities based on the same reference rate (and with otherwise comparable terms). Inverse Floating Rate Notes are more volatile because an increase in the reference rate not only decreases the interest rate of the Notes, but may also reflect an increase in prevailing interest rates, which further adversely affects the market value of these Notes.

Fixed/Floating Rate Notes

Fixed/Floating Rate Notes may bear interest at a rate that the Issuer may elect to convert from a fixed rate to a floating rate, or from a floating rate to a fixed rate. The Issuer's ability to convert the interest rate will affect the secondary market and the market value of such Notes since the Issuer may be expected to convert the rate when it is likely to produce a lower overall cost of borrowing. If the Issuer converts from a fixed rate to a floating rate, the spread on the Fixed/Floating Rate Notes may be less favourable than then prevailing spreads on comparable Floating Rate Notes tied to the same reference rate. In addition, the new floating rate at any time may be lower than the rates on other Notes. If the Issuer converts from a floating rate to a fixed rate, the fixed rate may be lower than then prevailing rates on its Notes.

Notes issued at a substantial discount or premium

The market values of securities issued at a substantial discount or premium from their principal amount tend to fluctuate more in relation to general changes in interest rates than do prices for conventional interest-bearing securities. Generally, the longer the remaining term of the securities, the greater the price volatility as compared to conventional interest-bearing securities with comparable maturities.

Risks related to Notes generally

Set out below is a brief description of certain risks relating to the Notes generally.

Modification

The Terms and Conditions of the Notes contain provisions for calling meetings of Noteholders to consider matters affecting their interests generally. These provisions permit defined majorities to bind all Noteholders, including Noteholders who did not attend and vote at the relevant meeting and Noteholders who voted in a manner contrary to the majority.

EU Savings Directive

Under EC Council Directive 2003/48/EC on the taxation of savings income (the "**Directive**"), Member States are required to provide to the tax authorities of another Member State details of payments of interest (or similar income) paid by a person within its jurisdiction to (or for the benefit of) an individual resident in that other Member State or to certain limited types of entities established in that other Member State. However, for a transitional period, Luxembourg and Austria are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg Government announced its intention to abolish the withholding tax system with effect from 1 January 2015 in favour of automatic information exchange under the Directive.

On 24 March 2014, the European Council adopted an EU Council Directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the Directive to include certain additional types of income, and widen the range of recipients payments to whom are covered by the Directive, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by 1 January 2016 (which national legislation must apply from 1 January 2017).

If a payment were to be made or collected through a Member State which has opted for a withholding system and an amount of, or in respect of, tax were to be withheld from that payment, neither the Issuer nor any Paying Agent (as defined in the Conditions of the Notes) nor any other person would be obliged to pay additional amounts with respect to any Note as a result of the imposition of such withholding tax. The Issuer is required to maintain a Paying Agent in a Member State that is not obliged to withhold or deduct tax pursuant to the Directive.

Change of law

The conditions of the Notes are based on English law in effect as at the date of this Offering Circular. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of this Offering Circular.

Notes where denominations involve integral multiples: definitive Notes

In relation to any issue of Notes which have denominations consisting of a minimum Specified Denomination plus one or more higher integral multiples of another smaller amount, it is possible that such Notes may be traded in amounts that are not integral multiples of such minimum Specified Denomination. In such a case a holder who, as a result of trading such amounts, holds an amount which is less than the minimum Specified Denomination in his account with the relevant clearing system at the relevant time may not receive a definitive Note in respect of such holding (should definitive Notes be printed) and would need to purchase a principal amount of Notes such that its holding amounts to a Specified Denomination.

If definitive Notes are issued, holders should be aware that definitive Notes which have a denomination that is not an integral multiple of the minimum Specified Denomination may be illiquid and difficult to trade.

Risks related to the market generally

Set out below is a brief description of certain market risks, including liquidity risk, exchange rate risk, interest rate risk and credit risk.

The secondary market generally

There is no existing market for any Notes and there can be no assurances that a secondary market for the Notes will develop, or if a secondary market for the Notes does develop, that it will provide the Noteholders with liquidity of investment or that it will continue for the life of the Notes. Therefore, investors may not be able to sell their Notes easily or at prices that will provide them with a yield comparable to similar investments that have a developed secondary market. This is particularly the case for Notes that are especially sensitive to interest rate, currency or market risks, are designed for specific investment objectives or strategies or have been structured to meet the investment requirements of limited categories of investors. These types of Notes generally would have a more limited secondary market and more price volatility than conventional debt securities.

The market value of any Notes may fluctuate. Consequently, any sale of Notes by Noteholders in any secondary market which may develop may be at prices that may be higher or lower than the initial offering price depending on many factors, including prevailing interest rates, the Issuer's performance and the market for similar securities. No assurance can be given as to the liquidity of, or trading market for, any Notes and an investor in such Notes must be prepared to hold such Notes for an indefinite period of time or until their maturity. Application may be made for the listing of the Notes on SGX-ST and LFX but there can be no assurance that such listing will occur. Historically, the market for debt securities by South East Asian issuers has been subject to disruptions that have caused substantial volatility in the prices of such securities. There can be no assurance that the market for any Notes will not be subject to similar disruptions. Any such disruption may have an adverse effect on holders of such Notes.

Exchange rate risks and exchange controls

The Issuer will pay principal and interest on the Notes in the Specified Currency. This presents certain risks relating to currency conversions if an investor's financial activities are denominated principally in a currency or currency unit (the "**Investor's Currency**") other than the Specified Currency. These include the risk that exchange rates may significantly change (including changes due to devaluation of the Specified Currency or revaluation of the Investor's Currency) and the risk that authorities with jurisdiction over the Investor's Currency may impose or modify exchange controls. An appreciation in the value of the Investor's Currency relative to the Specified Currency would decrease (i) the Investor's Currency-equivalent yield on the Notes, (ii) the Investor's Currency-equivalent value of the principal payable on the Notes and (iii) the Investor's Currency-equivalent market value of the Notes.

Government and monetary authorities may impose (as some have done in the past) exchange controls that could adversely affect an applicable exchange rate. As a result, investors may receive less interest or principal than expected, or no interest or principal.

Interest rate risks

Investment in Fixed Rate Notes involves the risk that subsequent changes in market interest rates may adversely affect the value of the Fixed Rate Notes. Fluctuations in interest rates will affect the Group's earnings stream through changes in net interest income and economic value of the balance sheet. Adverse impact on earnings and capital resulting from interest rate movements can be caused by differences in the timing of maturity (repricing risk), changing rate and yield curve relationships (basis and yield curve risks) and option risk embedded in certain products.

Inflation risk

Investors may suffer erosion on the return of their investments due to inflation. Investors would have an anticipated rate of return based on expected inflation rates on the purchase of the Notes. An unexpected increase in inflation could reduce the actual returns.

Credit ratings may not reflect all risks

It is a condition of the issuance of the Notes under the Programme that the Programme and, if applicable, the Notes to be issued under the Programme, have been assigned a rating of "(P) A3" by Moody's and "BBB+" by S&P. The ratings may not reflect the potential impact of all risks related to structure, market, additional factors discussed above, and other factors that may affect the value of the Notes. A credit rating is not a recommendation to buy, sell or hold securities and may be revised or withdrawn by its assigning rating agency at any time.

Legal risk factors may restrict certain investments

The investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (i) the Notes are legal investments for it, (ii) the Notes can be used as collateral for various types of borrowing and (iii) other restrictions apply to its purchase or pledge of any Notes. Financial institutions should consult their legal advisors or the appropriate regulators to determine the appropriate treatment of Notes under any applicable risk-based capital or similar rules.

Risks related to Renminbi denominated Notes

The Issuer may issue Renminbi denominated Notes. Potential investors should be aware of the following risk factors pertaining to such Notes.

(i) RMB is not freely convertible and there are significant restrictions on remittance of RMB into and outside of the PRC

Where the Notes are denominated in RMB, prospective investors in the Notes should be aware that RMB is not freely convertible at present. The government of the PRC continues to regulate conversion between RMB and foreign currencies including the U.S. Dollar despite the significant reduction over the years by the PRC government of control over routine foreign exchange transactions under current accounts. As a result of the restrictions by the PRC government on cross-border RMB fund flows, the availability of RMB outside the PRC is limited.

On 7 April 2011, the State Administration of Foreign Exchange ("**SAFE**") promulgated the Circular on Issues Concerning the Capital Account Items in connection with cross-border RMB (the "**SAFE Circular**"), which became effective on 1 May 2011. According to the SAFE Circular, in the event that foreign investors intend to use cross-border RMB (including offshore RMB and onshore RMB held in the capital accounts of non-PRC residents) to make contributions to an onshore enterprise or make payment for the transfer of an equity interest of an onshore enterprise by a PRC resident, such onshore enterprise shall be required to submit the prior written consent of the Ministry of Commerce ("**MOFCOM**") to the relevant local branches of SAFE of such onshore enterprise and register for a foreign invested enterprise status. Further, the SAFE Circular clarifies that the foreign debts borrowed, and the external guarantee provided, by an onshore entity (including a financial institution) in RMB shall, in principle, be regulated under the current PRC foreign debt and external guarantee regime. Moreover, on 12 October 2011, the MOFCOM promulgated the Circular on Issues in relation to cross-border Renminbi Foreign Direct Investment. On 13 October 2011, the People's Bank of China (the "**PBoC**") promulgated the Administrative Measures on the RMB Settlement Business Relating to Foreign Direct Investment. On 14 June 2012, the PBoC further promulgated the Circular on Clarifying the Operating Rules for RMB Settlement in Relation to Foreign Direct investment.

There is no assurance that the PRC government will continue to gradually liberalise the control over cross-border RMB remittances in the future, that the pilot scheme introduced in July 2009 will not be discontinued, or that new PRC regulations will not be promulgated in the future which have the effect of restricting the remittance of RMB into or outside the PRC.

Further, holders of beneficial interests in Notes denominated in RMB may be required to provide certifications and other information (including RMB account information) in order to receive payments in RMB in accordance with RMB clearing and settlement system for participating banks in Hong Kong.

(ii) There is only limited availability of RMB outside the PRC, which may affect the liquidity of the Notes and the relevant Issuer's ability to source RMB outside the PRC to service the Notes

As a result of the restrictions by the PRC government on cross-border RMB fund flows, the availability of RMB outside of the PRC is limited. Since February 2004, in accordance with the arrangements between the PRC central government and the Hong Kong government, licenced banks in Hong Kong may offer limited RMB-denominated banking services into Hong Kong residents and specified business customers. PBoC has also established a RMB clearing and settlement system for participating banks in Hong Kong. On 19 July 2010, further amendments were made to the Settlement Agreement on the Clearing of RMB Business (the "**Settlement Agreement**") between the PBoC and the Bank of China (Hong Kong) Limited (the "**RMB Clearing Bank**") to expand further the scope of RMB business for participating banks in Hong Kong. Pursuant to the revised arrangements, all corporations are allowed to open RMB accounts in Hong Kong; there is no longer any limit on the ability of corporations to convert RMB; and there is no longer any restriction on the transfer of RMB funds between different accounts in Hong Kong.

The current size of RMB-denominated financial assets outside the PRC is limited. As at 31 July 2014, the total amount of RMB deposits held by institutions authorised to engage in RMB banking business in Hong Kong amounted to approximately RMB 976.779 billion. In addition, participating banks are also required by the HKMA to maintain a total amount of RMB (in the form of cash and its settlement account balance with the

"**RMB Clearing Bank**") of no less than 25 per cent. of their RMB deposits, which further limits the availability of RMB that participating banks can utilise for conversion services for their customers. RMB business participating banks do not have direct RMB liquidity support from the PBoC. The RMB Clearing Bank only has access to onshore liquidity support from PBoC to square open positions of participating banks for limited types of transactions, including open positions resulting from conversion services for corporations relating to cross-border trade settlement and for individual customers (who are Hong Kong residents) of up to RMB 20,000 per person per day. The RMB Clearing Bank is not obliged to square for participating banks any open positions resulting from other foreign exchange transactions or conversion services and the participating banks will need to source RMB from the offshore market to square such open positions.

Although it is expected that the offshore RMB market will continue to grow in depth and size, its growth is subject to many constraints as a result of PRC laws and regulations on foreign exchange. There is no assurance that new PRC regulations will not be promulgated or the Settlement Agreement will not be terminated or amended in the future which will have the effect of restricting availability of RMB offshore. The limited availability of RMB outside the PRC may affect the liquidity of the Notes denominated in RMB ("**RMB Notes**"). To the extent the relevant Issuer is required to source RMB in the offshore market to service the Notes, there is no assurance that the relevant Issuer will be able to source such RMB on satisfactory terms, if at all.

(iii) Investment in the RMB Notes is subject to exchange rate risks and the relevant Issuer may make payments of interest and principal originally due in RMB in U.S. dollars, Hong Kong dollars or another specified currency in certain circumstances

There can be no assurance that access to RMB funds for the purposes of making payments under the RMB Notes or generally will remain available or will not become restricted. The value of RMB against the U.S. Dollar and other foreign currencies fluctuates and is affected by changes in the PRC's and international political and economic conditions and by many other factors. Although the relevant Issuer's primary obligation is to make all RMB payments of interest and principal or other amounts with respect to the RMB Notes in RMB, in certain circumstances and if so specified, the terms of the Notes allow the relevant Issuer to delay any such payment and/or make payment in U.S. dollars, Hong Kong dollars or another specified currency at the prevailing spot rate of exchange, an/or cancel or redeem such Notes. As a result, the value of such payments in RMB (in U.S. dollar, Hong Kong dollar or other applicable foreign currency terms) may vary with the prevailing rates in the marketplace such that if the value of RMB depreciates against the U.S. dollar, Hong Kong dollar or other foreign currencies, the value of a Noteholder's investment in U.S. dollars, Hong Kong dollars or other applicable foreign currency terms will decline. Foreign exchange fluctuations between an investor's home currency and RMB may also affect investors who intend to convert gains or losses from the sale or redemption of the Notes into their home currency.

(iv) Payments in RMB under the RMB Notes will only be made to investors in the manner specified in the RMB Notes

All payments to investors in respect of the RMB Notes will be made solely by (i) when RMB Notes are represented by Global Notes deposited with a sub-custodian for the CMU, transfer to a RMB bank account maintained in Hong Kong in accordance with the prevailing CMU rules and procedures; (ii) when RMB Notes are represented by Global Notes held with the common depositary, for Euroclear and Clearstream, Luxembourg or any alternative clearing system, transfer to a RMB bank account maintained in Hong Kong in accordance with prevailing Euroclear and Clearstream, Luxembourg rules and procedures; or (iii) when RMB Notes are in definitive form, transfer to a RMB bank account maintained in Hong Kong in accordance with prevailing rules and regulations. The Issuer cannot be required to make payment by any other means (including in any other currency or in bank notes, by cheque or draft or by transfer to a bank account in the PRC).

(v) Interest rate risk

The PRC government has gradually liberalised the regulation of interest rates in recent years. Further liberalisation may increase interest rate volatility. With respect to any RMB Notes which carry a fixed interest rate, the value of such RMB Notes will vary with the fluctuations in the RMB interest rates. If a Noteholder tries to sell such RMB Notes before their maturity, he may receive an offer that is less than the amount he has invested.

Terms and Conditions of the Notes

The following is the text of the terms and conditions that, subject to completion and amendment and as supplemented or varied in accordance with the provisions of the relevant Pricing Supplement, shall be applicable to the Notes in definitive form (if any) issued in exchange for the Global Note(s) or Global Certificate(s) representing each Series. Either (i) the full text of these terms and conditions together with the relevant provisions of the Pricing Supplement or (ii) these terms and conditions as so completed, amended, supplemented or varied (provided that such amendment, supplement or variation is not inconsistent with the terms and conditions submitted to the Securities Commission of Malaysia and subject to simplification by the deletion of non-applicable provisions), shall be endorsed on such Bearer Notes or on the Certificates relating to such Registered Notes. All capitalised terms that are not defined in these Conditions will have the meanings given to them in the relevant Pricing Supplement. Those definitions will be endorsed on the definitive Notes or Certificates, as the case may be. References in the Conditions to "Notes" are to the Notes of one Series only, not to all Notes that may be issued under the Programme.

The Notes are issued pursuant to an Agency Agreement (as amended or supplemented as at the Issue Date, the "**Agency Agreement**") dated 23 September 2014 between the Issuer, Bank of America, N.A. as fiscal agent, The Hongkong and Shanghai Banking Corporation Limited as CMU lodging and paying agent and the other agents named in it and Merrill Lynch Equity S.a.r.l. as registrar and with the benefit of a Deed of Covenant (as amended or supplemented as at the Issue Date, the "**Deed of Covenant**") dated 23 September 2014 executed by the Issuer in relation to the Notes. The fiscal agent, the CMU lodging and paying agent, the paying agents, the registrar, the transfer agents and the calculation agent(s) for the time being (if any) appointed pursuant to the Agency Agreement are referred to below respectively as the "**Fiscal Agent**", the "**CMU Lodging and Paying Agent**", the "**Paying Agents**" (which expression shall include the Fiscal Agent), the "**Registrar**", the "**Transfer Agents**" (which expression shall include the Registrar) and the "**Calculation Agent(s)**" (such Fiscal Agent, CMU Lodging and Paying Agent, Paying Agents, Registrars, Transfer Agents and Calculation Agent(s) (if any) being referred together as the "**Agents**"). For the purpose of these Conditions, all references to the Fiscal Agent, the Registrar and the Transfer Agent shall, with respect to a Series of Notes to be held in the Central Moneymarkets Unit Service operated by the Hong Kong Monetary Authority (the "**CMU**"), be deemed to be a reference to the CMU Lodging and Paying Agent.

The Noteholders (as defined below), the holders of the interest coupons (the "**Coupons**") relating to interest bearing Notes in bearer form and, where applicable in the case of such Notes, talons for further Coupons (the "**Talons**") (the "**Couponholders**") and the holders of the receipts for the payment of instalments of principal (the "**Receipts**") relating to Notes in bearer form of which the principal is payable in instalments are deemed to have notice of all of the provisions of the Agency Agreement applicable to them.

As used in these terms and conditions (the "**Conditions**"), "**Tranche**" means Notes which are identical in all respects and "**Series**" means a series of Notes comprising one or more Tranches, whether or not issued on the same date, that (except in respect of the first payment of interest and their issue price) have identical terms on issue and are expected to have the same series number.

Copies of the Agency Agreement and the Deed of Covenant are available for inspection at the specified offices of each of the Paying Agents, the Registrar and the Transfer Agents.

1. Form, Denomination and Title

The Notes are issued in bearer form ("**Bearer Notes**") or in registered form ("**Registered Notes**") in each case in the Specified Denomination(s) shown hereon provided that in the case of any Notes which are to be admitted to trading on a regulated market within the European Economic Area or offered to the public in a Member State of the European Economic Area in circumstances which require the publication of a prospectus under the Prospectus Directive (2003/71/EC), the minimum Specified Denomination shall be €100,000 (or its equivalent in any other currency as at the date of issue of the relevant Notes).

*All Registered Notes shall have the same Specified Denomination. Notes which are listed on the Singapore Exchange Securities Trading Limited ("**SGX-ST**") will be traded on the SGX-ST in a minimum board lot size of S$200,000 (or its equivalent in other currencies) or such other amount as may be allowed or required from time to time.*

This Note is a Fixed Rate Note, a Floating Rate Note, a Variable Rate Note, a Zero Coupon Note, an Instalment Note or a Partly Paid Note, a combination of any of the foregoing or any other kind of Note, depending upon the Interest Basis and Redemption/Payment Basis shown hereon.

Bearer Notes are serially numbered and are issued with Coupons (and, where appropriate, a Talon) attached, save in the case of Zero Coupon Notes in which case references to interest (other than in relation to interest due after the Maturity Date), Coupons and Talons in these Conditions are not applicable. Instalment Notes are issued with one or more Receipts attached.

Registered Notes are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(c), each Certificate shall represent the entire holding of Registered Notes by the same holder.

Title to the Bearer Notes and the Receipts, Coupons and Talons shall pass by delivery. Title to the Registered Notes shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder (as defined below) of any Note, Receipt, Coupon or Talon shall be deemed to be and may be treated as its absolute owner for all purposes, whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on it (or on the Certificate representing it) or its theft or loss (or that of the related Certificate) and no person shall be liable for so treating the holder.

In these Conditions, "**Noteholder**" means the bearer of any Bearer Note and the Receipts relating to it or the person in whose name a Registered Note is registered (as the case may be), "**holder**" (in relation to a Note, Receipt, Coupon or Talon) means the bearer of any Bearer Note, Receipt, Coupon or Talon or the person in whose name a Registered Note is registered (as the case may be) and capitalised terms have the meanings given to them hereon, the absence of any such meaning indicating that such term is not applicable to the Notes.

2. No Exchange of Notes and Transfers of Registered Notes

(a) **No Exchange of Notes**: Registered Notes may not be exchanged for Bearer Notes. Bearer Notes of one Specified Denomination may not be exchanged for Bearer Notes of another Specified Denomination. Bearer Notes may not be exchanged for Registered Notes.

(b) **Transfer of Registered Notes**: One or more Registered Notes may be transferred upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate representing such Registered Notes to be transferred, together with the form of transfer endorsed on such Certificate (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer) duly completed and executed and any other evidence as the Registrar or Transfer Agent may reasonably require. In the case of a transfer of part only of a holding of Registered Notes represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. All transfers of Notes and entries on the Register will be made subject to the detailed regulations concerning transfers of Notes scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Noteholders. A copy of the current regulations will be made available by the Registrar to any Noteholder upon request.

(c) **Exercise of Options or Partial Redemption in Respect of Registered Notes**: In the case of an exercise of an Issuer's or Noteholders' option in respect of, or a partial redemption of, a holding of Registered Notes represented by a single Certificate, a new Certificate shall be issued to the holder to reflect the exercise of such option or in respect of the balance of the holding not redeemed. In the case of a partial exercise of an option resulting in Registered Notes of the same holding having different terms, separate Certificates shall be issued in respect of those Notes of that holding that have the same terms. New Certificates shall only be issued against surrender of the existing Certificates to the Registrar or any Transfer Agent. In the case of a transfer of Registered Notes to a person who is already a holder of Registered Notes, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding.

(d) **Delivery of New Certificates**: Each new Certificate to be issued pursuant to Conditions 2 (b) or (c) shall be available for delivery within five business days of receipt of the form of transfer or Exercise

Notice (as defined in Condition 6(e)) or Purchase Notice (as defined in Condition 6(f)) and surrender of the Certificate for exchange. Delivery of the new Certificate(s) shall be made at the specified office of the Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer, Exercise Notice or Purchase Notice or Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer, Exercise Notice or Purchase Notice or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(d), "**business day**" means a day, other than a Saturday or Sunday, on which banks are open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(e) **Transfer Free of Charge**: Transfers of Notes and Certificates on registration, transfer, partial redemption or exercise of an option shall be effected without charge by or on behalf of the Issuer, the Registrar or the Transfer Agents, but upon payment of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity as the Registrar or the relevant Transfer Agent may require).

(f) **Closed Periods**: No Noteholder may require the transfer of a Registered Note to be registered (i) during the period of 15 days ending on the due date for redemption of, or payment of any Instalment Amount in respect of, that Note, (ii) during the period of 15 days before any date on which Notes may be called for redemption by the Issuer at its option pursuant to Condition 6(d), (iii) after any such Note has been called for redemption or (iv) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7 (b)).

3. Status

The Notes and the Receipts and Coupons relating to them constitute direct, unsubordinated and (subject to Condition 4) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Notes and the Receipts and the Coupons relating to them shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4, at all times rank at least equally with all other unsecured and unsubordinated indebtedness and monetary obligations of the Issuer, present and future.

4. Negative Pledge

So long as any Note, Receipt or Coupon remains outstanding (as defined in the Agency Agreement) the Issuer will not create, or have outstanding any mortgage, charge, lien, pledge or other security interest, upon the whole or any part of its present or future undertaking, assets or revenues (including any uncalled capital) to secure any Relevant Indebtedness, or any guarantee or indemnity in respect of any Relevant Indebtedness without at the same time or prior thereto according to the Notes, the Receipts and the Coupons the same security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or such other security or such other arrangement (whether or not it includes giving security) as shall be approved by an Extraordinary Resolution (as defined in the Agency Agreement) of the Noteholders.

In this Condition:

"**Relevant Indebtedness**" means any present or future indebtedness which is in the form of, or represented or evidenced by, bonds, notes, debentures, loan stock or other securities which:

(a) for the time being are, or are intended to be or capable of being, quoted, listed or dealt in or traded on any stock exchange or over-the-counter or other securities market (provided that "Relevant Indebtedness" shall not include any such indebtedness which is quoted, listed or dealt in or traded only on a stock exchange or over-the-counter or other securities market in Malaysia); and

(b) either are by their terms payable, or confer a right to receive payment, in any currency other than Ringgit or are denominated in Ringgit and more than 50 per cent. of the aggregate principal amount thereof is initially distributed outside Malaysia by or with the authorisation of the Issuer thereof.

Notwithstanding the foregoing, in the event that there is a change in law or regulation in Malaysia permitting or providing for the issue of covered bonds (such changed law or regulation, the "**Covered Bond Regulation**"), any arrangement relating to the segregation required by the Covered Bond Regulation of any part of the Issuer or its Principal Subsidiary's (as defined in Condition 10) property, assets or revenues or the creation of any security interest required by the Covered Bond Regulation in respect thereof for the purpose of issuing such covered bonds shall be permitted and shall not require the creation of equivalent security in respect of the Notes, provided that, such arrangement is entered into in compliance with, and only to the extent required by, the Covered Bond Regulation and such segregated property, assets or revenues qualify as collateral for, or are to be applied in priority in meeting claims of, issues of covered bonds under the Covered Bond Regulation.

5. Interest and other Calculations

(a) **Interest on Fixed Rate Notes**: Each Fixed Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h).

(b) **Interest on Floating Rate Notes and Variable Rate Notes**:

(i) *Interest Payment Dates*: Each Floating Rate Note and Variable Rate Note bears interest on its outstanding nominal amount from and including the Interest Commencement Date at the rate per annum (expressed as a percentage) equal to the Rate of Interest, such interest being payable in arrear on each Interest Payment Date. The amount of interest payable shall be determined in accordance with Condition 5(h). Such Interest Payment Date(s) is/are either shown hereon as Specified Interest Payment Dates or, if no Specified Interest Payment Date(s) is/are shown hereon, Interest Payment Date shall mean each date which falls the number of months or other period shown hereon as the Interest Period after the preceding Interest Payment Date or, in the case of the first Interest Payment Date, after the Interest Commencement Date provided that the Agreed Yield (as defined in Condition 5(b)(iv)) in respect of any Variable Rate Note for any Interest Period shall be payable on the first day of that Interest Period.

(ii) *Business Day Convention*: If any date referred to in these Conditions that is specified to be subject to adjustment in accordance with a Business Day Convention would otherwise fall on a day that is not a Business Day, then, if the Business Day Convention specified is (A) the Floating Rate Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event (x) such date shall be brought forward to the immediately preceding Business Day and (y) each subsequent such date shall be the last Business Day of the month in which such date would have fallen had it not been subject to adjustment, (B) the Following Business Day Convention, such date shall be postponed to the next day that is a Business Day, (C) the Modified Following Business Day Convention, such date shall be postponed to the next day that is a Business Day unless it would thereby fall into the next calendar month, in which event such date shall be brought forward to the immediately preceding Business Day or (D) the Preceding Business Day Convention, such date shall be brought forward to the immediately preceding Business Day.

(iii) *Rate of Interest for Floating Rate Notes*: The Rate of Interest in respect of Floating Rate Notes for each Interest Accrual Period shall be determined in the manner specified hereon and the provisions below relating to either ISDA Determination or Screen Rate Determination shall apply, depending upon which, if any, is specified hereon.

(A) ISDA Determination for Floating Rate Notes

Where ISDA Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest Accrual Period shall be determined by the Calculation Agent as a rate equal to the relevant ISDA Rate. For the purposes of this sub-paragraph (A), "**ISDA Rate**" for an Interest Accrual Period means a rate equal to the Floating Rate that would be determined by the Calculation Agent under a Swap Transaction under the terms of an agreement incorporating the ISDA Definitions and under which:

(x) the Floating Rate Option is as specified hereon;

(y) the Designated Maturity is a period specified hereon; and

(z) the relevant Reset Date is the first day of that Interest Accrual Period unless otherwise specified hereon.

For the purposes of this sub-paragraph (A), "**Floating Rate**", "**Calculation Agent**", "**Floating Rate Option**", "**Designated Maturity**", "**Reset Date**" and "**Swap Transaction**" have the meanings given to those terms in the ISDA Definitions.

(B) Screen Rate Determination for Floating Rate Notes

(x) Where Screen Rate Determination is specified hereon as the manner in which the Rate of Interest is to be determined, the Rate of Interest for each Interest

(1) the offered quotation; or

(2) the arithmetic mean of the offered quotations,

(expressed as a percentage rate per annum) for the Reference Rate which appears or appear, as the case may be, on the Relevant Screen Page as at either 11.00 a.m. (London time in the case of LIBOR or Brussels time in the case of EURIBOR) on the Interest Determination Date in question as determined by the Calculation Agent. If five or more of such offered quotations are available on the Relevant Screen Page, the highest (or, if there is more than one such highest quotation, one only of such quotations) and the lowest (or, if there is more than one such lowest quotation, one only of such quotations) shall be disregarded by the Calculation Agent for the purpose of determining the arithmetic mean of such offered quotations.

If the Reference Rate from time to time in respect of Floating Rate Notes is specified hereon as being other than LIBOR or EURIBOR, the Rate of Interest in respect of such Notes will be determined as provided hereon.

(y) if the Relevant Screen Page is not available or, if sub-paragraph (x)(1) applies and no such offered quotation appears on the Relevant Screen Page, or, if sub-paragraph (x)(2) applies and fewer than three such offered quotations appear on the Relevant Screen Page, in each case as at the time specified above, subject as provided below, the Calculation Agent shall request, if the Reference Rate is LIBOR, the principal London office of each of the Reference Banks or, if the Reference Rate is EURIBOR, the principal Eurozone office of each of the Reference Banks, to provide the Calculation Agent with its offered quotation (expressed as a percentage rate per annum) for the Reference Rate if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time), or if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the Interest Determination Date in question. If two or more of the Reference Banks provide the Calculation Agent with such offered quotations, the Rate of Interest for such Interest Accrual Period shall be the arithmetic mean of such offered quotations as determined by the Calculation Agent; and

(z) if paragraph (y) above applies and the Calculation Agent determines that fewer than two Reference Banks are providing offered quotations, subject as provided below, the Rate of Interest shall be the arithmetic mean of the rates per annum (expressed as a percentage) as communicated to (and at the request of) the Calculation Agent by the Reference Banks or any two or more of them, at which such banks were offered, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time) on the relevant Interest Determination Date, deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate by leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, or, if fewer than two of the Reference Banks provide the Calculation Agent with such offered rates, the offered rate for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, or the arithmetic mean of the offered rates for deposits in the Specified Currency for a period equal to that which would have been used for the Reference Rate, at which, if the Reference Rate is LIBOR, at approximately 11.00 a.m. (London time) or, if the Reference Rate is EURIBOR, at approximately 11.00 a.m. (Brussels time), on the relevant Interest Determination Date, any one or more banks (which bank or banks is or are in the opinion of the Issuer suitable for such purpose) informs the Calculation Agent it is quoting to leading banks in, if the Reference Rate is LIBOR, the London inter-bank market or, if the Reference Rate is EURIBOR, the Eurozone inter-bank market, as the case may be, provided that, if the Rate of Interest cannot be determined in accordance with the foregoing provisions of this paragraph, the Rate of Interest shall be determined as at the last preceding Interest Determination Date (though substituting, where a different Margin or Maximum or Minimum Rate of Interest is to be applied to the relevant Interest Accrual Period from that which applied to the last preceding Interest Accrual Period, the Margin or Maximum or Minimum Rate of Interest relating to the relevant Interest Accrual Period, in place of the Margin or Maximum or Minimum Rate of Interest relating to that last preceding Interest Accrual Period).

(iv) *Rate of Interest for Variable Rate Notes*

(A) Each Variable Rate Note bears interest at a variable rate determined in accordance with the provisions of this paragraph (iv). The interest payable in respect of a Variable Rate Note for each Interest Period relating to that Variable Rate Note, which shall be payable on the first day of such Interest Period, is referred to in this Conditions as the "Agreed Yield" and the rate of interest payable in respect of a Variable Rate Note on the last day of an Interest Period relating to that Variable Rate Note is referred to in these Conditions as the "Rate of Interest".

(B) The Agreed Yield or, as the case may be, the Rate of Interest payable from time to time in respect of each Variable Rate Note for each Interest Period shall be determined as follows:

(x) not earlier than 9.00 a.m. (Kuala Lumpur time) on the ninth business day nor later than 3.00 p.m. (Kuala Lumpur time) on the fifth business day prior to the commencement of each Interest Period, the Issuer and the Relevant Dealer (as defined below) shall endeavour to agree on the following:

(1) whether interest in respect of such Variable Rate Note is to be paid on the first day or the last day of such Interest Period;

(2) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the first day of such Interest Period, an Agreed Yield in respect of such Variable Rate Note for such Interest Period (and, in the event of the Issuer and the Relevant Dealer so agreeing on such Agreed Yield, the Rate of Interest for such Variable Rate Note for such Interest Period shall be zero); and

(3) if interest in respect of such Variable Rate Note is agreed between the Issuer and the Relevant Dealer to be paid on the last day of such Interest Period, a Rate of Interest in respect of such Variable Rate Note for such Interest period (an "**Agreed Rate**") and, in the event of the Issuer and the Relevant Dealer so agreeing on an Agreed Rate, such Agreed Rate shall be the Rate of Interest for such Variable Rate Note for such Interest Period; and

(y) if the Issuer and the Relevant Dealer do not agree either an Agreed Yield or an Agreed Rate in respect of such Variable Rate Note for such Interest Period by 3.00 p.m. (Kuala Lumpur time) on the fifth business day prior to the commencement of the relevant Interest Period, or if there shall be no Relevant Dealer during the period for agreement referred to in (x) above, the Rate of Interest for such Variable Rate Note for such Interest Period shall automatically be the Fall Back Rate (as defined in Condition 5(b)(iv)(D)).

(C) The Issuer has undertaken to the Fiscal Agent and the Calculation Agent (if any) that it will as soon as possible after the Agreed Yield or, as the case may be, the Agreed Rate in respect of any Variable Rate Note is determined but not later than 10.30 a.m. (Kuala Lumpur time) on the next following business day:

(x) notify the Fiscal Agent and the Calculation Agent in writing of the Agreed Yield or, as the case may be, the Agreed Rate for such Variable Rate Note for such Interest Period; and

(y) cause such Agreed Yield, or as the case may be, the Agreed Rate for such Variable Rate Note to be notified by the Fiscal Agent to the relevant Noteholder at its request.

(D) For the purposes of paragraph (B) above, the Rate of Interest for each Interest Period for which there is neither an Agreed Yield nor Agreed Rate in respect of any Variable Rate Note or no Relevant Dealer during the period for agreement in respect of the Variable Rate Note shall be the rate (the "**Fall Back Rate**") determined by reference to a Reference Rate as specified hereon.

(E) The Fall Back Rate payable from time to time in respect of each Variable Rate Note will be determined by the Calculation Agent in accordance with the provisions of Condition 5(b)(iii)(B), as the case may be, above (*mutatis mutandis*) and references therein to "**Rate of Interest**" shall mean Fall Back Rate.

(c) **Zero Coupon Notes**: Where a Note the Interest Basis of which is specified to be Zero Coupon is repayable prior to the Maturity Date and is not paid when due, the amount due and payable prior to the Maturity Date shall be the Early Redemption Amount of such Note. As from the Maturity Date, the Rate of Interest for any overdue principal of such a Note shall be a rate per annum (expressed as a percentage) equal to the Amortisation Yield (as described in Condition 6(b)(i)).

(d) **Partly Paid Notes**: In the case of Partly Paid Notes (other than Partly Paid Notes which are Zero Coupon Notes), interest will accrue as aforesaid on the paid-up nominal amount of such Notes and otherwise as specified hereon.

(e) **Accrual of Interest**: Interest shall cease to accrue on each Note on the due date for redemption unless, upon due presentation, payment is improperly withheld or refused, in which event interest shall continue to accrue (both before and after judgment) at the Rate of Interest in the manner provided in this Condition 5 to the Relevant Date (as defined in Condition 8).

(f) **Margin, Maximum/Minimum Rates of Interest, Instalment Amounts and Redemption Amounts and Rounding**:

(i) If any Margin is specified hereon (either (x) generally, or (y) in relation to one or more Interest Accrual Periods), an adjustment shall be made to all Rates of Interest, in the case of (x), or the Rates of Interest for the specified Interest Accrual Periods, in the case of (y), calculated in accordance with Condition 5(b) above by adding (if a positive number) or subtracting the absolute value (if a negative number) of such Margin subject always to the next paragraph.

(ii) If any Maximum or Minimum Rate of Interest, Instalment Amount or Redemption Amount is specified hereon, then any Rate of Interest, Instalment Amount or Redemption Amount shall be subject to such maximum or minimum, as the case may be.

(iii) For the purposes of any calculations required pursuant to these Conditions (unless otherwise specified), (x) all percentages resulting from such calculations shall be rounded, if necessary, to the nearest one hundred-thousandth of a percentage point (with halves being rounded up), (y) all figures shall be rounded to seven significant figures (with halves being rounded up) and (z) all currency amounts that fall due and payable shall be rounded to the nearest unit of such currency (with halves being rounded up), save in the case of yen, which shall be rounded down to the nearest yen. For these purposes "unit" means the lowest amount of such currency that is available as legal tender in the country of such currency.

(g) **Calculations**: The amount of interest payable per Calculation Amount in respect of any Note for any Interest Accrual Period shall be equal to the product of the Rate of Interest, the Calculation Amount specified hereon, and the Day Count Fraction for such Interest Accrual Period, unless an Interest Amount (or a formula for its calculation) is applicable to such Interest Accrual Period, in which case the amount of interest payable per Calculation Amount in respect of such Note for such Interest Accrual Period shall equal such Interest Amount (or be calculated in accordance with such formula). Where any Interest Period comprises two or more Interest Accrual Periods, the amount of interest payable per Calculation Amount in respect of such Interest Period shall be the sum of the Interest Amounts payable in respect of each of those Interest Accrual Periods. In respect of any other period for which interest is required to be calculated, the provisions above shall apply save that the Day Count Fraction shall be for the period for which interest is required to be calculated.

(h) **Determination and Publication of Rates of Interest, Interest Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts and Instalment Amounts**:

The Calculation Agent shall, as soon as practicable on each Interest Determination Date, or such other time on such date as the Calculation Agent may be required to calculate any rate or amount, obtain any quotation or make any determination or calculation, determine such rate and calculate the Interest Amounts for the relevant Interest Accrual Period, calculate the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or Instalment Amount, obtain such quotation or make such determination or calculation, as the case may be, and cause the Rate of Interest and the Interest Amounts for each Interest Accrual Period and the relevant Interest Payment Date and, if required to be calculated, the Final Redemption Amount, Early Redemption Amount, Optional Redemption Amount or any Instalment Amount to be notified to the Fiscal Agent, the Issuer, each of the Paying Agents, the Registrar, the Noteholders, any other Calculation Agent appointed in respect of the Notes that is to make a further calculation upon receipt of such information and, if the Notes are listed on a stock exchange and the rules of such exchange or other relevant authority so require, such exchange or other relevant authority as soon as possible after their determination but in no event later than (i) the commencement of the relevant Interest Period, if determined prior to such time, in the case of notification to such exchange of a Rate of Interest and Interest Amount, or (ii) in all other cases, the fourth Business Day after such determination. Where any Interest Payment Date or Interest Period Date is subject to adjustment pursuant to Condition 5(b)(ii), the Interest Amounts and the Interest Payment Date so published may subsequently be amended (or appropriate alternative arrangements made by way of adjustment) without notice in the event of an extension or shortening of the Interest Period. If the Notes become due and payable under Condition 10, the accrued interest and the Rate of Interest payable in respect of the Notes shall nevertheless continue to be calculated as previously in accordance with this Condition but no publication of the Rate of Interest or the Interest Amount so calculated need be made. The determination of any rate or amount, the obtaining of each quotation and the making of each determination or calculation by the Calculation Agent(s) shall (in the absence of manifest error) be final and binding upon all parties.

(i) **Definitions**: In these Conditions, unless the context otherwise requires, the following defined terms shall have the meanings set out below:

"**Business Day**" means:

(i) in the case of a currency other than euro and Renminbi, a day (other than a Saturday or Sunday) on which commercial banks and foreign exchange markets settle payments in the principal financial centre for such currency; and/or

(ii) in the case of euro, a day on which the TARGET System is operating (a "**TARGET Business Day**"); and/or

(iii) in the case of Renminbi, a day (other than a Saturday or Sunday) on which commercial banks in Hong Kong are generally open for business and settlement of Renminbi payments in Hong Kong; and/or

(iv) in the case of a currency and/or one or more Business Centres, a day (other than a Saturday or a Sunday) on which commercial banks and foreign exchange markets settle payments in such currency in the Business Centre(s) or, if no currency is indicated, generally in each of the Business Centres.

"**Day Count Fraction**" means, in respect of the calculation of an amount of interest on any Note for any period of time (from and including the first day of such period to but excluding the last) (whether or not constituting an Interest Period or an Interest Accrual Period, the "**Calculation Period**"):

(i) if "**Actual/Actual**" or "**Actual/Actual (ISDA)**" is specified hereon, the actual number of days in the Calculation Period divided by 365 (or, if any portion of that Calculation Period falls in a leap year, the sum of (A) the actual number of days in that portion of the Calculation Period falling in a leap year divided by 366 and (B) the actual number of days in that portion of the Calculation Period falling in a non-leap year divided by 365)

(ii) if "**Actual/365 (Fixed)**" is specified hereon, the actual number of days in the Calculation Period divided by 365

(iii) if "**Actual/360**" is specified hereon, the actual number of days in the Calculation Period divided by 360

(iv) if "**30/360**", "**360/360**" or "**Bond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \text{ x } (Y2 - Y1)] + [30 \text{ x } M2 - M1] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31 and D1 is greater than 29, in which case D2 will be 30

(v) if "**30E/360**" or "**Eurobond Basis**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \text{ x } (Y2 - Y1)] + [30 \text{ x } M2 - M1] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless such number would be 31, in which case D2 will be 30

(vi) if "**30E/360 (ISDA)**" is specified hereon, the number of days in the Calculation Period divided by 360, calculated on a formula basis as follows:

$$\frac{[360 \text{ x } (Y2 - Y1)] + [30 \text{ x } M2 - M1] + (D2 - D1)}{360}$$

where:

"**Y1**" is the year, expressed as a number, in which the first day of the Calculation Period falls;

"**Y2**" is the year, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**M1**" is the calendar month, expressed as a number, in which the first day of the Calculation Period falls;

"**M2**" is the calendar month, expressed as a number, in which the day immediately following the last day included in the Calculation Period falls;

"**D1**" is the first calendar day, expressed as a number, of the Calculation Period, unless (i) that day is the last day of February or (ii) such number would be 31, in which case D1 will be 30; and

"**D2**" is the calendar day, expressed as a number, immediately following the last day included in the Calculation Period, unless (i) that day is the last day of February but not the Maturity Date or (ii) such number would be 31, in which case D2 will be 30

(vii) if "**Actual/Actual (ICMA)**" is specified hereon:

(a) if the Calculation Period is equal to or shorter than the Determination Period during which it falls, the number of days in the Calculation Period divided by the product of (x) the number of days in such Determination Period and (y) the number of Determination Periods normally ending in any year; and

(b) if the Calculation Period is longer than one Determination Period, the sum of:

(x) the number of days in such Calculation Period falling in the Determination Period in which it begins divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year; and

(y) the number of days in such Calculation Period falling in the next Determination Period divided by the product of (1) the number of days in such Determination Period and (2) the number of Determination Periods normally ending in any year

where:

"**Determination Period**" means the period from and including a Determination Date in any year to but excluding the next Determination Date

"**Determination Date**" means the date(s) specified as such hereon or, if none is so specified, the Interest Payment Date(s)

"**Eurozone**" means the region comprised of member states of the European Union that adopt the single currency in accordance with the Treaty establishing the European Community, as amended

"**Interest Accrual Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Period Date and each successive period beginning on and including an Interest Period Date and ending on but excluding the next succeeding Interest Period Date

"**Interest Amount**" means:

(i) in respect of an Interest Accrual Period, the amount of interest payable per Calculation Amount for that Interest Accrual Period and which, in the case of Fixed Rate Notes, and unless otherwise specified hereon, shall mean the Fixed Coupon Amount or Broken Amount specified hereon as being payable on the Interest Payment Date ending the Interest Period of which such Interest Accrual Period forms part; and

(ii) in respect of any other period, the amount of interest payable per Calculation Amount for that period

"**Interest Commencement Date**" means the Issue Date or such other date as may be specified hereon

"**Interest Determination Date**" means, with respect to a Rate of Interest and Interest Accrual Period, the date specified as such hereon or, if none is so specified, (i) the first day of such Interest Accrual Period if the Specified Currency is Sterling or Hong Kong dollars or Renminbi or (ii) the day falling two Business Days in London for the Specified Currency prior to the first day of such Interest Accrual Period if the Specified Currency is neither Sterling nor euro nor Hong Kong dollars nor Renminbi or the day falling two TARGET Business Days prior to the first day of such Interest Accrual Period if the Specified Currency is euro

"**Interest Period**" means the period beginning on and including the Interest Commencement Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date

"**Interest Period Date**" means each Interest Payment Date unless otherwise specified hereon

"**ISDA Definitions**" means the 2006 ISDA Definitions, as published by the International Swaps and Derivatives Association, Inc., unless otherwise specified hereon

"**Rate of Interest**" means the rate of interest payable from time to time in respect of this Note and that is either specified or calculated in accordance with the provisions hereon

"**Reference Banks**" means, in the case of a determination of LIBOR, the principal London office of four major banks in the London inter-bank market and, in the case of a determination of EURIBOR, the principal Eurozone office of four major banks in the Eurozone inter-bank market, in each case selected by the Calculation Agent or as specified hereon

"**Reference Rate**" means the rate specified as such hereon

"**Relevant Screen Page**" means such page, section, caption, column or other part of a particular information service as may be specified hereon

"**Specified Currency**" means the currency specified as such hereon or, if none is specified, the currency in which the Notes are denominated

"**TARGET System**" means the Trans-European Automated Real-Time Gross Settlement Express Transfer (known as TARGET2) System which was launched on 19 November 2007 or any successor thereto.

(j) **Calculation Agent**: The Issuer shall procure that there shall at all times be one or more Calculation Agents if provision is made for them hereon and for so long as any Note is outstanding. Where more than one Calculation Agent is appointed in respect of the Notes, references in these Conditions to the Calculation Agent shall be construed as each Calculation Agent performing its respective duties under the Conditions. If the Calculation Agent is unable or unwilling to act as such or if the Calculation Agent fails duly to establish the Rate of Interest for an Interest Accrual Period or to calculate any Interest Amount, Instalment Amount, Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, or to comply with any other requirement, the Issuer shall appoint a leading bank or financial institution engaged in the interbank market (or, if appropriate, money, swap or over-the-counter index options market) that is most closely connected with the calculation or determination to be made by the Calculation Agent (acting through its principal London office or any other office actively involved in such market) to act as such in its place. The Calculation Agent may not resign its duties without a successor having been appointed as aforesaid.

6. Redemption, Purchase and Options

(a) **Redemption by Instalments and Final Redemption**:

(i) Unless previously redeemed, purchased and cancelled as provided in this Condition 6, each Note that provides for Instalment Dates and Instalment Amounts shall be partially redeemed on each Instalment Date at the related Instalment Amount specified hereon. The outstanding nominal amount of each such Note shall be reduced by the Instalment Amount (or, if such Instalment Amount is calculated by reference to a proportion of the nominal amount of such Note, such proportion) for all purposes with effect from the related Instalment Date, unless payment of the Instalment Amount is improperly withheld or refused, in which case, such amount shall remain outstanding until the Relevant Date relating to such Instalment Amount.

(ii) Unless previously redeemed, purchased and cancelled as provided below, each Note shall be finally redeemed on the Maturity Date specified hereon at its Final Redemption Amount (which, unless otherwise provided, is its nominal amount) or, in the case of a Note falling within paragraph (i) above, its final Instalment Amount.

(b) **Early Redemption:**

(i) *Zero Coupon Notes*:

(A) The Early Redemption Amount payable in respect of any Zero Coupon Note, the Early Redemption Amount of which is not linked to an index and/or a formula, upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 shall be the Amortised Face Amount (calculated as provided below) of such Note unless otherwise specified hereon.

(B) Subject to the provisions of sub-paragraph (C) below, the Amortised Face Amount of any such Note shall be the scheduled Final Redemption Amount of such Note on the Maturity Date discounted at a rate per annum (expressed as a percentage) equal to the Amortisation Yield (which, if none is shown hereon, shall be such rate as would produce an Amortised Face Amount equal to the issue price of the Notes if they were discounted back to their issue price on the Issue Date) compounded annually.

(C) If the Early Redemption Amount payable in respect of any such Note upon its redemption pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10 is not paid when due, the Early Redemption Amount due and payable in respect of such Note shall be the Amortised Face Amount of such Note as defined in sub-paragraph (B) above, except that such sub-paragraph shall have effect as though the date on which the Note becomes due and payable were the Relevant Date. The calculation of the Amortised Face Amount in accordance with this sub-paragraph shall continue to be made (both before and after judgment) until the Relevant Date, unless the Relevant Date falls on or after the Maturity Date, in which case the amount due and payable shall be the scheduled Final Redemption Amount of such Note on the Maturity Date together with any interest that may accrue in accordance with Condition 5(c).

Where such calculation is to be made for a period of less than one year, it shall be made on the basis of the Day Count Fraction shown hereon.

(ii) *Other Notes:* The Early Redemption Amount payable in respect of any Note (other than Notes described in (i) above), upon redemption of such Note pursuant to Condition 6(c) or upon it becoming due and payable as provided in Condition 10, shall be the Final Redemption Amount unless otherwise specified hereon.

(c) **Redemption for Taxation Reasons:** The Notes may be redeemed at the option of the Issuer in whole, but not in part, on any Interest Payment Date (if this Note is a Floating Rate Note) or, if so specified thereon, at any time (if this Note is not a Floating Rate Note) on giving not less than 30 nor more than 60 days' notice to the Noteholders (which notice shall be irrevocable), at their Early Redemption Amount (as described in Condition 6(b) above) (together with interest accrued to the date fixed for redemption), if (i) the Issuer has or will become obliged to pay additional amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of Malaysia or, in each case, any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after the date on which agreement is reached to issue the first Tranche of the Notes, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such additional amounts were a payment in respect of the Notes then due. Prior to the publication of any notice of redemption pursuant to this Condition 6(c), the Issuer shall deliver to the Fiscal Agent a certificate signed by two Directors of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred, and an opinion of independent legal advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such additional amounts as a result of such change or amendment.

(d) **Redemption at the Option of the Issuer:** If Call Option is specified hereon, the Issuer may, on giving not less than 15 nor more than 30 days' irrevocable notice to the Noteholders (or such other notice period as may be specified hereon) redeem, all or, if so provided, some, of the Notes on any Optional Redemption Date. Any such redemption of Notes shall be at their Optional Redemption Amount together with interest accrued to the date fixed for redemption. Any such redemption or exercise must relate to Notes of a nominal amount at least equal to the Minimum Redemption Amount to be redeemed specified hereon and no greater than the Maximum Redemption Amount to be redeemed specified hereon.

All Notes in respect of which any such notice is given shall be redeemed on the date specified in such notice in accordance with this Condition.

In the case of a partial redemption the notice to Noteholders shall also contain the certificate numbers of the Bearer Notes, or in the case of Registered Notes shall specify the nominal amount of Registered Notes drawn and the holder(s) of such Registered Notes, to be redeemed, which shall have been drawn in such place and in such manner as may be fair and reasonable in the circumstances, taking account of prevailing market practices, subject to compliance with any applicable laws and stock exchange or other relevant authority requirements.

(e) **Redemption at the Option of Noteholders:** If Put Option is specified hereon, the Issuer shall, at the option of the holder of any such Note, upon the holder of such Note giving not less than 15 nor more than 30 days' notice to the Issuer (or such other notice period as may be specified hereon) redeem such Note on the Optional Redemption Date(s) at its Optional Redemption Amount together with interest accrued to the date fixed for redemption.

To exercise such option the holder must deposit (in the case of Bearer Notes) such Note (together with all unmatured Receipts and Coupons and unexchanged Talons) with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option exercise notice ("**Exercise Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the notice period. No Note or Certificate so deposited and option exercised may be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(f) **Purchase at the option of holders of Variable Rate Notes:** If VRN Purchase Option is specified hereon, each holder of Variable Rate Notes shall have the option to have all or any of his Variable Rate

Notes purchased by the Issuer at their Redemption Amount on any Interest Payment Date and the Issuer will purchase such Variable Rate Notes accordingly. To exercise such option, the holder must deposit (in the case of Bearer Notes) such Variable Rate Notes (together with all unmatured Receipts and Coupons and unexchanged Talons) to be purchased with any Paying Agent or (in the case of Registered Notes) the Certificate representing such Note(s) with the Registrar or any Transfer Agent at its specified office, together with a duly completed option purchase notice ("**Purchase Notice**") in the form obtainable from any Paying Agent, the Registrar or any Transfer Agent (as applicable) within the Noteholders' VRN Purchase Option Period specified hereon. Any Note or Certificate so deposited may not be withdrawn (except as provided in the Agency Agreement) without the prior consent of the Issuer.

(g) **Partly Paid Notes:** Partly Paid Notes will be redeemed, whether at maturity, early redemption or otherwise, in accordance with the provisions of this Condition and the provisions specified hereon.

(h) **Purchases:** The Issuer and its Subsidiaries (as defined in Condition 10) may at any time purchase Notes (provided that all unmatured Receipts and Coupons and unexchanged Talons relating thereto are attached thereto or surrendered therewith) in the open market or otherwise at any price. Any Notes so purchased may be held, reissued or resold by the Issuer and its Subsidiaries.

(i) **Cancellation:** All Notes purchased by or on behalf of the Issuer or any of its Subsidiaries may be surrendered for cancellation, in the case of Bearer Notes, by surrendering each such Note together with all unmatured Receipts and Coupons and all unexchanged Talons to the Fiscal Agent and, in the case of Registered Notes, by surrendering the Certificate representing such Notes to the Registrar and, in each case, if so surrendered, shall, together with all Notes redeemed by the Issuer, be cancelled forthwith (together with all unmatured Receipts and Coupons and unexchanged Talons attached thereto or surrendered therewith). Any Notes so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Notes shall be discharged.

7. Payments and Talons

(a) **Bearer Notes:** Payments of principal and interest in respect of Bearer Notes shall, subject as mentioned below, be made against presentation and surrender of the relevant Receipts (in the case of payments of Instalment Amounts other than on the due date for redemption and provided that the Receipt is presented for payment together with its relative Note), Notes (in the case of all other payments of principal and, in the case of interest, as specified in Condition 7(f)(vi)) or Coupons (in the case of interest, save as specified in Condition 7(f)(vi)), as the case may be:

(i) in the case of a currency other than Renminbi, at the specified office of any Paying Agent outside the United States by a cheque payable in the relevant currency drawn on, or, at the option of the holder, by transfer to an account denominated in such currency with, a Bank; and

(ii) in the case of Renminbi, by transfer to a Renminbi account maintained by or on behalf of a Noteholder with a bank in Hong Kong.

In this Condition 7(a) and Condition 7(b), "**Bank**" means a bank in the principal financial centre for such currency or, in the case of euro, in a city in which banks have access to the TARGET System.

(b) **Registered Notes:**

(i) Payments of principal (which for the purposes of this Condition 7(b) shall include final Instalment Amounts but not other Instalment Amounts) in respect of Registered Notes shall be made against presentation and surrender of the relevant Certificates at the specified office of any of the Transfer Agents or of the Registrar and in the manner provided in paragraph (ii) below.

(ii) Interest (which for the purpose of this Condition 7(b) shall include all Instalment Amounts other than final Instalment Amounts) on Registered Notes shall be paid to the person shown on the Register at the close of business on the fifteenth day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Registered Note shall be made:

(x) in a case of the currency other than Renminbi, in the relevant currency by cheque drawn on a Bank and mailed to the holder (or to the first-named of joint holders) of such Note at its address appearing in the Register. Upon application by the holder to the specified office of the Registrar or any Transfer Agent before the Record Date, such payment of interest may be made by transfer to an account in the relevant currency maintained by the payee with a Bank; and

(y) in the case of Renminbi, by transfer to the registered account of the Noteholder.

In this Condition 7(b)(ii), "**registered account**" means the Renminbi account maintained by or on behalf of the Noteholder with a bank in Hong Kong, details of which appear on the Register at the close of business on the fifth business day before the due date for payment.

(c) **Payments in the United States:** Notwithstanding the foregoing, if any Bearer Notes are denominated in U.S. dollars, payments in respect thereof may be made at the specified office of any Paying Agent in New York City in the same manner as aforesaid if (i) the Issuer shall have appointed Paying Agents with specified offices outside the United States with the reasonable expectation that such Paying Agents would be able to make payment of the amounts on the Notes in the manner provided above when due, (ii) payment in full of such amounts at all such offices is illegal or effectively precluded by exchange controls or other similar restrictions on payment or receipt of such amounts and (iii) such payment is then permitted by United States law, without involving, in the opinion of the Issuer, any adverse tax consequence to the Issuer.

(d) **Payments Subject to Fiscal Laws:** All payments are subject in all cases to any applicable fiscal or other laws, regulations and directives in the place of payment, but without prejudice to the provisions of Condition 8. No commission or expenses shall be charged to the Noteholders or Couponholders in respect of such payments.

(e) **Appointment of Agents:** The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, the Transfer Agents and the Calculation Agent initially appointed by the Issuer and their respective specified offices are listed below. The Fiscal Agent, the CMU Lodging and Paying Agent, the Paying Agents, the Registrar, Transfer Agents and the Calculation Agent(s) act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Noteholder or Couponholder. The Issuer reserves the right at any time to vary or terminate the appointment of the Fiscal Agent, the CMU Lodging and Paying Agent, any other Paying Agent, the Registrar, any Transfer Agent or the Calculation Agent(s) and to appoint additional or other Paying Agents or Transfer Agents, provided that the Issuer shall at all times maintain (i) a Fiscal Agent, (ii) a Registrar in relation to Registered Notes, (iii) a Transfer Agent in relation to Registered Notes, (iv) one or more Calculation Agent(s) where the Conditions so require, (v) Paying Agents having specified offices in at least two major European cities, (vi) such other agents as may be required by any other stock exchange on which the Notes may be listed and (vii) a Paying Agent with a specified office in a European Union member state that will not be obliged to withhold or deduct tax pursuant to any law implementing European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000.

In addition, the Issuer shall forthwith appoint a Paying Agent in New York City in respect of any Bearer Notes denominated in U.S. dollars in the circumstances described in paragraph (c) above.

Notice of any such change or any change of any specified office shall promptly be given to the Noteholders.

(f) **Unmatured Coupons and Receipts and unexchanged Talons:**

(i) Upon the due date for redemption of Bearer Notes which comprise Fixed Rate Notes, those Notes should be surrendered for payment together with all unmatured Coupons (if any) relating thereto, failing which an amount equal to the face value of each missing unmatured Coupon (or, in the case of payment not being made in full, that proportion of the amount of such missing unmatured Coupon that the sum of principal so paid bears to the total principal due) shall be deducted from the Final Redemption Amount, Early Redemption Amount or Optional Redemption Amount, as the case may be, due for payment. Any amount so deducted shall be paid in the manner mentioned above against surrender of such missing Coupon within a period of 10 years from the Relevant Date for the payment of such principal (whether or not such Coupon has become void pursuant to Condition 9).

(ii) Upon the due date for redemption of any Bearer Note comprising a Floating Rate Note, unmatured Coupons relating to such Note (whether or not attached) shall become void and no payment shall be made in respect of them.

(iii) Upon the due date for redemption of any Bearer Note, any unexchanged Talon relating to such Note (whether or not attached) shall become void and no Coupon shall be delivered in respect of such Talon.

(iv) Upon the due date for redemption of any Bearer Note that is redeemable in instalments, all Receipts relating to such Note having an Instalment Date falling on or after such due date (whether or not attached) shall become void and no payment shall be made in respect of them.

(v) Where any Bearer Note that provides that the relative unmatured Coupons are to become void upon the due date for redemption of those Notes is presented for redemption without all unmatured Coupons, and where any Bearer Note is presented for redemption without any unexchanged Talon relating to it, redemption shall be made only against the provision of such indemnity as the Issuer may require.

(vi) If the due date for redemption of any Note is not a due date for payment of interest, interest accrued from the preceding due date for payment of interest or the Interest Commencement Date, as the case may be, shall only be payable against presentation (and surrender if appropriate) of the relevant Bearer Note or Certificate representing it, as the case may be. Interest accrued on a Note that only bears interest after its Maturity Date shall be payable on redemption of such Note against presentation of the relevant Note or Certificate representing it, as the case may be.

(g) **Talons:** On or after the Interest Payment Date for the final Coupon forming part of a Coupon sheet issued in respect of any Bearer Note, the Talon forming part of such Coupon sheet may be surrendered at the specified office of the Fiscal Agent in exchange for a further Coupon sheet (and if necessary another Talon for a further Coupon sheet) (but excluding any Coupons that may have become void pursuant to Condition 9).

(h) **Non-Business Days:** If any date for payment in respect of any Note, Receipt or Coupon is not a business day, the holder shall not be entitled to payment until the next following business day nor to any interest or other sum in respect of such postponed payment. In this paragraph, "**business day**" means a day (other than a Saturday or a Sunday) on which banks and foreign exchange markets are open for business in the relevant place of presentation, in such jurisdictions as shall be specified as "**Financial Centres**" hereon and:

(i) (in the case of a payment in a currency other than euro and Renminbi) where payment is to be made by transfer to an account maintained with a bank in the relevant currency, on which foreign exchange transactions may be carried on in the relevant currency in the principal financial centre of the country of such currency; or

(ii) (in the case of a payment in euro) which is a TARGET Business Day; or

(iii) (in the case of a payment in Renminbi) on which banks and foreign exchange markets are open for business and settlement of Renminbi payments in Hong Kong).

8. Taxation

All payments of principal and interest by or on behalf of the Issuer in respect of the Notes, the Receipts and the Coupons shall be made free and clear of, and without withholding or deduction for, any taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within Malaysia or any authority therein or thereof having power to tax, unless such withholding or deduction is required by law. In that event, the Issuer shall pay such additional amounts as shall result in receipt by the Noteholders, the holders of Receipts and the Couponholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no such additional amounts shall be payable with respect to any Note, Receipt or Coupon:

(a) **Other connection**: to, or to a third party on behalf of, a holder who is liable to such taxes, duties, assessments or governmental charges in respect of such Note, Receipt or Coupon by reason of his having some connection with Malaysia other than the mere holding of the Note, Receipt or Coupon; or

(b) **Presentation more than 30 days after the Relevant Date**: presented (or in respect of which the Certificate representing it is presented) for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such additional amounts on presenting it for payment on the thirtieth such day; or

(c) **Payment to individuals**: where such withholding or deduction is imposed on a payment to an individual and is required to be made pursuant to the European Council Directive 2003/48/EC or any other directive implementing the conclusions of the ECOFIN Council meeting of 26-27 November 2000 or any law implementing or complying with, or introduced in order to conform to, such directive; or

(d) **Payment by another Paying Agent**: (except in the case of Registered Notes) presented for payment by or on behalf of a holder who would have been able to avoid such withholding or deduction by presenting the relevant Note, Receipt or Coupon to another Paying Agent in a Member State of the European Union.

As used in these Conditions, "**Relevant Date**" in respect of any Note, Receipt or Coupon means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date seven days after that on which notice is duly given to the Noteholders that, upon further presentation of the Note (or relative Certificate), Receipt or Coupon being made in accordance with the Conditions, such payment will be made, provided that payment is in fact made upon such presentation. References in these Conditions to (i) "principal" shall be deemed to include any premium payable in respect of the Notes, all Instalment Amounts, Final Redemption Amounts, Early Redemption Amounts, Optional Redemption Amounts, Amortised Face Amounts and all other amounts in the nature of principal payable pursuant to Condition 6 or any amendment or supplement to it, (ii) "interest" shall be deemed to include all Interest Amounts and all other amounts payable pursuant to Condition 5 or any amendment or supplement to it and (iii) "principal" and/or "interest" shall be deemed to include any additional amounts that may be payable under this Condition.

9. Prescription

Claims against the Issuer for payment in respect of the Notes, Receipts and Coupons (which for this purpose shall not include Talons) shall be prescribed and become void unless made within 10 years (in the case of principal) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

10. Events of Default

If any of the following events ("**Events of Default**") occurs, the holder of any Note may give written notice to the Fiscal Agent at its specified office that such Note is immediately repayable, whereupon the Early Redemption Amount of such Note together (if applicable) with accrued interest to the date of payment shall become immediately due and payable:

(a) **Non-Payment**: default is made in the payment on the due date of interest or principal in respect of any of the Notes and, only in the case of default in the payment of interest, such default remains unremedied for five business days. In this paragraph, "**business day**" means a day on which commercial banks are open for general business (including dealings in foreign currencies) in Malaysia; or

(b) **Breach of Other Obligations**: the Issuer does not perform or comply with any one or more of its other obligations in the Notes which default is incapable of remedy or where the default is capable of remedy is not remedied within 30 days after notice of such default shall have been given to the Fiscal Agent at its specified office by any Noteholder; or

(c) **Cross-Default**: (A) any other present or future indebtedness of the Issuer or any of its Principal Subsidiaries for or in respect of moneys borrowed or raised becomes due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (B) any such indebtedness is not paid when due or, as the case may be, within any originally applicable grace period, or (C) the Issuer or any of its Principal Subsidiaries fails to pay when due any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this paragraph (c) have occurred equals or exceeds U.S.$20,000,000 or its equivalent (on the basis of the middle spot rate for the relevant currency against the U.S. dollar as quoted by any leading bank on the day on which this paragraph operates); or

(d) **Enforcement Proceedings**: a distress, attachment, execution or other legal process is levied, enforced or sued out on or against any part of the property, assets or revenues of the Issuer or any of its Principal Subsidiaries and is not discharged or stayed within 90 days; or

(e) **Security Enforced**: any mortgage, charge, pledge, lien or other encumbrance, present or future, created or assumed by the Issuer or any of its Principal Subsidiaries becomes enforceable and any step is taken to enforce it (including the taking of possession or the appointment of a receiver, administrative receiver, administrator manager or other similar person); or

(f) **Insolvency**: the Issuer or any of its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend payment of all or a material part of (or of a particular type of) its debts, proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared or comes into effect in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or any of its Principal Subsidiaries; or

(g) **Winding-up**: an administrator is appointed, an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or any of its Principal Subsidiaries, or the Issuer or any of its Principal Subsidiaries shall apply or petition for a winding-up or administration order in respect of itself or ceases or threatens to cease to carry on all or substantially all of its business or operations save for the purposes of reconstruction, reorganisation or amalgamation whilst solvent; or

(h) **Authorisation and Consents**: any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Notes, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Notes admissible in evidence in the courts of Malaysia is not taken, fulfilled or done; or

(i) **Illegality**: it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Notes; or

(j) **Analogous Events**: any event occurs that under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in paragraphs (e) to (g) above.

In these Conditions:

"**Principal Subsidiary**" means any Subsidiary of the Issuer whose total assets, as shown by the accounts of such Subsidiary, based upon which the latest audited consolidated accounts of the Group (as defined below) have been prepared, is at least five per cent. of the total assets of the Issuer and its Subsidiaries taken as a whole (the "**Group**") as shown by such audited consolidated accounts, provided that if any such Subsidiary (the "**transferor**") shall at any time transfer the whole or a substantial part of its business, undertaking or assets to another Subsidiary or the Issuer (the "**transferee**") then:

(a) if the whole of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall thereupon cease to be a Principal Subsidiary and the transferee (unless it is the Issuer) shall thereupon become a Principal Subsidiary; and

(b) if a substantial part only of the business, undertaking and assets of the transferor shall be so transferred, the transferor shall remain a Principal Subsidiary and the transferee (unless it is the Issuer) shall thereupon become a Principal Subsidiary.

Any Subsidiary which becomes a Principal Subsidiary by virtue of (a) above or which remains or becomes a Principal Subsidiary by virtue of (b) above shall continue to be a Principal Subsidiary until the date of issue of the first audited consolidated accounts of the Group prepared as at a date later than the date of the relevant transfer which show the total assets as shown by the accounts of such Subsidiary, based upon which such audited consolidated accounts have been prepared, to be less than five per cent. of the total assets of the Group, as shown by such audited consolidated accounts.

A certificate by the independent auditors of the Issuer, who shall also be responsible for producing any pro-forma accounts required for the above purposes, that in their opinion a Subsidiary is or is not a Principal Subsidiary shall, in the absence of manifest error, be conclusive.

"**Subsidiary**" means any entity whose financial statements at any time are required by law or in accordance with generally accepted accounting principles to be fully consolidated with those of the Issuer.

11. Meeting of Noteholders and Modifications

(a) **Meetings of Noteholders:** The Agency Agreement contains provisions for convening meetings of Noteholders to consider any matter affecting their interests, including the sanctioning by Extraordinary Resolution (as defined in the Agency Agreement) of a modification of any of these Conditions. Such a meeting may be convened by Noteholders holding not less than 10 per cent. in nominal amount of the Notes for the time being outstanding. The quorum for any meeting convened to consider an Extraordinary Resolution shall be two or more persons holding or representing a clear majority in nominal amount of the Notes for the time being outstanding, or at any adjourned meeting two or more persons being or representing Noteholders whatever the nominal amount of the Notes held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to amend the dates of maturity or redemption of the Notes, any Instalment Date or any date for payment of interest or Interest Amounts on the Notes, (ii) to reduce or cancel the nominal amount of, or any Instalment Amount of, or any premium payable on redemption of, the Notes, (iii) to reduce the rate or rates of interest in respect of the Notes or to vary the method or basis of calculating the rate or rates or amount of interest or the basis for calculating any Interest Amount in respect of the Notes, (iv) if a Minimum and/or a Maximum Rate of Interest, Instalment Amount or Redemption Amount is shown hereon, to reduce any such Minimum and/or Maximum, (v) to vary any method of, or basis for, calculating the Final Redemption Amount, the Early Redemption Amount or the Optional Redemption Amount, including the method of calculating the Amortised Face Amount, (vi) to vary the currency or currencies of payment or denomination of the Notes, or (vii) to modify the provisions concerning the quorum required at any meeting of Noteholders or the majority required to pass the Extraordinary Resolution, in which case the necessary quorum shall be two or more persons holding or representing not less than 75 per cent. in nominal amount of the Notes for the time being outstanding or at any adjourned meeting not less than 25 per cent. in nominal amount of the Notes for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Noteholders (whether or not they were present at the meeting at which such resolution was passed) and on all Couponholders.

The Agency Agreement provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in nominal amount of the Notes outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Noteholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Noteholders.

These Conditions may be amended, modified or varied in relation to any Series of Notes by the terms of the relevant Pricing Supplement in relation to such Series.

(b) **Modification of Agency Agreement:** The Issuer and the Fiscal Agent shall only permit any waiver or authorisation of any breach or proposed breach of or any failure to comply with the Agency Agreement, without the consent of the Noteholders, if to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders. The Issuer and the Fiscal Agent shall only permit any modification of the Agency Agreement without the consent of the Noteholders, if (i) to do so could not reasonably be expected to be prejudicial to the interests of the Noteholders; or (ii) such modification is either of a formal, minor or technical nature or made to cure any ambiguity or correct a manifest or proven error or to comply with mandatory provisions of the law. Any such modification shall be binding on the Noteholders and any such modification shall be notified to the Noteholders in accordance with Condition 14 as soon as practicable thereafter.

12. Replacement of Notes, Certificates, Receipts, Coupons and Talons

If a Note, Certificate, Receipt, Coupon or Talon is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations and stock exchange or other relevant authority regulations, at the specified office of the Fiscal Agent (in the case of Bearer Notes, Receipts, Coupons or Talons) and of the Registrar (in the case of Certificates) or such other Paying Agent or Transfer Agent, as the case may be, as may from time to time be designated by the Issuer for the purpose and notice of whose designation is given to Noteholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security and indemnity (which may provide, *inter alia*, that if the allegedly lost, stolen or destroyed Note, Certificate, Receipt, Coupon or Talon is subsequently presented for payment or, as the case may be, for exchange for further Coupons, there shall be paid to the Issuer on demand the amount payable by the Issuer in respect of such Notes, Certificates, Receipts, Coupons or further Coupons) and otherwise as the Issuer, the Fiscal Agent and the Registrar may require. Mutilated or defaced Notes, Certificates, Receipts, Coupons or Talons must be surrendered before replacements will be issued.

13. Further Issues

The Issuer may from time to time without the consent of the Noteholders or Couponholders create and issue further notes having the same terms and conditions as the Notes (so that, for the avoidance of doubt, references in these Conditions to "Issue Date" shall be to the first issue date of the Notes) and so that the same shall be consolidated and form a single series with such Notes, and references in these Conditions to "Notes" shall be construed accordingly.

14. Notices

Notices to the holders of Registered Notes shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday or a Sunday) after the date of mailing. Notices to the holders of Bearer Notes shall be valid if published in a daily newspaper of general circulation (which is expected to be the Wall Street Journal Asia). If any such publication is not practicable, notice shall be validly given if published in another leading daily English language newspaper with general circulation in Asia. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once or on different dates, on the date of the first publication as provided above.

Couponholders shall be deemed for all purposes to have notice of the contents of any notice given to the holders of Bearer Notes in accordance with this Condition.

15. Currency Indemnity

Any amount received or recovered in a currency other than the currency in which payment under the relevant Note, Coupon or Receipt is due (whether as a result of, or of the enforcement of, a judgment or order of a court of any jurisdiction, in the insolvency, winding-up or dissolution of the Issuer or otherwise) by any Noteholder or Couponholder in respect of any sum expressed to be due to it from the Issuer shall only constitute a discharge to the Issuer to the extent of the amount in the currency of payment under the relevant Note, Coupon or Receipt that the recipient is able to purchase with the amount so received or recovered in that other currency on the date of that receipt or recovery (or, if it is not practicable to make that purchase on that date, on the first date on which it is practicable to do so). If the amount received or recovered is less than the amount expressed to be due to the recipient under any Note, Coupon or Receipt, the Issuer shall indemnify it against any loss sustained by it as a result. In any event, the Issuer shall indemnify the recipient against the cost of making any such purchase. For the purposes of this Condition, it shall be sufficient for the Noteholder or Couponholder, as the case may be, to demonstrate that it would have suffered a loss had an actual purchase been made. These indemnities constitute a separate and independent obligation from the Issuer's other obligations, shall give rise to a separate and independent cause of action, shall apply irrespective of any indulgence granted by any Noteholder or Couponholder and shall continue in full force and effect despite any other judgment, order, claim or proof for a liquidated amount in respect of any sum due under any Note, Coupon or Receipt or any other judgment or order.

16. Substitution

Any corporation into which the Issuer may be merged or converted, or any corporation with which the Issuer may be consolidated, or any corporation resulting from any merger, conversion or consolidation to which the Issuer shall be a party, or any corporation to which the Issuer shall sell or otherwise transfer all or substantially all of its assets shall, on the date when the merger, conversion, consolidation or transfer becomes effective and to the extent permitted by any applicable laws, without the consent of the Noteholders, replace and substitute the Issuer as principal debtor (the "**Substituted Issuer**") in respect of the Notes, provided that:

(a) **Conditions Precedent to Substitution**

(i) a deed of covenant in or substantially in the form of the Deed of Covenant and such other documents (if any) as may be necessary to give full effect to the substitution (including, but not limited to, a document or documents pursuant to which the Substituted Issuer agrees to be bound by the terms of the Agency Agreement and the dealer agreement relating to the Issuer's US$5,000,000,000 Euro Medium Term Note Programme) (together the "**Documents**") shall be executed by the Substituted Issuer and (without limiting the generality of the foregoing) pursuant to which the Substituted Issuer shall undertake in favour of each Noteholder to be bound by these Conditions and the provisions of the Documents as fully as if the Substituted Issuer had been named in the Notes and the Documents as the principal debtor in respect of the Notes in place of the Issuer (or any previous substitute);

(ii) without prejudice to the generality of subparagraph (i) above, where the Substituted Issuer is incorporated, domiciled or resident for taxation purposes in a territory other than Malaysia, the Documents shall contain a covenant by the Substituted Issuer and/or such other provisions as may be necessary to ensure that each Noteholder has the benefit of a covenant in terms corresponding to the provisions of Condition 8 (*Taxation*) with the substitution for the references to Malaysia of references to the territory or territories in which the Substituted Issuer is incorporated, domiciled and/or resident for taxation purposes;

(iii) (A) the Substituted Issuer will obtain all necessary governmental and regulatory approvals and consents for such substitution and for the performance by the Substituted Issuer of its obligations under the Documents and that all such approvals and consents will be in full force and effect on the date when the merger, conversion, consolidation or transfer becomes effective; and (B) the obligations assumed by the Substituted Issuer under the Documents shall constitute legal, valid and binding obligations of the Substituted Issuer in accordance with their respective terms;

(iv) with respect to Notes listed on a stock exchange, if any, such stock exchange having been notified of any such merger, conversion, consolidation or transfer (in accordance with the applicable notification procedures) and any requirements of such stock exchange in respect of such consolidation, merger or substitution having been complied with;

(v) the Substituted Issuer shall have delivered to the Fiscal Agent a certified copy of the certificate of incorporation and the Memorandum and Articles of Association of the Substituted Issuer, such documents to be available for inspection by Noteholders at the specified office of the Fiscal Agent;

(vi) the Substituted Issuer shall have delivered to the Fiscal Agent a certified copy of all resolutions and other authorizations required to be passed or given, and any evidence of any other action required to be taken, on behalf of the Substituted Issuer: (A) to approve its entry into the Documents; and (B) to authorise appropriate persons to execute the Documents and to take any other action in connection therewith, such documents to be available for inspection by Noteholders at the specified office of the Fiscal Agent;

(vii) the Substituted Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of lawyers in the jurisdiction of incorporation of the Substituted Issuer to the effect that the Documents constitute legal, valid and binding obligations of the Substituted Issuer, such opinion to be dated not more than seven days prior to the date of the substitution of the Substituted Issuer for the Issuer and to be available for inspection by Noteholders at the specified office of the Fiscal Agent;

(viii) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of Malaysian lawyers to the effect that the Documents constitute legal, valid and binding obligations of the Issuer, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Issuer for the Issuer and to be available for inspection by Noteholders at the specified office of the Fiscal Agent;

(ix) the Issuer shall have delivered to the Fiscal Agent or procured the delivery to the Fiscal Agent of a legal opinion from a leading firm of English lawyers to the effect that the Documents constitute legal, valid and binding obligations of the parties thereto under English law, such opinion to be dated not more than seven days prior to the date of substitution of the Substituted Issuer for the Issuer and to be available for inspection by Noteholders at the specified office of the Fiscal Agent; and

(x) the Substituted Issuer shall have appointed the process agent appointed by the Issuer in Condition 17 (c) (*Service of Process*) or another person with an office in England as its agent in England to receive service of process on its behalf in relation to any legal action or proceedings arising out of or in connection with the Notes.

(b) **Assumption by Substituted Issuer**

Upon execution of the Documents as referred to in Condition 16(a)(i) above, the Substituted Issuer shall be deemed to be named in the Notes as the principal debtor in place of the Issuer (or of any previous substitute under these provisions) and the Notes shall thereupon be deemed to be amended to give effect to the substitution. The execution of the Documents shall operate to release the Issuer as issuer (or such previous substitute as aforesaid) from all of its obligations as principal debtor in respect of the Notes.

(c) **Deposit of Documents**

The Documents shall be deposited with and held by the Fiscal Agent for so long as any Note remains outstanding and for so long as any claim made against the Substituted Issuer or the Issuer by any Noteholder in relation to the Notes or the Documents shall not have been finally adjudicated, settled or discharged.

(d) **Notice of substitution**

Not less than 15 days after execution of the Documents, the Substituted Issuer shall give notice thereof to the Noteholders in accordance with Condition 14 (*Notices*).

17. Contracts (Rights of Third Parties) Act 1999

No person shall have any right to enforce any term or condition of the Notes under the Contracts (Rights of Third Parties) Act 1999 except and to the extent (if any) that the Notes expressly provide for such Act to apply to any of their terms

18. Governing Law and Jurisdiction

(a) **Governing Law:** The Notes, the Receipts, the Coupons and the Talons and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, English law.

(b) **Jurisdiction:** The Courts of England are to have jurisdiction to settle any disputes that may arise out of or in connection with any Notes, Receipts, Coupons or Talons (including any dispute relating to any non-contractual obligations arising out of or in connection with any Notes, Receipts, Coupons or Talons) and accordingly any legal action or proceedings arising out of or in connection with any Notes, Receipts, Coupons or Talons (including any dispute relating to any non-contractual obligations arising out of or in connection with any Notes, Receipts, Coupons or Talons) ("**Proceedings**") may be brought in such courts. The Issuer irrevocably submits to the jurisdiction of the courts of England and waives any objection to Proceedings in such courts on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum. This submission is made for the benefit of each of the holders of the Notes, Receipts, Coupons and Talons and shall not affect the right of any of them to take Proceedings in any other court of competent jurisdiction nor shall the taking of Proceedings in one or more jurisdictions preclude the taking of Proceedings in any other jurisdiction (whether concurrently or not).

(c) **Service of Process**: The Issuer irrevocably appoints TMF Corporate Services Limited of 6 St. Andrew Street, 5th Floor, London, EC4A 3AE, United Kingdom as its agent in England to receive, for it and on its behalf, service of process in any Proceedings in England. Such service shall be deemed completed on delivery to such process agent (whether or not, it is forwarded to and received by the Issuer). If for any reason such process agent ceases to be able to act as such or no longer has an address in London, the Issuer irrevocably agrees to appoint a substitute process agent and shall immediately notify Noteholders of such appointment in accordance with Condition 14. Nothing shall affect the right to serve process in any manner permitted by law.

Summary of Provisions Relating to the Notes while in Global Form

1. Initial Issue of Notes

Global Notes and Global Certificates may be delivered on or prior to the original issue date of the Tranche to a Common Depositary or a sub-custodian for the CMU.

Upon the initial deposit of a Global Note with a common depositary for Euroclear and Clearstream, Luxembourg (the "**Common Depositary**") or with a sub-custodian for the CMU or registration of Registered Notes in the name of (i) any nominee for Euroclear and Clearstream, Luxembourg (as the case may be) and/or (ii) the HKMA as operator of the CMU and delivery of the relative Global Certificate to the Common Depositary or the CMU (as the case may be), Euroclear or Clearstream, Luxembourg or the CMU (as the case may be) will credit each subscriber with a nominal amount of Notes equal to the nominal amount thereof for which it has subscribed and paid.

Notes that are initially deposited with the Common Depositary may also be credited to the accounts of subscribers with (if indicated in the relevant Pricing Supplement) other clearing systems through direct or indirect accounts with Euroclear and Clearstream, Luxembourg held by such other clearing systems. Conversely, Notes that are initially deposited with any other clearing system may similarly be credited to the accounts of subscribers with Euroclear, Clearstream, Luxembourg or other clearing systems.

2. Relationship of Accountholders with Clearing Systems

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg, the CMU or any other clearing system ("**Alternative Clearing System**") as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg, the CMU or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, the CMU or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

If a Global Note or a Global Certificate is lodged with a sub-custodian for or registered with the CMU, the person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in accordance with the CMU Rules as notified by the CMU to the CMU Lodging and Paying Agent in a relevant CMU Instrument Position Report or any other relevant notification by the CMU (which notification, in either case, shall be conclusive evidence of the records of the CMU save in the case of manifest error) shall be the only person(s) entitled or in the case of Registered Notes, directed or deemed by the CMU as entitled to receive payments in respect of Notes represented by such Global Note or Global Certificate and the Issuer will be discharged by payment to, or to the order of, such person(s) for whose account(s) interests in such Global Note or Global Certificate are credited as being held in the CMU in respect of each amount so paid. Each of the persons shown in the records of the CMU as the beneficial holder of a particular nominal amount of Notes represented by such Global Note or Global Certificate must look solely to the CMU Lodging and Paying Agent (as agent of the Issuer) for his share of each payment so made by the Issuer in respect of such Global Note or Global Certificate.

3. Exchange

3.1 Temporary Global Notes

Each temporary Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date:

(i) if the relevant Pricing Supplement indicates that such Global Note is issued in compliance with the C Rules or in a transaction to which TEFRA is not applicable (as to which, see "Overview of the Programme — Selling Restrictions"), in whole, but not in part, for the Definitive Notes defined and described below; and

(ii) otherwise, in whole or in part upon certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement for interests in a permanent Global Note or, if so provided in the relevant Pricing Supplement, for Definitive Notes.

The CMU may require that any such exchange for a permanent Global Note is made in whole and not in part and in such event, no such exchange will be effected until all relevant account holders (as set out in a CMU Instrument Position Report (as defined in the rules of the CMU) or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) have so certified.

The holder of a temporary Global Note will not be entitled to collect any payment of interest, principal or other amount due on or after the Exchange Date unless, upon due certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement, exchange of the temporary Global Note for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused.

3.2 Permanent Global Notes

Each permanent Global Note will be exchangeable, free of charge to the holder, on or after its Exchange Date in whole but not, except as provided under paragraph 3.4 below, in part for Definitive Notes: (i) if the permanent Global Note is held on behalf of Euroclear or Clearstream, Luxembourg, the CMU or an Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or in fact does so; or (ii) if principal in respect of any Notes is not paid when due, by the holder giving notice to the Fiscal Agent (or in the case of CMU Notes, to the CMU Lodging and Paying Agent) of its election for such exchange or; (iii) if the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the permanent Global Note in definitive form.

In the event that a Global Note is exchanged for Definitive Notes, such Definitive Notes shall be issued in Specified Denomination(s) only. A Noteholder who holds a principal amount of less than the minimum Specified Denomination will not receive a Definitive Note in respect of such holding and would need to purchase a principal amount of Notes such that it holds an amount equal to one or more Specified Denominations.

3.3 Global Certificates

If the Pricing Supplement states that the Notes are to be represented by a Global Certificate on issue, the following will apply in respect of transfers of Notes held in Euroclear or Clearstream, Luxembourg, the CMU or an Alternative Clearing System. These provisions will not prevent the trading of interests in the Notes within a clearing system whilst they are held on behalf of such clearing system, but will limit the circumstances in which the Notes may be withdrawn from the relevant clearing system.

Transfers of the holding of Notes represented by any Global Certificate pursuant to Condition 2(b) may only be made:

(i) if the relevant clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so; or

(ii) if principal in respect of any Notes is not paid when due; or

(iii) if the Issuer has or will become subject to adverse tax consequences which would not be suffered were the Notes represented by the Global Certificate in definitive form,

provided that, in the case of the first transfer of part of a holding pursuant to paragraph 3.3(i) or 3.3(ii) above, the Noteholder has given the Registrar not less than 30 days' notice at its specified office of the Noteholder's intention to effect such transfer.

3.4 Partial Exchange of Permanent Global Notes

For so long as a permanent Global Note is held on behalf of a clearing system and the rules of that clearing system permit, such permanent Global Note will be exchangeable in part on one or more occasions for Definitive Notes (i) if principal in respect of any Notes is not paid when due or (ii) with the consent, or request, of the Issuer or (iii) if so provided in, and in accordance with, the Conditions (which will be set out in the relevant Pricing Supplement) relating to Partly Paid Notes.

3.5 Delivery of Notes

On or after any Exchange Date (as defined in paragraph 3.6 below) the holder of a Global Note may surrender such Global Note or, in the case of a partial exchange, present it for endorsement to or to the order of the Fiscal Agent (or in the case of CMU Notes, to the CMU Lodging and Paying Agent). In exchange for any Global Note, or the part thereof to be exchanged, the Issuer will (i) in the case of a temporary Global Note exchangeable for a permanent Global Note, deliver, or procure the delivery of, a permanent Global Note in an aggregate nominal amount equal to that of the whole or that part of a temporary Global Note that is being exchanged or, in the case of a subsequent exchange, endorse, or procure the endorsement of, a permanent Global Note to reflect such exchange or (ii) in the case of a Global Note exchangeable for Definitive Notes, deliver, or procure the delivery of, an equal aggregate nominal amount of duly executed and authenticated Definitive Notes. In this Offering Circular, "**Definitive Notes**" means, in relation to any Global Note, the definitive Bearer Notes for which such Global Note may be exchanged (if appropriate, having attached to them all Coupons and Receipts in respect of interest or Instalment Amounts that have not already been paid on the Global Note and a Talon). Definitive Notes will be security printed in accordance with any applicable legal and stock exchange requirements in or substantially in the form set out in the Schedules to the Agency Agreement. On exchange in full of each permanent Global Note, the Issuer will, if the holder so requests, procure that it is cancelled and returned to the holder together with the relevant Definitive Notes.

3.6 Exchange Date

"**Exchange Date**" means, in relation to a temporary Global Note, the day falling after the expiry of 40 days after its issue date and, in relation to a permanent Global Note, a day falling not less than 60 days, or in the case of failure to pay principal in respect of any Notes when due 30 days, after that on which the notice requiring exchange is given and on which banks are open for business in the city in which the specified office of the Fiscal Agent (or in the case of CMU Notes, of the CMU Lodging and Paying Agent) is located and in the city in which the relevant clearing system is located.

4. Amendment to Conditions

The temporary Global Notes, permanent Global Notes and Global Certificates contain provisions that apply to the Notes that they represent, some of which modify the effect of the terms and conditions of the Notes set out in this Offering Circular. The following is a summary of certain of those provisions:

4.1 Payments

No payment falling due after the Exchange Date will be made on any Global Note unless exchange for an interest in a permanent Global Note or for Definitive Notes is improperly withheld or refused. Payments on any temporary Global Note issued in compliance with the D Rules before the Exchange Date will only be made against presentation of certification as to non-U.S. beneficial ownership in the form set out in the Agency Agreement. All payments in respect of Notes represented by a Global Note (except with respect to a Global Note held through the CMU) will be made against presentation for endorsement and, if no further payment falls to be made in respect of the Notes, surrender of that Global Note to or to the order of the Fiscal Agent or such other Paying Agent as shall have been notified to the Noteholders for such purpose. A record of each payment so made will be endorsed on each Global Note, which endorsement will be prima facie evidence that such payment has been made in respect of the Notes. Condition 7(e)(vii) and Condition 8(d) will apply to the Definitive Notes only.

For the purpose of any payment made in respect of a Global Note, the relevant place of presentation shall be disregarded in the definition of "business day" set out in Condition 7(h).

All payments in respect of Notes represented by a Global Certificate (other than a Global Certificate held through the CMU) will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the Clearing System Business Day immediately prior to the date for payment, where "**Clearing System Business Day**" means Monday to Friday inclusive except 25 December and 1 January.

In respect of a Global Note or Global Certificate held through the CMU, any payments of principal, interest (if any) or any other amounts shall be made to the person(s) for whose account(s) interests in the relevant Global Note or Global Certificate are credited as at the opening of business on the date for payment (as set out in a CMU Instrument Position Report or any other relevant notification supplied to the CMU Lodging and Paying Agent by the CMU) and, save in the case of final payment, no presentation of the relevant bearer Global Note or Global Certificate shall be required for such purpose.

4.2 Prescription

Claims against the Issuer in respect of Notes that are represented by a permanent Global Note will become void unless it is presented for payment within a period of 10 years (in the case of principal) and five years (in the case of interest) from the appropriate Relevant Date (as defined in Condition 8).

4.3 Meetings

The holder of a permanent Global Note or of the Notes represented by a Global Certificate shall (unless such permanent Global Note or Global Certificate represents only one Note) be treated as being two persons for the purposes of any quorum requirements of a meeting of Noteholders and, at any such meeting, the holder of a permanent Global Note shall be treated as having one vote in respect of each integral currency unit of the Specified Currency of the Notes. (All holders of Registered Notes are entitled to one vote in respect of each integral currency unit of the Specified Currency of the Notes comprising such Noteholder's holding, whether or not represented by a Global Certificate.)

4.4 Cancellation

Cancellation of any Note represented by a permanent Global Note that is required by the Conditions to be cancelled (other than upon its redemption) will be effected by reduction in the nominal amount of the relevant permanent Global Note.

4.5 Purchase

Notes represented by a permanent Global Note may only be purchased by the Issuer or any of its subsidiaries if they are purchased together with the rights to receive all future payments of interest and Instalment Amounts (if any) thereon.

4.6 Issuer's Option

Any option of the Issuer provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note shall be exercised by the Issuer giving notice to the Noteholders within the time limits set out in and containing the information required by the Conditions, except that the notice shall not be required to contain the serial numbers of Notes drawn in the case of a partial exercise of an option and accordingly no drawing of Notes shall be required. In the event that any option of the Issuer is exercised in respect of some but not all of the Notes of any Series, the rights of accountholders with a clearing system in respect of the Notes will be governed by the standard procedures of Euroclear, Clearstream, Luxembourg, the CMU or any other clearing system (as the case may be).

4.7 Noteholders' Options

Any option of the Noteholders provided for in the Conditions of any Notes while such Notes are represented by a permanent Global Note may be exercised by the holder of the permanent Global Note giving notice to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent) within the time limits relating to the deposit of Notes with a Paying Agent set out in the Conditions substantially in the form of the notice available from any Paying Agent, except that the notice shall not be required to contain the serial numbers of the Notes in respect of which the option has been exercised, and stating the nominal amount of Notes in respect of which the option is exercised and at the same time presenting the permanent Global Note to the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), or to a Paying Agent acting on behalf of the Fiscal Agent (or, in the case of Notes lodged with the CMU, the CMU Lodging and Paying Agent), for notation.

4.8 Events of Default

Each Global Note provides that the holder may cause such Global Note, or a portion of it, to become due and repayable in the circumstances described in Condition 10 by stating in the notice to the Fiscal Agent (or in the case of CMU Notes, to the CMU Lodging and Paying Agent) the nominal amount of such Global Note that is becoming due and repayable. If principal in respect of any Note is not paid when due, the holder of a Global Note or Registered Notes represented by a Global Certificate may elect for direct enforcement rights against the Issuer under the terms of a Deed of Covenant executed as a deed by the Issuer to come into effect in relation to the whole or a part of such Global Note or one or more Registered Notes in favour of the persons entitled to such part of such Global Note or such Registered Notes, as the case may be, as accountholders with a clearing system. Following any such acquisition of direct rights, the Global Note or, as the case may be, the Global Certificate and the corresponding entry in the register kept by the Registrar will become void as to the specified portion or Registered Notes, as the case may be. However, no such election may be made in respect of Notes represented by a Global Certificate unless the transfer of the whole or a part of the holding of Notes represented by that Global Certificate shall have been improperly withheld or refused.

4.9 Notices

So long as any Notes are represented by a Global Note or Global Certificate and such Global Note or Global Certificate is held on behalf of a clearing system, notices to the holders of Notes of that Series may be given by delivery of the relevant notice to that clearing system for communication by it to entitled accountholders (or in the case of CMU Notes, by there being delivered to the persons shown in a CMU Instrument Position Report issued by the CMU the day preceding the date of despatch of such notice as holding interests in such Global Note or Global Certificate) in substitution for publication as required by the Conditions or by delivery of the relevant notice to the holder of the Global Note.

5. Partly Paid Notes

The provisions relating to Partly Paid Notes are not set out in this Offering Circular, but will be contained in the relevant Pricing Supplement and thereby in the Global Notes. While any instalments of the subscription moneys due from the holder of Partly Paid Notes are overdue, no interest in a Global Note representing such Partly Paid Notes may be exchanged for an interest in a permanent Global Note or for Definitive Notes (as the case may be). If any Noteholder fails to pay any instalment due on any Partly Paid Notes within the time specified, the Issuer may forfeit such Partly Paid Notes and shall have no further obligation to their holder in respect of them.

Use of Proceeds

The net proceeds from the issue of each Tranche of Notes will be applied by the Issuer for its and its Subsidiaries' general working capital and other corporate purposes and general financing or refinancing requirements. If, in respect of any particular issue, there is a particular identified use of proceeds, this will be stated in the applicable Pricing Supplement for the Notes.

Summary of Selected Financial Information

The following tables set out the Group's and the Issuer's summary of selected financial information, in each case, for the periods and as at the dates indicated. A prospective investor should read the following summary of selected financial information in conjunction with the Group's and the Issuer's historical financial statements and their related notes included elsewhere in this Offering Circular (see "Index to Financial Statements").

*The Group's and the Issuer's financial statements are reported in RM and prepared in accordance with MFRS, International Financial Reporting Standards ("**IFRS**") and the requirements of the Malaysia Companies Act, 1965 (collectively, known as Generally Accepted Accounting Principles in Malaysia or "**Malaysia GAAP**").*

The summary of selected financial information set out below as at and for the financial years ended 31 December 2011, 31 December 2012 and 31 December 2013 has been derived from the Group's audited consolidated financial statements and the Issuer's audited unconsolidated financial statements included elsewhere in this Offering Circular, and is qualified in its entirety by reference to those consolidated and unconsolidated financial statements and the notes thereto.

The selected financial information set out below as at and for the six month periods ended 30 June 2013 and 30 June 2014 has been derived from the Issuer's unaudited condensed unconsolidated interim financial statements. A limited review has been conducted by the Issuer's external auditors in respect of financial information on the condensed unconsolidated interim financial statements. However, results for the interim periods should not be considered indicative of results for any other period or for the full financial year.

The financial statements of the Group and the Issuer for the financial year ended 31 December 2012 have been restated due to the Group and the Issuer applying predecessor accounting methodology subsequent to the acquisition of RHB Indochina Bank Limited ("**RHB Indochina**"), that was previously held by OSK Investment Bank Berhad ("**OSKIB**"), on 9 April 2013.

Under the predecessor accounting method, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted in accordance with the uniform accounting policies of the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the acquisition) of the acquired entity is recorded as an adjustment to retained profits. No additional goodwill is recognised.

The acquired entity's results, assets, liabilities and cash flows are consolidated from the date on which the ultimate controlling party gained control. Consequently, the consolidated financial statements reflect both entities' full financial year results. The corresponding amounts for the previous financial year are restated to reflect the combined results of both entities.

Unless otherwise stated, all financial information relating to the Group or the Issuer is prepared and presented in accordance with Malaysia GAAP.

Solely for the convenience of the reader, the RM amounts in the tables below have been translated into U.S. dollars using the mid-day exchange rate of RM3.2815 = U.S.$1.00, as published by BNM on 31 December 2013, for the amount as at and for the financial year ended 31 December 2013, RM3.2105 = U.S.$1.00, as published by BNM on 30 June 2014, for the amount as at and for the financial period ended 30 June 2014, in each case giving effect to rounding where applicable.

The Issuer

	Audited for the year ended 31 December				Unaudited for the six month period ended 30 June		
	2011	2012	2013	2013	2013	2014	2014
	RM million	RM million	RM million	U.S.$ million	RM million	RM million	U.S.$ million
Unconsolidated Income Statements							
Interest income	5,424	5,957	6,459	1,969	3,167	3,387	1,055
Interest expense	(2,482)	(2,918)	(3,222)	(982)	(1,591)	(1,760)	(548)
Net interest income	2,942	3,039	3,237	987	1,576	1,627	507
Other operating income	854	933	1,041	317	457	471	146
Net income	3,796	3,972	4,278	1,304	2,033	2,098	653
Other operating expenses	(1,541)	(1,757)	(1,871)	(570)	(884)	(1,008)	(314)
Operating profit before allowances	2,255	2,215	2,407	734	1,149	1,090	339
Allowance for impairment on loans, advances and financing	(141)	(57)	(383)	(117)	(267)	(86)	(27)
Impairment written back on other assets	(48)	7	13	4	7	122	38
Profit before taxation	2,066	2,165	2,037	621	889	1,126	350
Taxation	(509)	(533)	(514)	(157)	(230)	(293)	(91)
Net profit for the financial year	**1,557**	**1,632**	**1,523**	**464**	**659**	**833**	**259**
Earnings per share — basic (sen)	23.47	24.59	22.95	6.99	9.93	12.55	3.91

The Group

	Audited for the year ended 31 December			
	2011	2012	2013	2013
	RM million	RM million	RM million	U.S.$ million
Consolidated Income Statements				
Interest income	5,461	5,993	6,486	1,977
Interest expense	(2,494)	(2,932)	(3,252)	(991)
Net interest income	2,967	3,061	3,234	986
Other operating income	796	946	1,049	320
	3,763	4,007	4,283	1,306
Income from Islamic Banking business	439	487	586	178
Net income	4,202	4,494	4,869	1,484
Other operating expenses	(1,701)	(1,955)	(2,120)	(646)
Operating profit before allowances	2,501	2,539	2,749	838
Allowance for impairment on loans, advances and financing	(143)	(147)	(423)	(129)
Impairment written back on other assets	(48)	7	13	4
Profit before taxation	2,310	2,399	2,339	713
Taxation	(565)	(591)	(575)	(175)
Net profit for the financial year	**1,745**	**1,808**	**1,764**	**538**
Earnings per share — basic (sen)	26.30	27.24	26.58	8.10

The Issuer

	Audited as at 31 December				Unaudited as at 30 June	
	2011	2012	2013	2013	2014	2014
	RM million	RM million	RM million	U.S.$ million	RM million	U.S.$ million
Statements of Financial Position						
Assets						
Cash and short-term funds	12,344	19,022	5,575	1,699	7,975	2,484
Securities purchased under resale agreements	142	677	185	56	229	71
Deposits and placements with banks and other financial institutions	2,200	3,780	5,056	1,541	8,662	2,698
Financial assets held-for-trading	870	1,110	1,574	479	1,559	486
Financial investments available-for-sale	6,339	8,457	10,803	3,292	12,540	3,906
Financial investments held-to-maturity	12,022	15,646	19,097	5,820	18,455	5,748
Loans, advances and financing	80,594	89,276	95,753	29,180	103,087	32,109
Other assets	677	709	696	212	786	245
Derivative assets	263	271	426	130	331	103
Statutory deposits	2,562	2,916	3,110	948	3,831	1,193
Tax recoverable	114	—	26	8	—	—
Investments in subsidiaries	1,073	1,273	1,740	530	1,865	581
Property, plant and equipment	521	506	493	150	482	150
Goodwill and other intangible assets	1,010	1,018	1,040	317	1,057	330
Total assets	**120,731**	**144,661**	**145,574**	**44,362**	**160,859**	**50,104**
Liabilities and Equity						
Deposits from customers	94,349	111,558	111,795	34,068	123,864	38,581
Deposits and placements of banks and other financial institutions	5,810	9,459	10,571	3,221	12,920	4,024
Obligations on securities sold under repurchase agreements	—	—	165	50	—	—
Bills and acceptances payable	3,750	3,710	2,061	628	2,303	717
Other liabilities	925	775	771	235	747	233
Derivative liabilities	234	274	292	89	312	97
Recourse obligation on loans sold to Cagamas Berhad	1,162	983	961	293	950	296
Taxation liabilities	—	98	—	—	3	1
Deferred tax liabilities	56	51	35	11	67	21
Borrowings	759	633	571	174	507	158
Subordinated obligations	3,270	4,021	4,022	1,226	4,022	1,253
Hybrid Tier-I Capital Securities	606	606	606	185	606	189
Senior debt securities	—	1,537	1,648	502	1,613	502
Total liabilities	**110,921**	**133,705**	**133,498**	**40,682**	**147,914**	**46,072**
Share capital	3,318	3,318	3,318	1,011	3,318	1,034
Reserves	6,492	7,638	8,758	2,669	9,627	2,998
Total equity	**9,810**	**10,956**	**12,076**	**3,680**	**12,945**	**4,032**
Total liabilities and equity	**120,731**	**144,661**	**145,574**	**44,362**	**160,859**	**50,104**
Commitments and contingencies	**70,879**	**76,345**	**92,179**	**28,090**	**105,248**	**32,782**

The Group

	Audited as at 31 December			
	2011	2012	2013	2013
	RM million	RM million	RM million	U.S.$ million
Statements of Financial Position				
Assets				
Cash and short-term funds	18,392	22,680	9,232	2,813
Securities purchased under resale agreements	142	677	184	56
Deposits and placements with banks and other financial institutions	938	3,553	2,518	767
Financial assets held-for-trading	1,303	1,550	2,367	722
Financial investments available-for-sale	8,015	10,033	13,259	4,041
Financial investments held-to-maturity	13,475	17,801	21,813	6,647
Loans, advances and financing	95,318	107,831	117,892	35,926
Other assets	307	397	547	167
Derivative assets	227	251	419	128
Statutory deposits	3,169	3,637	3,955	1,205
Tax recoverable	127	—	26	8
Deferred tax assets	11	9	12	4
Property, plant and equipment	676	675	667	203
Goodwill and other intangible assets	1,116	1,242	1,267	386
Total assets	**143,216**	**170,336**	**174,158**	**53,073**
Liabilities and Equity				
Deposits from customers	113,638	131,542	135,615	41,327
Deposits and placements of banks and other financial institutions	7,997	12,006	12,479	3,803
Obligations on securities sold under repurchase agreements	—	—	165	50
Bills and acceptances payable	3,764	3,732	2,077	633
Other liabilities	993	1,250	971	296
Derivative liabilities	237	273	270	82
Recourse obligation on loans sold to Cagamas Berhad	1,162	2,445	2,269	692
Taxation liabilities	3	126	18	5
Deferred tax liabilities	56	51	35	11
Borrowings	759	710	571	174
Subordinated obligations	3,270	4,021	4,022	1,226
Hybrid Tier-I Capital Securities	606	606	606	185
Senior debt securities	—	1,537	1,648	502
Total liabilities	**132,485**	**158,299**	**160,746**	**48,986**
Share capital	3,318	3,318	3,318	1,011
Reserves	7,413	8,719	10,094	3,076
Total equity	**10,731**	**12,037**	**13,412**	**4,087**
Total liabilities and equity	**143,216**	**170,336**	**174,158**	**53,073**
Commitments and contingencies	**73,107**	**77,905**	**95,495**	**29,101**

Financial ratios[1] of the Group

	As at or for the year ended 31 December		
	2011	2012	2013
	(%)	(%)	(%)
Net Interest Margin	2.72	2.45	2.38
Return on Assets	1.33	1.15	1.02
Return on Equity	17.55	15.88	13.86
Cost to Income	40.48	43.49	43.54
Gross Impaired Loans Ratio	3.58	2.81	2.79
Loan Loss Coverage	68.09	70.49	64.64
Loans, Advances and Financing/ Deposits from customers	83.88	81.97	86.93
Before proposed dividend[2]:			
CET-I capital ratio	—	10.40%	10.32%
Tier-I capital ratio	—	11.00%	10.80%
Total capital ratio	—	15.49%	14.34%
After proposed dividend[2]:			
CET-I capital ratio	—	10.15%	10.32%
Tier-I capital ratio	—	10.76%	10.80%
Total capital ratio	—	15.25%	14.34%

1 The Financial Ratios used are defined as:

(a) "**Net Interest Margin**" means net interest income, including net financing income from Islamic Banking business, as a percentage of the average of beginning and year-end interest-earning assets (comprising cash and short-term funds, securities purchased under resale agreements, deposits and placements with banks and other financial institutions, financial assets held-for-trading, financial investments available-for-sale, financial investments held-to-maturity and loans, advances and financing).

(b) "**Return on Assets**" means profit after taxation as a percentage of the average of beginning and year-end total assets.

(c) "**Return on Equity**" means profit after taxation as a percentage of the average of beginning and year-end shareholders' funds.

(d) "**Cost to Income**" means overhead expenses as a percentage of total Net Income (including net interest income, net income from Islamic Banking business and other operating income).

(e) "**Gross Impaired Loans Ratio**" means gross impaired loans as a percentage of gross loans, advances and financing.

(f) "**Loan Loss Coverage**" means total individual impairment allowance and collective impairment allowance, as a percentage of gross impaired loans.

(g) "**Loans, Advances and Financing/Deposits from customers**" means net loans, advances and financing as a percentage of deposits from customers.

(h) "**CET-I capital ratio"** means the ratio of total common equity Tier I capital to risk-weighted assets.

(i) "**Tier-I capital ratio**" means the ratio of total Tier I capital to risk-weighted assets.

(j) **"Total capital ratio**" means the ratio of total capital to risk-weighted assets.

2 Effective 1 January 2013, the capital ratios of the Group and the Issuer have been computed based of BNM's Capital Adequacy Framework (Capital Components) issued on 28 November 2012. Correspondingly, the comparative disclosures for the year ended 31 December 2012 have been restated accordingly. However, there has been no restatement of capital ratios in respect of the year ended 31 December 2011.

Capitalisation and Indebtedness

The following tables set out the capitalisation and indebtedness of the Issuer as at 31 December 2013 and 30 June 2014 and the Group as at 31 December 2013. These tables are derived from, and should be read in conjunction with, the corresponding unaudited condensed unconsolidated interim financial statements of the Issuer and the audited consolidated financial statements of the Group.

The Issuer

	Audited As at 31 December		Unaudited As at 30 June[1]	
	2013	2013	2014	2014
	RM million	U.S.$[2] million	RM million	U.S.$[2] million
Indebtedness				
Deposits from customers	111,795	34,068	123,864	38,581
Deposits and placements of banks and other financial institutions	10,571	3,221	12,920	4,024
Obligations on securities sold under repurchase agreements	165	50	—	—
Bills and acceptances payable	2,061	628	2,303	717
Other liabilities	771	235	747	233
Derivative liabilities	292	89	312	97
Recourse obligation on loans sold to Cagamas Berhad[3]	961	293	950	296
Taxation liabilities	—	—	3	1
Deferred tax liabilities	35	11	67	21
Borrowings	571	174	507	158
Subordinated obligations	4,022	1,226	4,022	1,253
Hybrid Tier-I Capital Securities	606	185	606	189
Senior debt securities	1,648	502	1,613	502
Total Indebtedness	**133,498**	**40,682**	**147,914**	**46,072**
Capitalisation				
Share capital[4]	3,318	1,011	3,318	1,034
Reserves	8,758	2,669	9,627	2,998
Total Capitalisation	**12,076**	**3,680**	**12,945**	**4,032**
Total Capitalisation and Indebtedness	**145,574**	**44,362**	**160,859**	**50,104**
Commitments and contingencies	**92,179**	**28,090**	**105,248**	**32,782**

1 There has been no material change in the capitalisation, indebtedness or contingent liabilities of the Issuer since 30 June 2014, save that on 8 July 2014, RM1.0 billion Basel III Tier-2 subordinated notes were issued at 4.99% and due to mature on 8 July 2024. The subordinated notes are callable on any interest payment date falling on or after 8 July 2019. The proceeds of the subordinated note issue have been used by the Issuer for its general working capital purposes.

2 Translated into U.S. dollars at the mid-day exchange rate of RM3.2815 = U.S.$1.00 as at 31 December 2013 and RM3.2105 = U.S.$1.00 as at 30 June 2014 (as published by BNM) for illustrative purposes only.

3 Cagamas Berhad is the Malaysian national mortgage corporation.

4 The authorised ordinary share capital of the Issuer as at 30 June 2014 was RM4,000,000,000 comprising 8,000,000,000 ordinary shares of RM0.50 each, while the Issuer's issued and paid-up share capital as at 30 June 2014 was RM3,318,085,121 comprising 6,636,170,242 ordinary shares of RM0.50 each.

The Group

	Audited As at 31 December[1]	
	2013	2013
	RM million	U.S.$[2] million
Indebtedness		
Deposits from customers	135,615	41,327
Deposits and placements of banks and other financial institutions	12,479	3,803
Obligations on securities sold under repurchase agreements	165	50
Bills and acceptances payable	2,077	633
Other liabilities	971	296
Derivative liabilities	270	82
Recourse obligation on loans sold to Cagamas Berhad[3]	2,269	692
Taxation liabilities	18	5
Deferred tax liabilities	35	11
Borrowings	571	174
Subordinated obligations	4,022	1,226
Hybrid Tier-I Capital Securities	606	185
Senior debt securities	1,648	502
Total Indebtedness	**160,746**	**48,986**
Capitalisation		
Share capital[4]	3,318	1,011
Reserves	10,094	3,076
Total Capitalisation	**13,412**	**4,087**
Total Capitalisation and Indebtedness	**174,158**	**53,073**
Commitments and contingencies	**95,495**	**29,101**

1 There has been no material change in the capitalisation, indebtedness or contingent liabilities of the Group since 31 December 2013, save that on 8 July 2014, RM1.0 billion Basel III Tier-2 subordinated notes were issued by the Issuer at 4.99% and due to mature on 8 July 2024. The subordinated notes are callable on any interest payment date falling on or after 8 July 2019. The proceeds of the subordinated note issue have been used by the Issuer for its general working capital purposes.

2 Translated into U.S. dollars at the mid-day exchange rate of RM3.2815 = U.S.$1.00 as at 31 December 2013 (as published by BNM) for illustrative purposes only.

3 Cagamas Berhad is the Malaysian national mortgage corporation.

4 The authorised ordinary share capital of the Issuer as at 30 June 2014 was RM4,000,000,000 comprising 8,000,000,000 ordinary shares of RM0.50 each, while the Issuer's issued and paid-up share capital as at 30 June 2014 was RM3,318,085,121 comprising 6,636,170,242 ordinary shares of RM0.50 each.

Description of the Group and the Issuer

Introduction & Overview

The Group is the fourth largest commercial bank in Malaysia in terms of total assets. As at 31 December 2013, the Group had RM174.16 billion (U.S.$53.07 billion) in total assets, RM117.89 billion (U.S.$35.93 billion) in net loans, advances and financing, RM135.62 billion (U.S.$41.33 billion) in customer deposits and RM13.41 billion (U.S.$4.09 billion) in total equity. As at 30 June 2014, the Issuer had RM160.86 billion (U.S.$50.10 billion) in total assets, RM103.09 billion (U.S.$32.11 billion) in net loans, advances and financing, RM123.86 billion (U.S.$38.58 billion) in customer deposits and RM12.94 billion (U.S.$4.03 billion) in total equity.

As at 31 August 2014, the Group had a network of 210 branches throughout Malaysia comprising 196 conventional bank branches and 14 Islamic bank branches. The Issuer has 272 Easy by RHB outlets throughout Malaysia and 10 overseas commercial bank branches, comprising seven branches in Singapore, two branches in Thailand and one branch in Brunei. The Group's wholly-owned commercial bank subsidiary, RHB Indochina has nine branches in Cambodia.

The Issuer also maintains relationships and connections with a large network of over 1,000 correspondent banks in over 100 countries covering six continents worldwide.

The Group offers a comprehensive range of financial products and services ranging from retail, commercial and corporate banking to Islamic products and services and electronic banking. As at 31 August 2014, the Issuer had three main subsidiaries, RHB Islamic Bank Berhad ("**RHB Islamic**"), RHB Bank (L) Ltd ("**RHB Labuan**") and RHB Indochina.

The Issuer is a direct wholly-owned subsidiary of RHB Capital. The shares of RHB Capital have been listed on Bursa Malaysia since 1994. The market capitalisation of RHB Capital is RM23.59 billion (U.S.$7.47 billion) as at 31 August 2014. The key subsidiaries of RHB Capital in addition to the Issuer are RHB Investment Bank Berhad ("**RHB Investment Bank**") and RHB Insurance Berhad ("**RHB Insurance**"). As at 31 December 2013, RHB Investment Bank Group had total assets of RM13.95 billion (U.S.$4.25 billion) and RHB Insurance had total assets of RM1.08 billion (U.S.$0.33 billion).

The Group is well recognised regionally and has won many accolades over the years, including:

2013 **The Issuer**

Asian Banking & Finance Wholesale Banking Awards 2013

— Malaysia's Domestic Foreign Exchange Bank of the Year (RHB Multi Currency Account)

Asiamoney Cash Management Poll 2013

— 2nd Best Local Cash Management Bank in Malaysia (voted by Medium-Sized Corporates and Large-Sized Corporates)

— 3rd Best Local Currency Cash Management Bank in Malaysia — RM (voted by Financial Institutions)

— 3rd Best Overall Domestic Cash Management Services in Malaysia (voted by Small-Sized Corporates, Medium-Sized Corporates and Large-Sized Corporates)

— 3rd Best Overall Cross-Border Cash Management Services in Malaysia (voted by Small-Sized Corporates, Medium-Sized Corporates and Large-Sized Corporates)

— 5th Best Local Cash Management Bank in Malaysia (voted by Small-Sized Corporates)

Straight-Through Processing Award (by JP Morgan, Bank of New York Mellon, Wells Fargo and Standard Chartered Bank)

Visa Malaysia Bank Awards 2012

— Highest Payment Volume Growth for Visa Debit Co-Brand Cards (Tesco-RHB Card)

— Highest Payment Volume Growth for Visa Gold Credit Card

— Highest Merchant Sales Volume Growth

Global Brands Magazine

— Best Banking Business Model Malaysia 2013

— Best Banking Operational Efficiency Malaysia 2013

— Best Retail Banking Brand Malaysia 2013

Project Finance International ("**PFI**") Awards 2013 — Thomson Reuters

— Power Deal of the Year in Asia Pacific for its participation in the Banten Independent Power Producer's ("**IPP**") deal (RHB Bank Singapore and RHB Bank Malaysia)

SME Sahabat Negara Award 2013 (by SMI Association of Malaysia)

The Asian Banker's Technology Implementation Award 2013

— Best Treasury Management Project Regional Implementation Category

2013 **RHB Bank Singapore**

Singapore Standards, Productivity and Innovation Board ("**SPRING**")

— Business Excellence Award — Singapore Quality Class Star Certification

Asia Pacific Customer Service Consortium HK

— Customer Service Centre of the Year (Under the Corporate Category — Banking Service — Bureau-de-Change)

Workforce Development Agency-Singapore Manufacturing Federation (WDA-SMF) Productivity and Innovation Awards 2013

— Silver Award in Workforce Skills Qualification (WSQ) Certified Productivity & Innovation (CPI) Manager Category

BNY Mellon "Straight Through Processing (STP) Award"

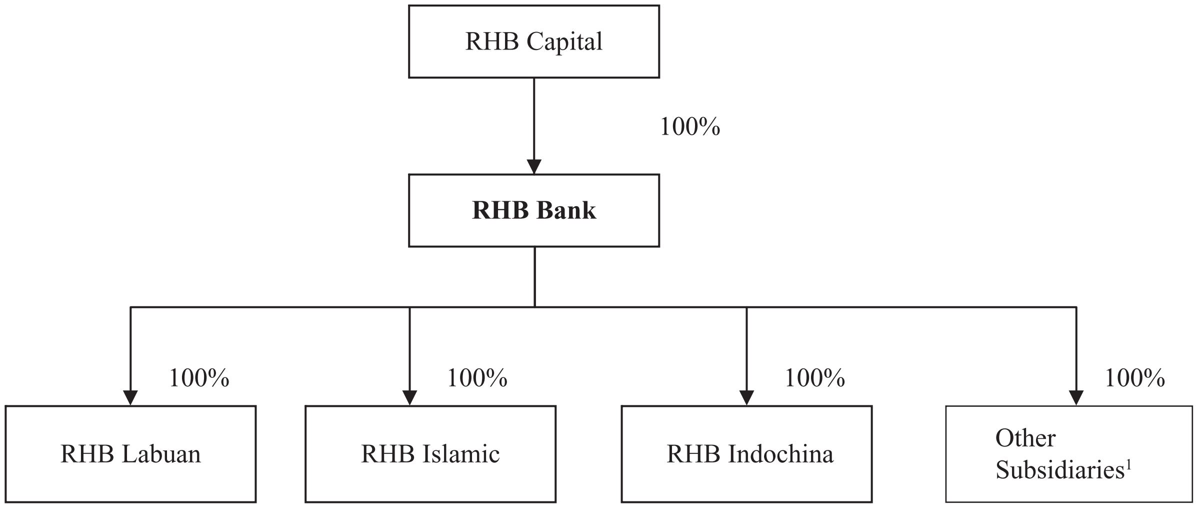
— Outstanding Payment Formatting and Straight-Through rate

PFI Awards 2013 — Thomson Reuters

— Power Deal of the Year in Asia Pacific for its participation in the Banten IPP deal (RHB Bank Singapore and RHB Bank Malaysia)

Simplified Group Structure Chart

The following diagram describes the structure of RHB Capital, the Issuer and its subsidiaries as at 31 August 2014:



1 The Group structure chart shows the Issuer and its material subsidiaries only. Further information as to the Issuer's other subsidiaries as at 31 December 2013 can be found in Note 12 of the Group's financial statements for the financial year ended 31 December 2013.

Recent Developments

1. Establishment of RHB Bank Lao Limited ("RHB Bank Lao")

A Business Registration License was granted to the Issuer on 30 May 2014 by the Ministry of Industry and Commerce of Lao People's Democratic Republic in respect of RHB Bank Lao Limited, a subsidiary of the Issuer.

RHB Bank Lao commenced its business operations with effect from 6 June 2014.

2. Establishment of new Bank Branch in Myanmar

The Central Bank of Myanmar ("**CBM**"), on 26 March 2014, granted the Issuer a licence to operate a representative office in Yangon. This representative office is targeted to be operational by the fourth quarter of 2014.

3. Termination of proposed acquisition of 40 per cent. stake in Bank Mestika

On 30 June 2014, RHB Investment Bank announced that the period to satisfy or waive the conditions precedent of the conditional sale and purchase agreement for the proposed acquisition of 40 per cent. of the issued and paid-up share capital in PT Bank Mestika Dharma ("**Bank Mestika**") ended on that date and that the period would not be extended. The deposit for the proposed acquisition was to be returned to the Issuer in accordance with the terms of the conditional sale and purchase agreement.

4. Proposed merger with CIMB Group and MBSB

On 10 July 2014, RHB Capital announced that BNM, vide the BNM Approval, had no objection to RHB Capital commencing negotiations with CIMB Group and MBSB for the Proposed Merger.

Pursuant to the BNM Approval, RHB Capital, CIMB Group and MBSB have entered into an exclusivity agreement to negotiate and finalise the structure, price and other relevant terms and conditions for the Proposed Merger, for a period of ninety days (unless otherwise agreed) with an automatic extension of such period (upon relevant submissions being made to the BNM on the Proposed Merger) until the date of execution of a definitive agreement(s) to effect the Proposed Merger.

5. **Issuance of Subordinated Notes**

On 8 July 2014, the Issuer issued RM1.0 billion nominal value of subordinated notes ("**Subordinated Notes**"). The Subordinated Notes are issued for a tenure of 10 non-callable 5 years with a fixed coupon rate of 4.99 per cent. per annum. The Subordinated Notes are callable on any interest payment date falling on or after 8 July 2019. The proceeds of the Subordinated Notes have been used by the Issuer for its general working capital purposes.

History

The Issuer was incorporated in Malaysia on 4 October 1965 as a public company limited by shares under the name of Development and Commercial Bank Berhad Limited and commenced business in November 1965. It changed its name to Development & Commercial Bank (Limited) Berhad on 15 April 1966 and to Development and Commercial Bank Berhad on 20 September 1982. It was listed on the Kuala Lumpur Stock Exchange (currently known as Bursa Malaysia) on 2 August 1983.

In 1990, Rashid Hussain Berhad acquired a 20 per cent. equity interest in Development and Commercial Bank Berhad. On 17 December 1994, it changed its name to DCB Bank Berhad and was delisted on 29 December 1994. It assumed its present name on 1 July 1997.

On 1 July 1997, the commercial banking business of Kwong Yik Bank Berhad was merged with the Issuer and on 1 July 1998, the operations of RHB Finance Berhad were merged with the Issuer. Pursuant to the acquisition of Sime Bank Berhad, the banking business was vested in the Issuer on 30 June 1999. On 27 October 2000, the Issuer acquired the equity interest in Delta Finance Berhad ("**DFB**") and Interfinance Berhad ("**IFB**"). On 1 December 2000, the finance company business of IFB was merged into DFB and since 8 January 2001, the finance company business of DFB has been conducted under the new name of RHB Delta Finance Berhad. On 1 January 2006, RHB Delta Finance Berhad was merged with the Issuer.

On 1 May 2003, Bank Utama (Malaysia) Berhad was merged with the Issuer. On 2 February 2005, RHB Islamic, a wholly-owned subsidiary of the Issuer, was incorporated. Pursuant to the vesting order issued by the High Court of Malaya on 8 March 2005, the Islamic banking business of the Issuer was transferred to RHB Islamic on 16 March 2005.

On 9 April 2013, RHB Indochina, which owns RHB OSK Indochina Securities Limited, became a wholly-owned subsidiary of the Issuer.

Strategy

The Group intends to dedicate significant resources and manpower towards its key objectives, which include increasing income through building long-term competitive advantage, refining and developing diverse and sustainable new revenue sources, growth of its international businesses, building a strong domestic Islamic bank with an aim towards regionalisation, increasing operational efficiency and effectiveness and strengthening and rejuvenating human resources.

The Group's strategic aim is to build its regional footprint and become a leading multinational financial services group by 2020. The Group has aggressive targets to have a market presence in 10 of the Association of Southeast Asian Nations ("**ASEAN**")+ countries (including Greater China), with offshore franchises constituting 40 per cent. of the Group's revenue by 2020. In order to achieve these aspirations, the Group recognises the need to establish a robust regional capability that will enable it to rapidly expand into new markets in a seamless and cost-effective manner.

Strategic Programmes

In 2007, the "Strategic Transformation Programme" was launched Group-wide. The three year programme successfully increased the Group's return on equity, profit after tax and market capitalisation. In 2010, the Group embarked on its next phase of transformation with the "Strategic Growth Programme" to build a sustainable competitive advantage through expansion of its distribution network, which the Group accomplished with the successful launch of EASY (see "*The Group and the Issuer's Business*" — "*Easy by RHB*").

The current transformation programme — IGNITE 2017 — is a three year programme focusing on accelerating the Group towards its vision of becoming a leading multinational financial services group by 2020 and supporting the Group's ambitious growth aspirations — with respect to profit, asset size and market share, top 3 in Malaysia, top 8 in ASEAN, strong market leadership in Malaysia, strong regional presence in ASEAN+ with 40 per cent. revenue contributions from international operations, next generation digital bank and prominent employer of choice within the region.

The IGNITE 2017 transformation programme is driven by six strategic levers that serve as the building blocks for Group's regional transformation:

Regional Asset Acquisition and Expansion — Acquire and grow regional assets through aggressive expansion or strategic acquisitions and partnerships in existing and new regions

Customer Centric Business Growth — Drive domestic and regional growth through the launch of a customer centric business model and improvement of client relationship management

Next Generation Digital Bank — Exploit the increased use of digital technology in ASEAN to enable multichannel and borderless banking by further leveraging online and mobile channels, social media and paperless banking

Global Islamic Leadership — Drive Islamic banking growth domestically and regionally and build an Islamic Banking institution with innovative product offerings and enhanced distribution model

Industrialised Support Functions — Establish a common and industrialised regional IT & Operations platform to create a cost-efficient, standard and scalable capability that supports accelerated growth in local and regional markets

Talent Powered Organisation — Enhance and standardise human resources and talent management capabilities to attract and retain talent from across the region, build a high performing regional workforce and position the Group as an employer of choice

The IGNITE 2017 transformation programme will focus on strengthening the Group's segment value propositions, launching differentiated and regional capabilities and scaling regional businesses to achieve 30 per cent. revenue contribution from international operations by 2017.

The Group's strategies are set out in further detail below.

Building long-term competitive advantage

The Group aims to continue increasing income through building its long-term competitive advantage in key market segments. Key to this strategy is a commitment to consolidating the Group's reputation as the "convenient bank" through enhancing its distribution and reach through branches, alternative distribution channels such as internet banking, strategic partnerships with Tesco Stores (Malaysia) Sdn Bhd ("**Tesco**") and POS Malaysia Berhad ("**POS Malaysia**") (Malaysia's postal service) and low-cost distribution networks such as "Easy by RHB". The Group seeks to further leverage on established wholesale and public sector relationships to enhance market share.

Refining and developing new earnings sources

The Group aims to increase the revenue from commercial as well as non-commercial banking business with particular focus on driving fee income from strategic partnerships, such as the 10-year exclusive partnership secured on 1 July 2010 with Tokio Marine Life Insurance Malaysia (M) Berhad ("**Tokio Marine Life**") pursuant to which the Issuer will exclusively sell, market, distribute and promote Tokio Marine Life insurance products and in exchange, Tokio Marine Life will pay an exclusivity fee of up to RM100 million to the Issuer. The Issuer has received RM60 million of the exclusivity fee from Tokio Marine Life and, pursuant to the terms of its agreement with Tokio Marine Life, expects to receive RM40 million between 1 July 2015 and 14 July 2015 (subject to the exclusivity agreement having not been terminated by either party beforehand). The Group intends to continue to diversify its revenue sources by providing comprehensive products and services to meet customer needs. By offering a total solution through an integrated service platform and enhanced service capabilities, the Group aims to be the preferred banking group for its customers. The Issuer is also focusing on building the capability of its Group Transaction Banking business, strengthening Group Treasury and Global Markets operations and small-to-medium size enterprises ("**SME**") banking business to increase fee-based income which will continue to further growth.

Growing its international business

The Group is committed to the ASEAN as the region for expansion and aims to increase revenue from ASEAN. The Group will continue to expand its international businesses, either organically, where expansion is permitted by regulations and business opportunities are available, and/or through acquisition, where the Group needs to build scale rapidly or where it does not have any business presence in that geographical location. In line with the regional expansion strategy, the Group is committed to a common core banking system across all its overseas networks to enhance service capabilities.

Building a strong Islamic Bank with an aim towards regionalisation

The Group is seeking to strengthen its domestic industry position in Islamic banking by leveraging on the infrastructure and capability of RHB Islamic's parent, the Issuer. The Issuer aims to assist RHB Islamic to become a significant figure in Islamic Banking in Malaysia and provide significant contribution to the Group in terms of assets and revenue. The Group also aims to continue to develop opportunities to enhance its earnings from Islamic Banking regionally.

Increasing operational efficiency and effectiveness

The Group will continue to focus on operational efficiency measures to manage its cost-to-income ratios. A number of initiatives have been adopted in order to maximise operational efficiencies, including an "end-to-end" review of credit chain processes, spend management as well as further simplification of banking practices through the use of technology. The Group also adopts a focused approach in improving and upgrading its information technology capabilities, particularly in key areas such as risk management.

Strengthening and rejuvenating human resources

The Group aims to attract and retain the best talent to maintain its pre-eminent market position. The Group not only provides a competitive remuneration package, but also provides personnel with rewarding career prospects facilitated through comprehensive training and talent management programmes, skill enhancement opportunities and a working environment that promotes a high performance corporate culture and wide scope for career development.

Competitive strengths

The Group's key competitive strengths are as follows:

Universal bank of Malaysia and recognised brand name

The Group offers a universal banking platform to its clients and customers. The Group is able to leverage a group-wide sales force to assist it in offering a wide range of products and services, making it a "one-stop" financial centre for its customers. The Group's long-standing leadership role in the Malaysian banking sector, including over 50 years of banking operations, has created one of the most recognised brands in Malaysia. The Group believes its extensive nationwide distribution network reinforces this brand awareness. The new corporate brand image and values represent the Group's efforts to streamline its core businesses and operational support in projecting the RHB brand as a single unified banking group. The Group believes its strong brand recognition provides it with a powerful platform from which to market its products and services. It believes its distinct and visible street presence, as well as the consistent look and feel of its franchise, has contributed to higher sales and a higher number of transactions.

Breadth of distribution network

As at 31 August 2014, the Group had a network of 210 branch outlets, 272 "Easy by RHB" outlets and 318 selected RHB-POS outlets throughout Malaysia. The Group has the third largest network of self service terminals amongst Malaysian banks, with over 2,300 self-service terminals located throughout Malaysia. The Group has a strategic partnership with Tesco whereby the Group will have exclusive rights to establish the Group's booths in all Tesco stores throughout Malaysia and offer Tesco-RHB co-branded debit and credit cards offering cardholders cashback and points rewards for shopping at Tesco stores. Through this partnership, the Group has widened its distribution network with over-the-counter basic banking services provided (such as cash deposits, withdrawals and loan payments) at selected POS Malaysia offices. "Easy by RHB" kiosks are located at selected POS Malaysia stores and "Easy by RHB" kiosks are located at Rapid KL (Kuala Lumpur's public transport provider) Light Rapid Transit train stations throughout Kuala Lumpur.

Strong balance sheet and capital base

The Group has a diversified loan portfolio in terms of types of borrowers, industry and tenor. The Group's gross loans, advances and financing increased by 9.16 per cent. in the financial year ended 31 December 2013 as compared to the financial year ended 31 December 2012. In the context of such growth, the Group's asset quality indicators have remained strong, highlighted by the fact that the Group's gross impaired loans ratio had decreased from 2.81 per cent. in the financial year ended 31 December 2012 to 2.79 per cent. in the financial year ended 31 December 2013. As at 31 December 2013, the total capital ratio of the Group amounted to 14.34 per cent. The Issuer believes that its strong capital base, together with its prudent loan loss coverage, positions it to withstand the impact of any potential shocks which may arise if the global economic recovery is disrupted by any unexpected events. The Group's strong capital position also provides it with the flexibility to grow its business in a timely manner as and when growth opportunities arise.

Proven and experienced management team

The Group has an experienced management team with proven ability to execute business plans and achieve results. The Group's senior management team has proven its ability to provide strategic direction, execute business initiatives and compete in a highly competitive market by the Issuer's strong position in the Malaysian banking sector. In addition, the Group values its employees' well-being and invests significant time and resources providing them with professional advancement opportunities through training, seminars and incentives upon receiving professional qualifications.

The Group and the Issuer's Business

Overview

The Group's core businesses are streamlined into six Strategic Business Group ("**SBGs**"), comprising Group Retail Banking, Group Treasury and Global Markets, Group Corporate and Investment Banking, Group Business Banking, Group International Business and Group Transaction Banking.

In line with the Group's internal management reporting framework, re-alignment of the group management structure and the Islamic leverage model, the operations of the Group Shariah Business are now under the supervision of Group Corporate and Investment Banking, Group Retail Banking and Group Business Banking segment respectively. Therefore, the operating results and financial position of such businesses are now reported in the Group Corporate and Investment Banking, Group Retail Banking and Group Business Banking segments respectively. Previously, they were reported separately in the Islamic Banking Business segment.

The SBGs are supported by six other Strategic Functional Group ("**SFGs**") namely, Group Risk, Group Technology & Operations, Group Finance, Group Human Resource, Group Governance and Group Strategy & Transformation.

Group Shariah Business under the Islamic Leverage Model

The Issuer started its Islamic banking services on 21 August 1993 in line with the requirement of BNM that all financial institutions in Malaysia have Islamic banking windows via *Skim Perbankan Islam* (the Islamic Banking Scheme). In July 2004, the Malaysian Minister of Finance agreed to grant the Issuer a licence to operate a full-fledged Islamic bank. The Issuer was one of the first two commercial banking groups in Malaysia to be issued such a licence.

The Group officially received the license for its Islamic banking subsidiary on 1 March 2005 and the Issuer's wholly-owned subsidiary, RHB Islamic, commenced operations on 16 March 2005. The Group conducts all of its Islamic banking activities through RHB Islamic such that the business and operations of RHB Islamic cut across the activities of the other businesses' to reach the customer base of the entire Group.

Islamic banking products and services are offered through RHB Islamic's 14 branches, and the Issuer's 196 outlets in Malaysia to both Muslims and non-Muslim individuals and commercial, corporate and government sectors that comply with international Shariah standards. The Shariah standards are based on principles such as Murabahah, Mudharabah, Wadiah, Musyarakah, Istisna', Ijarah and others. RHB Islamic's products and services include deposits (including junior savings accounts), term deposits, investment accounts, multicurrency deposits, financing, trade and guarantee products and services, capital markets products and electronic payment/gateway solutions. RHB Islamic also offers customised financing solutions such as *Diminishing Musyarakah* home financing packages and capital markets advisory services.

The main strategic aims of the Islamic banking operations are the development of innovative and competitive products which are Shariah compliant, strategically leveraging on the Group's infrastructure for growth and operational efficiency and collaboration with other businesses to deliver integrated solutions to the Group's customers.

Guided by its internal Strategic Business Direction Roadmap (2014-2020), RHB Islamic aims to be recognised as a top three Islamic bank (by asset size) in the Malaysian banking market and an internationally recognised Islamic financier that offers globally accepted Shariah compliant products and services to both the domestic and global markets.

To arrive at the top three Islamic bank position (by asset size), RHB Islamic has realigned its business model and repositioned existing business platforms in a manner that ensures all business units at Group level are fully integrated.

The aim is to drive:

- Business Growth: increase RHB Islamic's market share and sales by leveraging on larger Issuer distribution network; and

- Operational efficiency: via standardisation, reducing duplication and manpower optimisation.

Strategic Business Groups

Group Retail Banking

The Group Retail Banking SBG is a key driver of the Group's revenue and offers banking and wealth management products and services to retail customers. Group Retail Banking offers a wide range of products to retail customers including:

- Consumer banking products, including loans, deposits (including savings and current accounts), premier banking, wealth management and "Easy by RHB" products;
- Cards and other unsecured financing;
- Auto financing; and
- Bancassurance and general insurance.

As at 31 August 2014, the Issuer had 210 branches (196 conventional branches and 14 Islamic branches). The Issuer also had 272 "Easy by RHB" outlets. As at 31 August 2014, the Group maintained the number three position in terms of the market share for self service banking terminals.

Consumer Banking Products

Loans

The Group Retail Banking SBG categorises consumer loans into home loans, commercial property loans and ASB financing.

Group Retail Banking offers home loans under its "My1 Revolving Home Loan" and "My1 Flexi Home Loan" brands, both of which can be tailored to the individual needs of customers. Home loans typically have repayment terms up to a maximum tenure of 35 years or the borrower attaining the age of 70, whichever is earlier. Group Retail Banking policy is to lend up to 90 per cent. of the assessed market value of the property taken as security. An additional 5 per cent. above this assessed market value may be allowed for financing of mortgage reducing term assurance ("**MRTA**"), legal fees, stamp duty and valuation fees depending on the needs of each individual borrower. The loans are typically secured by the property purchased.

Group Retail Banking also offers commercial property loans for purchases, sub-sales and refinancing of under construction and completed commercial properties as well as re-mortgaging of clean commercial property titles. Commercial property loans have a maximum tenure of 25 years or the borrower attaining the age of 70, whichever is earlier. Group Retail Banking policy is to lend up to 85 per cent. plus 5 per cent. MRTA of the assessed market value of the relevant property. The loans are typically secured by the property purchased. The target segment for the retail banking commercial property portfolio are the business owners of their own premises.

Amanah Saham Bumiputera ("**ASB**") financing is a form of financing whereby the Issuer provides its customers with a term loan to purchase ASB units. ASB units are fixed price funds managed by Amanah Saham Nasional Berhad, a wholly-owned subsidiary of Permodalan Nasional Berhad ("**PNB"**). It was established in 1979 for the purposes of, among other things, managing the unit trusts funds launched by PNB. ASB term loans typically have a maximum tenure of 25 years. Group Retail Banking policy is to lend up to 100 per cent. of the ASB units purchased or 105 per cent. if Group Reducing Terms Assurance financing is included. The loans are secured by the ASB units purchased by the customer.

As at 31 December 2013, the Group Retail Banking's total consumer gross loans and advances was RM33.67 billion; and as at 30 June 2014, the Issuer's total consumer gross loans and advances was RM31.94 billion.

Deposits

The majority of the Group's deposits are in the form of Current Accounts, Savings Accounts and Fixed Deposits. As at 31 December 2013, the Group Retail Banking's total deposits were mainly contributed by Current Accounts, Savings Accounts and Fixed Deposits of RM5.81 billion, RM7.12 billion and RM23.45 billion respectively; and as at 30 June 2014, the Issuer's retail banking deposits were mainly contributed by Current Accounts, Savings Accounts and Fixed Deposits of RM5.41 billion, RM6.39 billion and RM22.76 billion respectively.

Group Retail Banking offers its customers a wide range of deposit products including:

- Current Accounts and Savings Accounts ("**CASA**") — which allow the customer to deposit and withdraw funds at any time and accrue interest at variable rates (typically lower rates than that for fixed deposits). Savings accounts offered by Group Retail Banking offer a range of phone and internet banking service options as well as a range of special offers available through Tesco-RHB co-branded debit cards. With low (RM100) initial deposit requirements, savings accounts offered by Group Retail Banking are accessible to most customers. Group Retail Banking current accounts differ from savings accounts in requiring slightly higher initial deposit requirements and offering additional services, such as chequebook facilities.

- Fixed Deposits — which generally require the customer to maintain a deposit for a fixed term (1-60 months) during which interest accrues at a fixed rate and withdrawals may be made upon maturity or before maturity with interest penalties. Fixed deposits offered by Group Retail Banking require a minimum initial deposit of RM5,000 for tenure of one month and RM500 for tenure of two months and above and can be combined with an overdraft facility up to 100 per cent. of the amount of the fixed deposit.

- Multi-currency account — which allows the customer the opportunity to hold up to 17 foreign currencies and precious metals such as gold and silver in one interest bearing account. The multi-currency account offered by Group Retail Banking allows withdrawals in RM and remittances in any of the 17 foreign currencies at rates calculated daily. It also allows customers to earn high interest on short / long-term deposits as well as avoid double conversions for receivables and remittances from and to other countries.

Premier Banking

Group Retail Banking's "Premier Banking" offering provides for the affluent customer segment with a minimum of RM10,000 deposited in a conventional Group CASA account and either (i) more than RM200,000 in deposit, investment or bancassurance; or (ii) a housing loan in excess of RM1,000,000 with a minimum of RM10,000 in investment and bancassurance, to become members of its Premier Banking service. Benefits include provisions of a dedicated relationship manager to attend to all of the customers' banking needs with the Group, preferential rates on a wide spectrum of the Group's products and access to dedicated Premier Banking centres located in convenient locations across Malaysia.

Wealth Management

Group Retail Banking's wealth management business comprises both investment and insurance services. Providing retail wealth management services has enabled the Group to generate non-interest income. Aside from providing non-interest income, Group Retail Banking's wealth management product offers an important opportunity for cross selling of investment services and opportunities offered by RHB Investment Bank and RHB Insurance. For example, Group Retail Banking's wealth management product offers access to over 100 unit trusts offered by RHB Investment Bank and third party providers. Similarly, Group Retail Banking's wealth management product provides access to bancassurance products such as life assurance, income protection, motor insurance, health and surgical insurance offered by RHB Insurance.

"Easy by RHB"

Group Retail Banking's "Easy by RHB" offering provides Group customers with a simple and fast banking experience delivered through paperless account opening, on-the-spot loan approval and instant funds disbursement. "Easy by RHB" allows persons holding a MyKAD card (Malaysian identity card), within ten minutes and on a paperless basis, to:

- open and manage Group current and savings accounts;

- access conventional loans and ASB financing;

- apply for and activate debit cards; and

- apply for and obtain insurance.

As at 31 August 2014, "Easy by RHB" was available at over 272 outlets located throughout Malaysia, 46 of which operate within Tesco through the Group's strategic partnership with Tesco.

“Easy by RHB” was recognised as one of the Best Brands in Banking for 2013-2014 by the BrandLaureate. Easy has also been honoured as the 2012 ‘Model Bank of the Year’ by Celent, a research and consulting firm based in the USA. Celent recognised “Easy by RHB” for its unique and innovative elements. Ultimately, “Easy by RHB” is designed to deliver the brand promise of banking simplified.

As at 30 June 2014, the Issuer’s total “Easy by RHB” gross loans were RM7.06 billion.

Cards and Unsecured Financing

Group Retail Banking operates the Group’s cards business, which consists of both credit card and debit card businesses. Revenues from the Group’s card business consist principally of annual fees paid by cardholders, finance charges on outstanding balances, cash advance fees, interchange fees, foreign exchange service fees and merchant discount rates payable by service establishments.

The Group is licensed to issue Visa and MasterCard credit cards, Visa and MasterCard debit cards and also to conduct merchant acquiring business for Visa and MasterCard. The Group relies on its extensive branch network along with strategic partnerships with recognised brands such as Tesco, Sogo (a departmental retailer based in Kuala Lumpur) and MyEG (Malaysia’s only Government oriented payment portal) in order to grow its cards business.

The Group’s efforts to increase market share in the credit card segment have intensified by offering a holistic credit card product proposition to cater to customers’ needs and various customer segments. For the mass segment, the Tesco-RHB credit card and the RHB Travel Money credit card offer cash back rewards in connection with the purchase of household necessities of groceries and petrol respectively.

The RHB EVO credit card caters for the youth segment and offers cash back rewards at selected merchants such as movie and entertainment outlets. RHB Premium cards offer exclusive privileges for mid to high net worth customer segments. RHB Signature is positioned as a cash back card, catered to the mid affluent segment that offers 1 per cent. unlimited cash back for overseas and online spending. The Sogo-RHB Credit Card launched on 15 November 2013 symbolised RHB’s strategic intent to cover a broad spectrum of consumer lifestyles. The co-brand card is designed to reward consumer spending with offers such as 5 per cent. cash back and S Points (Sogo’s loyalty points) that can be redeemed for rewards.

Group Retail Banking also offers unsecured personal loans to individual customers. Fixed rate loans are offered in amounts ranging from RM2,000 to RM150,000, payable by fixed monthly instalments over one to ten years. There is also a range of RHB personal financing solutions, which are offered to customers, from the civil servants segment to the mass market segment.

As at 31 December 2013, the Group’s personal loans (including credit card receivables) were RM3.97 billion; and as at 30 June 2014, the Issuer’s personal loans (including credit card receivables) were RM2.60 billion.

Auto-Financing

The auto financing business operated by Group Retail Banking consists of both loans to retail customers (Hire Purchase and Hire Purchase-i) and floor stocking loans available to car dealerships. This type of financing is offered on a fixed rate basis and has a repayment term of up to a maximum tenure of nine years. Auto finance loans are typically secured by the vehicle being purchased. Auto finance loans are available through the Group’s 29 specialist auto finance centres and 4 spoke centres.

To remain competitive in a challenging market, auto financing has enhanced its operating model with prudent underwriting practices and competitive pricing, in addition to improved dealer management and consumer credit risk management. Auto financing will maintain those initiatives through collaboration with distributors/dealers, enhanced relationships with business partners and an efficient delivery system to achieve a sustainable financial performance.

As at 31 December 2013, the Group’s auto financing business gross loans were RM11.05 billion; and as at 30 June 2014, the Issuer’s auto financing business gross loans were RM6.29 billion.

Bancassurance and General Insurance

Group Retail Banking offers a wide range of bancassurance and general insurance products, many of which leverage on the relationship between the Issuer, Tokio Marine Life and RHB Insurance. Group Retail Banking offers general insurance products such as motor insurance, personal accident insurance, health and surgical insurance, property insurance and travel insurance as well as bancassurance products such as life insurance.

Currently, Group Retail Banking offers life insurance products via a 10-year exclusive partnership with Tokio Marine Life that started in July 2010, as discussed above. The Issuer may receive special incentives from Tokio Marine Life if it meets annual and cumulative annual sales targets as set out in the exclusivity agreement. The Issuer expects to be able to leverage the insurance products developed by Tokio Marine Life to offer more innovative products to its customers while Tokio Marine Life aims to gain a foothold in the markets with low insurance penetration and a limited variety of distribution channels by utilising the Issuer's distribution network.

Group Treasury and Global Markets

Group Treasury and Global Markets provides a range of treasury services across four main segments:

- trading segment, which includes foreign exchange, fixed income and derivative products;
- customer segment, which includes foreign exchange, money market deposits, investment instruments and structured product solutions for customers;
- funding and investment segment, which includes liquidity management and treasury investment and statutory management services; and
- Islamic treasury, which provides the full range of aforementioned treasury services in accordance with Shariah compliant principles on a segregated basis.

Group Treasury and Global Markets also offers a wide range of retail, hedging, investment and structured products to meet the business, hedging and investment needs of the Issuer's individual and corporate customers. Investments Linked to Derivatives ("**ILD**") such as Dual Currency Investments ("**DCI**"), Multi Currency Accounts including gold investment account, treasury money market deposits, options and swaps are examples of some of the products offered.

Apart from offering a variety of treasury products, Group Treasury and Global Markets' service and advisory team also assists its customers in obtaining market information and evaluating their financial requirements in order to better match the banks products to their requirements. Through its treasury financial advisors, treasury provides its customers with economic outlook reports, foreign exchange and interest rate forecasts and information on latest market developments.

Group Treasury and Global Markets also plays a key role in the establishment of international networks to support the international banking business of the Group in payment, treasury and trade services. Various partnership arrangements have been entered into to enhance the Issuer's international banking services to customers.

Group Treasury and Global Markets key customer segments span the spectrum of the Issuer's businesses. Such wide business focus requires that the treasury maintain its adaptability to changes while at the same time remaining focused on customers' hedging and investment objectives in order to continue providing relevant products and services to its customers. Apart from the mainstream Group Corporate and Investment Banking, Group Business Banking and Group Retail Banking customer segments, Group Treasury and Global Markets also focuses on its Japanese and public & government-linked customer segments as well as customers with requirements for exotic currencies.

The fully integrated Group Treasury and Global Markets SBG is organised and managed centrally to sharpen business focus and synergise strategies across the regions that the Group operates in. Group Treasury and Global Markets is developing Singapore as its regional non-Ringgit hub to be the focal point of non-Ringgit funding for the Group, as well as trading and distribution of derivatives and fixed income products.

Group Corporate and Investment Banking ("CIB")

CIB offers the full spectrum of corporate banking and investment banking products and services to corporate clients as well as to institutional fund managers and retail customers. As at the date of this Offering Circular, CIB has offices operating in Singapore, Indonesia, Hong Kong / Shanghai, Thailand, Cambodia and Vietnam.

CIB has dedicated relationship managers who liaise with the CIB product specialist teams across the region to develop integrated solutions to meet client requirements. The coverage teams focus on specific client segments, namely large-caps and mid-caps clients and the government and government-linked companies in Malaysia, whilst another team focuses on providing cross-border origination services to clients across the ASEAN and Greater China regions. These coverage teams have expertise across multiple industries and they act as a one-stop centre for clients delivering advice on corporate restructuring, mergers & acquisitions, lending and fundraising via both equity and debt instruments. The coverage teams are involved from the origination of the deals and structuring of the schemes to the distribution of the securities for CIB. CIB's capability in the origination of deals has positioned RHB as a market leader in both the mid-cap and large-cap space in Malaysia and increasingly in the emerging ASEAN markets.

Working closely with the coverage teams, CIB's product specialist teams deliver transactional execution expertise to its clients by providing a broad range of products and services including:

i. Investment Banking

- Advisory — corporate finance and Merger & Acquisition / financial advisory
- Fundraising — equity and debt
- Distribution — equity and debt*
- Lending — in support of CIB transactions

ii. Securities Broking

- Trading of stock, futures and commodities — for retail customers
- Trading and distribution of stock — for institutional clients
- Share margin financing
- Issuing and trading of derivatives and structured products

iii. Corporate Banking

- Term facilities — term loans, bridging loans and project finance
- Working capital credit lines — overdraft and revolving credit
- Trade financing — letters of credit, trust receipt, bankers acceptance, export credit refinancing, shipping guarantees and other forms of trade finance
- Bank guarantees — performance / tender bonds, security deposits and other guarantee facilities
- Foreign exchange facilities — spot / forward lines, swap lines and other foreign exchange products

iv. Asset Management

- Unit trust management — equity, fixed income, balanced and cash management
- Discretionary and non-discretionary mandates
- Alternative investment — private equity funds, structured investments and investment-linked products
- Trustee services — estate-planning, will-writing and private debt securities

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* CIB leverages on Group Treasury and Global Markets in the distribution of private debt securities.

v. Private Equity

- Investment — in growth companies in Asia across many industries and regions
- Fund management

CIB is also supported by a research team that helps investors make informed investment decisions by providing comprehensive economic, equity and debt market research. CIB's team of award-winning economists and research analysts provide regional coverage of G3 (United States, European Union and Japan), ASEAN and Greater China economies, a broad range of companies listed in Hong Kong and in most ASEAN markets in addition to providing credit opinions on debt market instruments, sovereign bonds and currency markets.

RHB Investment Bank forms CIB's investment banking arm and is an award-winning investment bank and one of the key players in the Malaysian capital markets. RHB Investment Bank has completed many landmark deals over the years, including the world's first Structured Covered Sukuk Programme backed by financing receivables of up to RM3.0 billion for MBSB that was launched in December 2013.

As at 31 December 2013, the Group's CIB business gross loans were RM41.48 billion; and as at 30 June 2014, the Issuer's CIB business gross loans were RM32.97 billion.

Group Business Banking

Group Business Banking offers a comprehensive range of products that caters to SMEs and mid-size corporations. These products include working capital and trade financing facilities, asset-based financing, supply chain financing, deposit products and transactional advisory solutions. To top off the array of options already mentioned, packages are also available in Shariah compliant form.

Depending on a customer's financing needs, facilities could be granted either through a parameterised, programme based approach for smaller-ticket loans (Bizpower), or customised on a case-by-case basis for larger, more complex deals. A distribution network consisting of dedicated relationship managers across 27 business centres nationwide ensures that the right financing solutions are delivered to meet each customer's requirements. This coverage is further enhanced by the Group's established network of 210 branches.

With the aim of becoming among the top three SME financiers (by asset size) in Malaysia by 2017, Group Business Banking is committed to designing innovative and practical solutions for customers. Through the Issuer's partnership with Credit Guarantee Corporation and participation in Bank Negara funded schemes, Group Business Banking is able to extend financing to qualified SMEs, such as start-ups.

As at 31 December 2013, the Group's Business Banking gross loans were RM15.76 billion; and as at 30 June 2014, the Issuer's Business Banking gross loans were RM15.84 billion.

Group International Business

Group International Business ("**GIB**") was formally structured in 2010 as a standalone SBG among other core businesses to drive the Group's commercial banking business outside Malaysia and its strategic regional expansion agenda in ASEAN.

By 2020, GIB aspires to achieve a regional banking network that will contribute up to 40 per cent. in revenue to the Group.

Singapore

The Group's Singapore operation ("**RHB Bank Singapore**") was first established in 1961 and has been granted Full Bank status by the Monetary Authority of Singapore. The Full Bank status allows RHB Bank Singapore to provide the whole range of banking business permitted under the Banking Act, Chapter 19 of Singapore. RHB Bank Singapore offers a wide spectrum of banking services serving the consumer, SME and corporate market segments. These services include a wide range of deposit products, loans, payment services, trade financing, treasury solutions, wealth management, money exchange and structured financing.

RHB Bank Singapore has a network strength of seven branches spread across the island and 15 Bureau de Changes located at the three Changi International Airport terminals. This is further augmented by RHB Now Internet Banking services.

RHB Bank Singapore is organised into four business divisions, namely Consumer Banking, Business Banking, Corporate & Investment Banking and Treasury. The treasury operation has expanded its capability in supporting the Group's regional treasury activities whilst the Corporate & Investment Banking team is equipped to support the corporate clients' cross border banking needs.

In recent years, RHB Bank Singapore has won numerous accolades for customer service and business excellence. Among them are:

- Awarded the Singapore Quality Class Star by SPRING in 2013 for commendable performance in business excellence.

- Awarded the Singapore Service Class by SPRING in 2013 for commendable performance in service excellence.

- Awarded the Customer Service Center for Banking Services, Bureau de Change of the Year by Asia Pacific Customer Service Consortium in 2013.

- RHB Bank Singapore was the first bank in Singapore to join the national two -factor authentication system (partnering with Assurity Trusted Solutions, a wholly-owned subsidiary of Infocomm Development Authority of Singapore ("**IDA**")) and deployed the national security token to protect RHB Bank Singapore's consumers' internet banking transactions in 2012.

As at 30 June 2014, RHB Bank Singapore's gross loans were RM7.52 billion.

Thailand

RHB Bank Thailand was first established in 1964. Currently, it consists of two branch offices in Bangkok and Sri Racha. The Group's Thai operations offer a range of products and services such as deposit-taking, loans and advances, trade finance, remittances and foreign exchange. In addition to local Thai companies, RHB Bank Thailand's key client segment consists of Japanese and Malaysian corporates operating in Thailand.

As at 30 June 2014, RHB Bank Thailand's gross loans were RM0.57 billion.

Brunei

The Group's Brunei operation was established in 1964. At present, it consists of one branch office in Bandar Seri Begawan. The branch offers a range of products and services such as deposit-taking, loans and advances, trade finance, remittances and foreign exchange.

In addition to the retail segment, the branch also serves various commercial clients, in the oil & gas and construction industries.

As at 30 June 2014, the Brunei operation's gross loans were RM94 million.

Cambodia

RHB Indochina commenced operations on 10 October 2008. Today, it operates nine branch offices in Cambodia.

The Cambodian operation is a wholly-owned subsidiary of the Issuer and offers a full range of retail and commercial banking products and services. Among the initiatives that are currently being undertaken includes the branch network expansion, launching of mobile and internet banking services, programme lending, cash management and credit cards.

All the Cambodian branches are equipped with Cambodia's first ever 24-hour full-function Automatic Teller Machine ("**ATM**") offering cash deposit, cash withdrawal, cheque deposit and cross-currency withdrawal services in one machine. Currently, there are 21 ATMs, comprising 12 onsite and 9 offsite.

As at 31 December 2013, the Group's Cambodian operation's gross loans were RM0.47 billion.

Vietnam

The Issuer currently has a representative office based in Ho Chi Minh City. The Issuer has submitted an application to the State Bank of Vietnam ("**SBV**") for a foreign bank branch license. This is currently pending approval.

Laos

RHB Bank Lao commenced operation on 6 June 2014 and currently consist of one branch office in Vientiane. RHB Bank Lao had an official opening on 25 August 2014, officiated by His Excellency Dr. Somphao Phaysith, Governor of The Bank Of Lao PDR and Yang Berbahagia Tan Sri Azlan Zainol, Chairman of the Issuer.

The Laos operation is a wholly-owned subsidiary of the Issuer and offers a full range of retail and commercial banking products and services.

Myanmar

CBM, on 26 March 2014, granted the Issuer a licence to operate a representative office in Yangon. This office is targeted to be operational by the fourth quarter of 2014.

Group Transaction Banking

Group Transaction Banking ("**GTB**") comprise three key business lines, namely trade business, payment & cash management solutions and financial institutions.

GTB delivers comprehensive transaction banking services via an integrated distribution platform that has the highest number of transaction banking sales service outlets/windows in Malaysia, plus multiple application channels. The award-winning online cash management channel, Reflex, provides the Group's customers with easy and secure single access to transaction banking activities for trade services, payments, collections and cash management. In addition, Reflex customers get access to TradeInfoLink, a business solution that provides updated trade-related information and counterparties in more than 180 countries.

In 2013, GTB focused its efforts on providing more innovative solutions and value added services to its customers. In line with the Group's vision of becoming "The Preferred Banking Choice for Transaction Banking", the Issuer became the first bank in Malaysia to offer Trade Service Utility ("**TSU**") and Bank Payment Obligation ("**BPO**") services. The TSU and BPO solutions aim to mitigate risk and improve efficiency in the supply chain in a more effective manner for customers trading via open account.

In line with the Government's objective to promote export activities, the Issuer partnered with Export and Import Bank Malaysia ("**EXIM Bank**") to jointly conduct a series of seminars in nine cities throughout Malaysia. Themed "Trade Beyond Boundaries, Trade with Confidence," the seminar series encouraged trade customers to explore new markets by leveraging on the capabilities of the Group and EXIM Bank. Several topics were addressed, including new export markets, risk mitigation tools, global and foreign exchange outlook as well as Renminbi trade and payment settlement. Participants were also given advice on how to maximise the benefits of free trade agreements and capitalise on BPOs.

In aligning with BNM's Financial Sector Blueprint, GTB is working closely with BNM to accelerate the migration to electronic payments for greater operational efficiency. The Issuer believes that its product pricing is affordable for SMEs, enabling customer migration to e-Payment. The Issuer provides ease of access for online services through an online application form and an easy-to-use interface for performing transactions through the platform.

GTB is also collaborating with Group Treasury and Global Markets to introduce tier discount rates for online applications relating to foreign telegraphic transfers. This initiative rewards who engage in online transactions with a further discounted rate on top of the over-the-counter exchange rate.

In support of the Group's aspiration to be a regional financial service leader by 2020, GTB has begun to implement initiatives to capture the regional transaction banking market by providing customers with a wide range of trade and cash management products and services. Plans are underway to capitalise on the efficiencies of the centralised trade operations in Bangi by gradually insourcing the trade processing activities at the regional office. To further improve efficiency at the ISO-certified centre in Bangi, GTB has adopted a new operating model that leverages on improved processes in line with Six Sigma methodology. This has resulted in faster turnaround times at the centre without compromising service quality.

Following the Asiamoney Cash Management Poll 2013, RHB Reflex succeeded in garnering five awards in five categories which included an award for being the "Second Best Local Cash Management Bank in Malaysia" (2012: Third Best). These awards, which are given out based on the votes of medium and large-sized corporations, bear testimony to RHB's prominent position in the transaction banking arena.

The financial institutions business segment is a contributor to the fee income of GTB (key drivers of fee income being payments, rebates and risk participation arrangements) and also supports the Group's interbank dealing through the establishment of relationships with foreign and local banks.

GTB will continue to enhance its product and service offering by leveraging on technological innovation to enable customers to integrate with the Issuer's platform for seamless transaction applications and processing. As technology is critical to transaction banking, GTB remains committed to making investments in system enhancements and upgrades to elevate customer experience levels and grow the transaction banking business.

Strategic Functional Groups

The SFGs provide centralised services across the Group.

Group Risk

Group Risk Management

Group Risk Management provides independent oversight on business activities and implements the Group Risk Management framework in order to protect and safeguard the Group's assets, and to prevent and mitigate financial and reputational losses to the Group. Key areas for which Group Risk Management is responsible include the Group's risk policy and framework, day-to-day risk measurement and monitoring, providing timely and meaningful risk analysis to management, and ensuring compliance to regulatory risk reporting requirements.

Group Credit Management

Group Credit Management oversees the Group-wide credit evaluation and assessment, approval and credit monitoring functions by providing credit risk assessment assurance on credit proposals, highlighting and monitoring lending units in rehabilitating potential problematic accounts and improving credit process efficiency.

Group Risk Operations

Group Risk Operations strategises and implements comprehensive enterprise-wide risk governance frameworks and manages the development of robust risk management infrastructure and tools, aligned with the Group's strategy for growth and keeping pace with market requirements and the competitive business environment. Group Risk Operations drives the operationalisation of the Group's risk transformation initiatives in establishing risk management as a valuable business partner.

Group Technology & Operations

IT

IT spearheads the use of information technology to run, grow and innovate the Group's business. It encompasses IT strategic planning, project management, software development and maintenance, information asset protection and security, data centre operation and implementation and maintenance of the Group's IT infrastructure.

The Group is committed to investing in technology to foster and support its business objectives and, as such, has allocated substantial financial and human resources to its IT functions. The Group believes that its technology provides it with a substantial competitive advantage as well as providing the Group with appropriate levels of security and disaster recovery capability to maintain the integrity of all customer data. The Group will continue to make new investments in technology to promote new levels of process efficiency and effectiveness to improve its business performance and risk management policies. The Group's IT policies and procedures comply with national standards and BNM's requirements.

Operations

Operations provides back-room operations support to the Issuer's branches, SBGs and SFGs, including cheque clearing, remittances, utilities payments and updating of customer information. The Operations division provides effective and efficient support to Group Treasury and Global Markets to ensure timely and accurate processing and settlement of treasury deals and inter-bank funds transmissions services. Additionally, Operations oversees and manages credit support functions relating to loans and advances, namely documentation, disbursements, loan operations and custody of security documents.

Loan Recovery

Loan Recovery's main responsibility is to manage the Group's Corporate and Commercial impaired loans. Loan Recovery works closely with various other divisions within the Group to formulate strategies for restructuring and rescheduling of impaired loans as well as to expedite legal actions to maximise recoveries. Areas under Loan Recovery's remit include work-out and implementation of impaired loan rehabilitation schemes, expediting the recovery and/or resolution of impaired loans and ensuring adequate and timely impairment loss is made for impaired loans.

Group Finance

Group Finance is responsible for the overall accounting and finance functions and corporate planning functions of the Group to enable the Group to develop, align, communicate and execute strategies to achieve its business goals. Areas under the purview of Group Finance include investor relations, corporate strategic planning and corporate finance and mergers and acquisition activities.

Group Human Resources

Group Human Resources' main task is to develop and provide human resource systems and solutions which generate commitment to the Group's vision and to facilitate execution of its business strategy. Group Human Resource also provides support for both the development of long-term human capital strategies, as well as the provision of human capital to business and operating units.

Group Governance

Group Governance oversees the Group's corporate shared functions comprising of compliance, legal, secretariat and corporate communications (including strategic branding). Group Governance ensures that the Group's brand value continues to appreciate and that its interests are protected at all times.

Group Compliance

Group Compliance has the overall responsibility for overseeing the design, implementation and effectiveness of the compliance framework and driving its evolution to ensure it remains relevant and is consistent with the Group's strategic objectives and global best practices. This includes the following:

- developing, maintaining and implementing strategies for compliance risk identification, assessment, mitigation, monitoring, reporting and measurement;

- leading and providing direction on the management of the Group's compliance risk activities to ensure adequate measures are undertaken by the Group to protect it from compliance failures; and

- apprising the Board, Board Committees and senior management on emerging compliance risk issues.

Group Compliance is also responsible for providing subject matter expertise to Group Human Resources to educate and engage the Group's employees with respect to key compliance policies and practices.

Group Legal

Group Legal advises the businesses of the Group and the management on matters ranging from company law, commercial law and financial services (including cross border issues) to litigation and recovery.

Group Legal provides a variety of legal advisory functions and is responsible for the review of legal documentation in respect of conventional credit facilities, private debt securities, Islamic banking facilities based on Shariah concepts, structuring of cross border issues as well as the implementation and execution of special projects from time to time.

Group Legal also ensures the Group and the management team are kept abreast of changes and developments in the law relating to financial services in Malaysia and the Group's regional operations.

Group Secretariat

Group Secretariat provides efficient and reliable corporate advisory and corporate secretarial services to the Group and its subsidiaries in accordance with the requirements of relevant laws, rules and regulations and to ensure diligent corporate practice by the Group to enhance the overall level of corporate governance. Group Secretariat also provides other functions which include among others the following:

- to establish and implement rigorous and effective monitoring mechanisms to ensure compliance with all requirements as well as to regularly assess the effectiveness and efficiency of the aforesaid mechanisms;

- to review any initiatives from the compliance perspective so as to put forth an objective opinion on whether all relevant requirements have been complied with as well as to highlight any related compliance issues;

- to liaise with the authorities and to attend to all matters brought forth by them in respect of the Group's level of compliance including but not limited to discussions on any non-compliance or potential non-compliance as well as the remedial actions taken; and

- to advise, facilitate and co-ordinate the efforts of the various business and functional units within the Group to ensure compliance.

Group Corporate Communications

Group Corporate Communications main roles and responsibilities are categorised as (a) strategic communications and (b) event management.

Strategic communications covers external communications, which includes media relations to act as the interface between the media, the general public and the Group, as well as internal communications. Internal communications initiatives ensure that staff have the relevant information they need to understand, engage in and make a positive contribution to the Group's vision and priorities via various channels.

Event management undertakes the organisation and management of all group wide corporate activities.

Group Strategy & Transformation

Group Strategy and Transformation is responsible for providing strategic planning and advisory support to develop, align, communicate and execute strategies and govern and drive implementation of transformation programmes across the region towards achieving the Group's vision.

Internal Audit

In addition to the above SFGs, the Group has an in-house group internal audit function which is guided by its Internal Audit Charter and reports to the Board Audit Committee of the Issuer. Its primary role is to assist the Board Audit Committee to discharge their duties and responsibilities by independently reviewing and reporting on the adequacy and integrity of the Group's risk management, internal control and governance processes.

Principal Subsidiaries

RHB Islamic

RHB Islamic, the issuer's wholly-owned subsidiary was incorporated on 2 February 2005. Pursuant to the vesting order issued by the High Court of Malaya on 8 March 2005, the Islamic banking business of the Issuer was transferred to RHB Islamic on 16 March 2005.

Currently, RHB Islamic operates based on the Islamic Leverage Model as part of the IGNITE transformation. Please see "Group Shariah Business under Islamic Leverage Model" for further details.

RHB Labuan

RHB Labuan, a wholly-owned subsidiary of the Issuer, was incorporated in the Federal Territory of Labuan on 12 March 1992. RHB Labuan operates from the International Business and Financial Centre in Labuan ("**IBFC**") and provides banking services to corporate and commercial customers, both in Malaysia and abroad. The Malaysian Government has adopted a policy of encouraging development of Labuan as an international offshore business centre. As a result, banks which operate in the IBFC are subject to beneficial tax rates and legal documents for facilities granted by banks within the IBFC are exempted from stamp duty.

RHB Labuan obtains its funding from a mixture of corporate deposits, bilateral loans, money market borrowings and shareholders' funds. Its main activities are lending to Malaysian and overseas borrowers. As at 31 December 2013, RHB Labuan represented approximately 2.54 per cent. of the total assets of the Group and total gross loans were RM3.40 billion.

Employees

As at 31 August 2014, the Group had approximately 18,000 employees. Approximately 22.03 per cent. of the Group's workforce is unionised, with employees having membership with the Association of Bank Officers of Malaysia and the National Union of Bank Employees, among others. The Group has not experienced any material disruption to its business or operations in the financial years ended 31 December 2011, 2012 and 2013 caused by unions to which its employees are members and believes that it enjoys a positive relationship with those unions.

The terms of employment of the Group's unionised employees are stipulated by collective bargaining agreements ("**CBAs**") negotiated with each of the unions to which the Group's employees are members. The current CBAs are due to expire on 31 December 2014. Negotiations between the Group and the various Unions are still ongoing and as such the current CBAs shall remain in force until new CBAs are signed.

Properties

The registered office of the Issuer is located at Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur while its head office's principal place of business is located at Towers Two & Three, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur. As at 30 June 2014, the net book value of the Issuer's properties, plant and equipment, including land and premises, was RM482.55 million (U.S.$150.30 million) which compares with RM492.46 million (U.S.$150.08 million) as of the financial year ended 31 December 2013. The majority of the Group's branches and outlets are leased by the Issuer. In the event that the Group's leases are not renewed, the Issuer believes that it would be able to secure alternative office space which would not have a material effect on the Issuer's operations.

Technology

The Group is committed to investing in technology to foster and support its business objectives and, as such, has allocated substantial financial and human resources to its technology functions. The Group believes that its technology provides it with substantial competitive advantage as well as providing the Group with appropriate levels of automation, improvement in customer services and delivering innovative new products and services. The Group will continue to make new investments in technology to meet regulatory requirements, enhance systems availability and security and promote productivity and efficiencies in processing via automation and straight through processing. The Group is also focussed on its "Digital Agenda" strategy designed to enable it to connect better with its customers and drive new innovations.

Legal Proceedings

As at 31 August 2014 and save as disclosed below, there is/are no material claim(s), demand(s), lawsuit(s) or litigation matter(s) (including those pending or threatened) by or against the Issuer or any of its subsidiaries, which are outside the ordinary course of business of the Issuer or its subsidiaries (as applicable), or any proceedings pending or threatened which might materially and adversely affect the position or business of the

Issuer, and in particular, any injunction(s), winding-up order(s), any order(s) relating to the enforcement of judgment(s) or other remedy(s) which may if granted by the court, effectively cause the Issuer to have to cease all or parts of the Issuer's business.

Serlow Travels Sdn Bhd v RHB Bank (Kuala Lumpur High Court Suit No. S-22-853-2010)

The Issuer granted banking facilities to the Plaintiff, Serlow Travels Sdn Bhd. Upon default of the Plaintiff, the Issuer had obtained summary judgment against the Plaintiff and an order for sale against the charged property. The property was subsequently auctioned off to satisfy the Plaintiff's indebtedness to the Issuer.

The Plaintiff filed suit alleging, amongst other things, that:

(a) the Issuer has fraudulently and wrongly obtained summary judgment against the Plaintiff;

(b) the order for sale and the auction conducted thereon were done fraudulently and maliciously;

(c) the auction conducted was time barred; and

(d) the Issuer was not entitled to interest after six (6) years from the date of the order for sale.

On 23 August 2013, the High Court of Malaya ("**High Court**") dismissed the Plaintiff's claim with costs of RM20,000 after full trial. The Plaintiff appealed to the Court of Appeal against the decision of the High Court and hearing of the appeal was fixed for 16 January 2014. The matter was struck out by the Court of Appeal and the Plaintiff subsequently appealed to the Court of Appeal to reinstate the appeal. The hearing of the appeal was fixed for 29 April 2014. On 29 April 2014, an extension of time was allowed by the Court of Appeal and no date has been fixed by the Court of Appeal for the next hearing. The matter came up for case management at the Court of Appeal on 29 August 2014 where the Appellant was asked to re-file the record of appeal before the hearing date for the motion for extension of time can be fixed. The Registrar further directed the Appellant to file a motion for extension of time to file supplementary record of appeal to include the Grounds of Judgment. The next case management is fixed on 26 September 2014 to fix the hearing date for the motions for extension of time.

Capital Adequacy and Funding

Funding

The Group's primary funding source is customer deposits (demand, savings, fixed/investment deposits and negotiable instrument of deposits) obtained through its branch network. As at 31 December 2013, approximately 91.57 per cent. of the Group's funding requirements came from customer deposits, while 8.43 per cent. came from interbank funds.

Based on past experience, a substantial portion of these customers' deposits will be rolled over upon maturity, thereby providing a stable source of funding for the Group. To manage further the Group's liquidity position, the Group has in place comprehensive funding and liquidity policy guidelines, which detail measures to manage and monitor the liquidity and funding position proactively. Such measures include the diversification of funding sources, the requirement to project proactively and subject future cashflow to sensitivity and stress analyses and the maintenance and monitoring of management action triggers for various funding and liquidity indicators, as well as managing and ensuring adequate contingent funding sources.

To avoid over-dependence on a few large depositors, the Group sets industry concentration ratio targets which are monitored closely.

Additionally, the Group also ensures compliance with BNM's new liquidity framework, and maintains a positive cash inflow within the one week and one month timeframes above BNM's minimum positive cashflow requirements.

In March this year, the Group Treasury consolidation exercise was completed whereby all treasury functions from all entities within the Group (including the Issuer, RHB Islamic and RHB Investment Bank) were consolidated to become Group Treasury and Global Markets. With this new Group Treasury and Global Markets structure, all funding requirements will be centralised. Group Treasury and Global Markets will minimise the number of divisions in the previous funding structure and aims to optimise the overall funding requirements of the Group via strategy planning and execution that will be tracked and monitored at the head office level. Should any entities or subsidiaries require urgent funding; the head office may reallocate liquidity to its operating subsidiaries through short term placements and through the structured pricing mechanism.

The Issuer can also leverage its liquid assets denominated in RM by tapping the Standing Facility of BNM which provides emergency funding to its overseas subsidiaries or branches in domestic currencies. The Standing Facility was expanded (effective April 2012) via the execution of the Cross Border Collateral Agreement between the central banks of Malaysia, Thailand and Singapore.

The following tables illustrate the profile of the Group's customer deposits and the maturity structure of fixed deposits and negotiable instruments of deposit as at 31 December 2011, 31 December 2012 and 31 December 2013 and the Issuer's customer deposits and the maturity structure of fixed deposits and negotiable instruments of deposit as at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014.

Customer Deposits

As at 31 December 2013, the Group's customer deposit structure comprised primarily fixed deposits, demand deposits and savings deposits, representing 76.2 per cent., 18.2 per cent. and 5.6 per cent., respectively, of the Group's total customer deposits; and as at 30 June 2014, the Issuer's fixed deposits, demand deposits and savings deposits representing 75.2 per cent., 19.4 per cent. and 5.4 per cent. respectively, of the Issuer's total customer deposits.

The Issuer

Profile of Customer Deposits by Type

The following table displays the total customer deposits of the Issuer categorised by type:

	Audited as at 31 December							Unaudited as at 30 June		
	2011		2012		2013		2013	2014		2014
	RM million	%	RM million	%	RM million	%	U.S.$ million	RM million	%	U.S.$ million
Demand deposits	19,401	20.6	20,185	18.1	21,926	19.6	6,682	23,940	19.4	7,457
Saving deposits	5,709	6.0	6,129	5.5	6,561	5.9	1,999	6,745	5.4	2,101
Fixed/investment deposits	69,121	73.3	85,235	76.4	83,300	74.5	25,385	93,176	75.2	29,022
Negotiable instruments of deposits	118	0.1	9	—	8	—	2	3	—	1
Total	**94,349**	**100.0**	**111,558**	**100.0**	**111,795**	**100.0**	**34,068**	**123,864**	**100.0**	**38,581**

Maturity Structure of the Fixed/Investment Deposits and Negotiable Instruments of Deposit

The following table displays the maturity structure for the Issuer's fixed/investment deposits and negotiable instruments of deposit:

	Audited as at 31 December							Unaudited as at 30 June		
	2011		2012		2013		2013	2014		2014
	RM million	%	RM million	%	RM million	%	U.S.$ million	RM million	%	U.S.$ million
Due within six months	54,377	78.5	69,925	82.0	72,350	86.9	22,048	78,999	84.8	24,606
Six months to one year	13,415	19.4	14,588	17.1	10,516	12.6	3,204	13,506	14.5	4,207
One year to three years	1,407	2.0	706	0.8	422	0.5	129	654	0.7	204
Three years to five years	40	0.1	25	0.1	20	—	6	20	—	6
Total	**69,239**	**100.0**	**85,244**	**100.0**	**83,308**	**100.0**	**25,387**	**93,179**	**100.0**	**29,023**

Profile of Customer Deposits by Type of Depositor

The following table displays the total customer deposits of the Issuer categorised by type of depositor:

	Audited as at 31 December							Unaudited as at 30 June		
	2011		2012		2013		2013	2014		2014
	RM million	%	RM million	%	RM million	%	U.S.$ million	RM million	%	U.S.$ million
Government and statutory bodies	7,186	7.6	8,270	7.4	6,297	5.7	1,919	7,661	6.1	2,386
Business enterprises	54,551	57.8	69,154	62.0	65,659	58.7	20,009	74,756	60.4	23,285
Individuals	29,970	31.8	31,077	27.9	35,695	31.9	10,877	36,726	29.7	11,439
Others	2,642	2.8	3,057	2.7	4,144	3.7	1,263	4,721	3.8	1,471
Total	**94,349**	**100.0**	**111,558**	**100.0**	**111,795**	**100.0**	**34,068**	**123,864**	**100.0**	**38,581**

The Group

Profile of Customer Deposits by Type

The following table displays the total customer deposits of the Group categorised by type:

	Audited as at 31 December						
	2011		2012		2013		2013
	RM million	%	RM million	%	RM million	%	U.S.$ million
Demand deposits	21,480	18.9	22,602	17.2	24,679	18.2	7,521
Saving deposits	6,360	5.6	6,933	5.3	7,533	5.6	2,295
Fixed/investment deposit	85,680	75.4	101,998	77.5	103,395	76.2	31,508
Negotiable instruments of deposits	118	0.1	9	—	8	—	3
Total	**113,638**	**100.0**	**131,542**	**100.0**	**135,615**	**100.0**	**41,327**

Maturity Structure of the Fixed/Investment Deposits and Negotiable Instruments of Deposit

The following table displays the maturity structure for the Group's fixed/investment deposits and negotiable instruments of deposit:

	Audited as at 31 December						
	2011		2012		2013		2013
	RM million	%	RM million	%	RM million	%	U.S.$ million
Due within six months	69,525	81.0	84,561	82.9	90,769	87.8	27,661
Six months to one year	14,789	17.2	16,571	16.2	12,173	11.8	3,709
One year to three years	1,440	1.7	838	0.8	432	0.4	132
Three years to five years	44	0.1	37	0.1	29	—	9
Over five years	—	—	—	—	—	—	—
Total	**85,798**	**100.0**	**102,007**	**100.0**	**103,403**	**100.0**	**31,511**

Profile of Customer Deposits by Type of Depositor

The following table displays the total customer deposits of the Group categorised by type of depositor:

	Audited as at 31 December						
	2011		2012		2013		2013
	RM million	%	RM million	%	RM million	%	U.S.$ million
Government and statutory bodies	12,519	11.0	14,145	10.8	11,450	8.4	3,489
Business enterprises	63,866	56.2	79,997	60.8	81,265	59.9	24,764
Individuals	31,171	27.4	32,668	24.8	38,340	28.3	11,684
Others	6,082	5.4	4,732	3.6	4,560	3.4	1,390
Total	**113,638**	**100.0**	**131,542**	**100.0**	**135,615**	**100.0**	**41,327**

Capital Adequacy

BNM guidelines on capital adequacy requires the Group and the Issuer 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.

Effective 1 January 2013, the capital ratios of the Group and the Issuer have been computed based on BNM's Capital Adequacy Framework (Capital Components) issued on 28 November 2012. Correspondingly, the comparative disclosures for the financial year ended 31 December 2012 have been restated accordingly.

The following table sets out the capital adequacy ratios of the Issuer[1] as at 31 December 2012 and 31 December 2013 calculated in accordance with Basel III:

	Audited As at 31 December		
	2012	**2013**	**2013**
	RM million	**RM million**	**U.S.$ million**
CET-I/Tier-I Capital			
Paid-up ordinary share capital	3,318	3,318	1,011
Share premium	9	9	3
Retained profits	4,238	5,425	1,653
Other reserves	3,447	3,492	1,064
AFS reserves	219	180	55
	11,231	12,424	3,786
Less:			
Goodwill	(906)	(906)	(276)
Other intangible assets (include associated deferred tax liabilities)	(112)	(110)	(33)
55% of cumulative gains of AFS financing instruments	(120)	(99)	(30)
Shortfall of eligible provisions to expected losses under the IRB approach	(373)	(281)	(87)
Other deduction[2]	(6)	(17)	(5)
Total CET-I Capital	**9,714**	**11,011**	**3,355**
Hybrid Tier-I Capital Securities[3]	598	540	165
Total Tier-I Capital	**10,312**	**11,551**	**3,520**
Tier-II Capital			
Subordinated obligations[4]	3,997	3,600	1,097
Collective impairment allowance[5]	279	270	82
	4,276	3,870	1,179
Less: Investments in subsidiaries	(1,073)	(1,540)	(469)
Total Tier-II Capital	**3,203**	**2,330**	**710**
Total Capital	**13,515**	**13,881**	**4,230**

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

2 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.

3 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).

4 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).

5 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".

	Audited As at 31 December	
	2012	2013
	%	%
Capital ratios (before proposed dividends)		
CET-I capital ratio	11.03	11.10
Tier-I capital ratio	11.71	11.64
Total capital ratio	15.35	13.99
Capital ratios (after proposed dividends)		
CET-I capital ratio	10.76	11.10
Tier-I capital ratio	11.44	11.64
Total capital ratio	15.08	13.99

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

	Audited As at 31 December		
	2012	2013	2013
	RM million	RM million	U.S.$ million
Credit risk	78,035	88,599	26,999
Market risk	2,677	2,899	884
Operational risk	7,283	7,671	2,338
Total risk-weighted assets	**87,995**	**99,169**	**30,221**

The following table sets out the capital adequacy ratios of the Group as at 31 December 2012 and 31 December 2013 calculated in accordance with Basel III:

	Audited As at 31 December		
	2012	2013	2013
	RM million	RM million	U.S.$ million
CET-I/Tier-I Capital			
Paid-up ordinary share capital	3,318	3,318	1,011
Share premium	9	9	3
Retained profits	4,723	5,995	1,827
Other reserves	3,767	3,939	1,200
AFS reserves	221	150	46
	12,038	**13,411**	**4,087**
Less:			
Goodwill	(1,120)	(1,120)	(341)
Net deferred tax assets	—	(7)	(2)
Other intangible assets (include associated deferred tax liabilities)	(122)	(116)	(35)
55% of cumulative gains of AFS financing instruments	(122)	(83)	(25)
Shortfall of eligible provisions to expected losses under the IRB approach	(425)	(337)	(103)
Other deduction[1]	(11)	(17)	(5)
Total CET-I Capital	**10,238**	**11,731**	**3,576**
Hybrid Tier-I Capital Securities[2]	598	540	164
Total Tier-I Capital	**10,836**	**12,271**	**3,740**
Tier-II Capital			
Subordinated obligations[3]	3,997	3,600	1,097
Collective impairment allowance[4]	425	417	127
Total Tier-II Capital	**4,422**	**4,017**	**1,224**
Total Capital	**15,258**	**16,288**	**4,964**

1 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.

2 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).

3 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).

4 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".

	Audited As at 31 December	
	2012	2013
	%	%
Capital ratios (before proposed dividends)		
CET-I capital ratio	10.40	10.32
Tier-I capital ratio	11.00	10.80
Total capital ratio	15.49	14.34
Capital ratios (after proposed dividends)		
CET-I capital ratio	10.15	10.32
Tier-I capital ratio	10.76	10.80
Total capital ratio	15.25	14.34

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

	Audited as at 31 December		
	2012	2013	2013
	RM million	RM million	U.S.$ million
Credit risk	87,876	102,148	31,128
Market risk	2,566	2,923	891
Operational risk	7,999	8,493	2,588
Total risk-weighted assets	**98,441**	**113,564**	**34,607**

As at 31 December 2011 and 31 December 2012 (Basel II)

	Audited as at 31 December			
	Group		Issuer[1]	
	2011	2012	2011	2012
	RM million	RM million	RM million	RM million
Tier-I Capital				
Paid-up ordinary share capital	3,318	3,318	3,318	3,318
Hybrid Tier-I Capital Securities	598	598	597	598
Share premium	9	9	9	9
Retained profits	3,911	4,719	3,505	4,235
Other reserves	3,297	3,764	3,043	3,447
	11,133	12,408	10,472	11,607
Less:				
Goodwill	(1,004)	(1,004)	(906)	(906)
Net deferred tax assets	(21)	(31)	(7)	(22)
Total Tier-I Capital	**10,108**	**11,373**	**9,559**	**10,679**
Tier-II Capital				
Subordinated obligations	3,250	3,997	3,250	3,997
Collective impairment allowance[2]	492	423	320	279
Total Tier-II capital	3,742	4,420	3,570	4,276

	Audited as at 31 December			
	Group		Issuer	
	2011	2012	2011	2012
	RM million	RM million	RM million	RM million
Less:				
- Investment in subsidiaries	—	—	(872)	(1,073)
- Excess of total expected loss over total eligible provision under the IRB approach	(248)	(423)	(195)	(372)
- Other deduction[3]	(4)	(11)	(4)	(6)
Eligible Tier-II Capital	**3,490**	**3,986**	**2,499**	**2,825**
Total Capital	**13,598**	**15,359**	**12,058**	**13,504**
Capital ratios (before proposed dividends)				
Core capital ratio	12.20%	11.60%	13.07%	12.15%
Risk-weighted capital ratio	16.41%	15.67%	16.49%	15.36%
Capital ratios (after proposed dividends)				
Core capital ratio	11.78%	11.36%	12.59%	11.88%
Risk-weighted capital ratio	15.99%	15.42%	16.01%	15.09%

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

Credit risk	72,776	87,476	64,304	77,935
Market risk	2,478	2,565	1,885	2,677
Operational risk	7,586	7,999	6,939	7,283
Total risk-weighted assets	**82,840**	**98,040**	**73,128**	**87,895**

Pursuant to the BNM circular, "Recognition of Deferred Tax Assets ("**DTA**") and Treatment of DTA for RWCR Purposes" dated 8 August 2003, deferred tax income/expense is excluded from the computation of Tier I capital and deferred tax assets are excluded from the calculation of RWA.

Notes:

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

2 Excludes collective assessment 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".

3 Pursuant to Basel II Market Risk para 5.19 & 5.20 — Valuation Adjustments/Reserves, the risk weighted capital ratio computation shall account for the ageing, liquidity and holding back adjustments/reserves on its trading portfolio.

Asset Quality

Loan Portfolio

The Issuer

As at 30 June 2014, the Issuer's gross loan portfolio had expanded by 7.49 per cent. from the previous financial year ended 31 December 2013. As at 30 June 2014, its largest exposures (by purpose) were loans granted for working capital (24.52 per cent.), purchase of landed property (residential) (21.95 per cent.) and purchase of securities (12.29 per cent).

As at 30 June 2014, the Issuer's net loans, advances and financing were RM103.09 billion, which represented 64.09 per cent. of the Issuer's total assets.

The following table shows a breakdown of loans, advances and financing by type of the Issuer as at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014.

	Audited as at 31 December				Unaudited as at 30 June	
	2011	2012	2013	2013	2014	2014
	RM million	RM million	RM million	U.S.$ million	RM million	U.S.$ million
Overdrafts	5,593	5,744	5,817	1,773	6,005	1,870
Term loans/financing						
- Housing loans/financing	17,330	18,235	20,820	6,345	22,988	7,160
- Syndicated term loans/financing	1,056	1,116	1,730	527	2,075	646
- Hire-purchase receivables	9,408	8,164	8,130	2,477	8,199	2,554
- Other term loans/financing	37,453	44,865	46,819	14,268	50,691	15,789
Bills receivable	1,604	1,553	1,894	577	2,181	679
Trust receipts	364	448	488	149	504	157
Claims on customers under acceptance credits	4,256	4,427	4,328	1,319	4,155	1,294
Staff loans/financing	305	276	242	74	223	70
Credit card receivables	1,735	1,806	1,805	550	1,778	554
Revolving credits and financing	3,489	4,469	5,491	1,673	6,074	1,892
Floor stocking	2	1	—	—	1	—
Gross loans, advances and financing	82,595	91,104	97,564	29,732	104,874	32,665
Fair value changes arising from fair value hedge	—	3	—	—	—	—
	82,595	91,107	97,564	29,732	104,874	32,665
Less: Allowance for impaired loans, advances and financing						
- individual impairment allowance	(666)	(648)	(723)	(220)	(697)	(217)
- collective impairment allowance	(1,335)	(1,183)	(1,088)	(332)	(1,090)	(339)
Net loans, advances and financing	**80,594**	**89,276**	**95,753**	**29,180**	**103,087**	**32,109**

Loans, advances and financing by type of customer

The following table shows a breakdown of loans, advances and financing by type of customer of the Issuer as at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014:

	Audited as at 31 December				**Unaudited as at 30 June**	
	2011	**2012**	**2013**	**2013**	**2014**	**2014**
	RM million	**RM million**	**RM million**	**U.S.$ million**	**RM million**	**U.S.$ million**
Domestic non-bank financial institutions:						
- Others	877	932	1,388	423	893	278
Domestic business enterprises:						
- Small medium enterprises	10,566	10,830	11,614	3,539	12,235	3,811
- Others	20,867	26,166	27,054	8,244	29,792	9,279
Government and statutory bodies	7,685	7,675	5,160	1,573	5,168	1,610
Individuals	37,778	39,392	44,431	13,540	47,817	14,894
Other domestic entities	10	10	8	2	19	6
Foreign entities:						
- Malaysian operations	430	432	622	190	764	238
- Singapore operations	4,069	5,183	6,586	2,007	7,522	2,343
- Thailand operations	201	397	607	185	570	177
- Brunei operations	112	87	94	29	94	29
Total	82,595	91,104	97,564	29,732	104,874	32,665

Loans, advances and financing by purpose

The following table shows a breakdown of loans, advances and financing by purpose of the Issuer as at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014:

	Audited as at 31 December				**Unaudited as at 30 June**	
	2011	**2012**	**2013**	**2013**	**2014**	**2014**
	RM million	**RM million**	**RM million**	**U.S.$ million**	**RM million**	**U.S.$ million**
Purchase of securities	6,932	8,734	11,057	3,370	12,894	4,016
Purchase of transport vehicles	7,955	6,697	6,636	2,022	6,788	2,114
Purchase of landed property:						
Residential	17,814	18,787	21,104	6,431	23,015	7,168
Non-residential	5,213	5,563	6,946	2,116	7,823	2,437
Purchase of property, plant and equipment other than land and building	2,343	2,592	2,652	808	2,792	870
Personal use	4,726	5,110	6,106	1,861	6,082	1,895
Credit card	1,735	1,806	1,805	550	1,778	554
Purchase of consumer durables	44	37	32	10	30	9
Construction	2,171	2,418	2,417	737	2,998	934
Working capital	18,254	23,296	24,536	7,477	25,710	8,008
Merger and acquisition	4,040	3,466	3,083	940	3,411	1,062
Other purposes	11,368	12,598	11,190	3,410	11,553	3,598
Total	**82,595**	**91,104**	**97,564**	**29,732**	**104,874**	**32,665**

Loans, advances and financing by remaining contractual maturities

The following table shows a breakdown of loans, advances and financing by remaining contractual maturities of the Issuer as at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014:

	Audited as at 31 December				Unaudited as at 30 June	
	2011	2012	2013	2013	2014	2014
	RM million	RM million	RM million	U.S.$ million	RM million	U.S.$ million
Maturing within one year	29,073	35,254	38,160	11,629	42,145	13,127
One year to three years	4,854	7,324	6,612	2,015	4,866	1,515
Three years to five years	8,367	6,052	6,175	1,882	6,191	1,928
Over five years	40,301	42,474	46,617	14,206	51,672	16,095
Total	**82,595**	**91,104**	**97,564**	**29,732**	**104,874**	**32,665**

Loans, advances and financing by geographical distribution

The following table shows a breakdown of loans, advances and financing by geographical distribution of the Issuer as at 31 December 2011, 31 December 2012, 31 December 2013 and 30 June 2014:

	Audited as at 31 December				Unaudited as at 30 June	
	2011	2012	2013	2013	2014	2014
	RM million	RM million	RM million	U.S.$ million	RM million	U.S.$ million
In Malaysia	78,212	85,436	90,277	27,511	96,688	30,116
Outside Malaysia:						
Singapore operations	4,069	5,184	6,586	2,007	7,522	2,343
Thailand operations	201	397	607	185	570	177
Brunei operations	113	87	94	29	94	29
Total	**82,595**	**91,104**	**97,564**	**29,732**	**104,874**	**32,665**

The Group

As at 31 December 2013, the Group's gross loan portfolio had expanded by 9.16 per cent. from the previous financial year ended 31 December 2012. As at 31 December 2013, its largest exposures (by purpose) were loans granted for working capital (24.66 per cent.), purchase of landed property (residential) (21.25 per cent.), purchase of transport vehicles (9.88 per cent.) and purchase of securities (9.21 per cent).

As at 31 December 2013, the Group's net loans, advances and financing were RM117.89 billion, which represented 67.69 per cent. of the Group's total assets.

The following table shows a breakdown of loans, advances and financing by type of the Group as at 31 December 2011, 31 December 2012 and 31 December 2013:

	Audited as at 31 December			
	2011	**2012**	**2013**	**2013**
	RM million	**RM million**	**RM million**	**U.S.$ million**
Overdrafts	5,714	5,896	5,991	1,826
Term loans/financing				
- Housing loans/financing	20,083	21,706	25,375	7,733
- Syndicated term loans/financing	2,604	2,521	3,948	1,203
- Hire-purchase receivables	12,958	12,582	13,052	3,977
- Lease receivables	116	76	70	21
- Other term loans/financing	43,396	51,776	54,585	16,634
Bills receivable	1,645	1,574	2,562	781
Trust receipts	383	469	524	160
Claims on customers under acceptance credits	4,758	5,258	4,328	1,319
Staff loans/financing	315	284	250	76
Credit card receivables	1,783	1,926	2,004	611
Revolving credits and financing	3,940	5,934	7,393	2,253
Floor stocking	2	1	—	—
Gross loans, advances and financing	97,697	110,003	120,082	36,594
Fair value changes arising from fair value hedge	—	6	(26)	(8)
	97,697	110,009	120,056	36,586
Less: Allowance for impaired loans, advances and financing				
- individual impairment allowance	(813)	(780)	(891)	(272)
- collective impairment allowance	(1,566)	(1,398)	(1,273)	(388)
Net loans, advances and financing	**95,318**	**107,831**	**117,892**	**35,926**

Loans, advances and financing by type of customer

The following table shows a breakdown of loans, advances and financing by type of customer of the Group as at 31 December 2011, 31 December 2012 and 31 December 2013:

	Audited as at 31 December			
	2011	**2012**	**2013**	**2013**
	RM million	**RM million**	**RM million**	**U.S.$ million**
Domestic non-bank financial institutions:				
- Others	937	1,503	2,716	828
Domestic business enterprises:				
- Small medium enterprises	11,540	11,517	12,397	3,779
- Others	24,291	30,691	31,489	9,596
Government and statutory bodies	11,148	10,989	8,477	2,583
Individuals	43,937	47,647	54,821	16,706
Other domestic entities	11	10	123	37
Foreign entities:				
- Malaysian operations	1,277	1,193	1,550	472
- Singapore operations	4,212	5,663	7,307	2,227
- Thailand operations	232	428	639	195
- Brunei operations	112	87	94	28
- Cambodia operations	—	275	469	143
Total	**97,697**	**110,003**	**120,082**	**36,594**

Loans, advances and financing by purpose

The following table shows a breakdown of loans, advances and financing by purpose of the Group as at 31 December 2011, 31 December 2012 and 31 December 2013:

	Audited as at 31 December			
	2011	2012	2013	2013
	RM million	RM million	RM million	U.S.$ million
Purchase of securities	6,941	8,734	11,057	3,370
Purchase of transport vehicles	11,743	11,447	11,863	3,615
Purchase of landed property:				
- Residential	20,603	22,153	25,517	7,776
- Non-residential	5,282	5,674	7,367	2,245
Purchase of property, plant and equipment other than land and building	3,241	3,250	3,350	1,021
Personal use	4,961	5,758	7,194	2,192
Credit card	1,783	1,927	2,004	611
Purchase of consumer durables	44	37	32	10
Construction	3,025	3,654	3,114	949
Working capital	20,663	26,746	29,612	9,024
Merger and acquisition	4,200	3,621	3,216	980
Other purposes	15,211	17,002	15,756	4,801
Total	**97,697**	**110,003**	**120,082**	**36,594**

Loans, advances and financing by remaining contractual maturities

The following table shows a breakdown of loans, advances and financing by remaining contractual maturities of the Group as at 31 December 2011, 31 December 2012 and 31 December 2013:

	Audited as at 31 December			
	2011	2012	2013	2013
	RM million	RM million	RM million	U.S.$ million
Maturing within one year	31,127	38,604	42,429	12,930
One year to three years	6,148	8,963	8,906	2,714
Three years to five years	10,385	8,873	10,125	3,086
Over five years	50,037	53,563	58,622	17,864
Total	**97,697**	**110,003**	**120,082**	**36,594**

Loans, advances and financing by geographical distribution

The following table shows a breakdown of loans, advances and financing by geographical distribution of the Group as at 31 December 2011, 31 December 2012 and 31 December 2013:

	Audited as at 31 December			
	2011	2012	2013	2013
	RM million	RM million	RM million	U.S.$ million
In Malaysia	93,140	103,550	111,573	34,000
Outside Malaysia:				
- Singapore operations	4,212	5,663	7,307	2,227
- Thailand operations	232	428	639	195
- Brunei operations	113	87	94	29
- Cambodia operations	—	275	469	143
Total	**97,697**	**110,003**	**120,082**	**36,594**

Single Customer Limit

BNM's guidelines on single customer limits prohibit a bank from lending to any single customer or related group of customers an amount in excess of 25 per cent. of a bank's capital base (based on Basel III). As at 30 June 2014, the Issuer's largest exposure to a single customer or related group of customers based on BNM's guidelines, was RM2.66 billion or 19.97 per cent. of the Issuer's total capital.

Credit Approval

The Issuer has a multi-level credit approval process requiring applications for credit exceeding specified thresholds to be submitted for approval to increasingly higher levels of authority within the Issuer, up to the Board Committee. The approval process involves the credit management office, the Group Credit Committee and the Board Credit Committee depending on the threshold levels of the loans. In addition, any loans that exceed mandatory elements of the credit policy, must be approved by the Board.

In considering whether to extend credit to a potential borrower, the Issuer performs an internal credit analysis and evaluation based on a number of factors and sources of information. Potential corporate borrowers are typically required to submit business or project plans and financial statements. The Issuer will conduct due diligence investigations, bankruptcy searches, analyse and evaluate the business, financial statements and management risks. Where appropriate, site visits will also be conducted. For retail borrowers, the Issuer will review information regarding the customer's salary, address, employment history, credit history and other factors. Retail loan applications are also subject to credit checks, which include BNM's central credit reference information system, credit reference agencies, bankers, suppliers, etc. and anti-money laundering and counter-financing of terrorism requirements.

In addition, the Issuer's internal credit and research departments are responsible for compiling information on general economic activity and developments as well as determining risk profiles of particular industries and business sectors. As part of the investigation process, the Issuer will also obtain third party appraisals of the value of any security offered. As a further check and control mechanism, the Issuer's Credit Audit Department also conducts an independent post approval review of large credits, clean exposures, new relationships and borrowers in high risk sectors to ensure that credits approved by the Issuer have been properly appraised and evaluated and are in conformity with prevailing credit policies, discretionary powers and internal and external guidelines.

After credit is extended, each loan is reviewed at least annually to monitor the creditworthiness and financial conditions of the particular borrower. Particular loans may be reviewed more frequently under appropriate circumstances. Such circumstances may arise if, for instance, the Issuer believes special risks exist in a particular industry, or the borrower has defaulted on obligations to suppliers or other financial institutions or the borrower is facing cash flow or other difficulties. In order to ensure credit quality, the Issuer has an internal credit grading system that rates loans in different categories based on perceived credit quality factors, from average/ acceptable credit quality to strong credit quality. Loans rated as "strong" require no additional procedures while loans rated as "average/acceptable" credits may require more frequent credit monitoring. The Issuer maintains separate credit analysis and loan processing, credit extension and credit review functions, each of which is performed by different personnel within the Issuer.

Impaired Loans

Impairment Policy for loans, advances and financing

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

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

- significant financial difficulty of the issuer or obligor;

- a breach of contract, such as a default or delinquency in interest or principal payments;
- the Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- it becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- disappearance of an active market for that financial asset because of financial difficulties; and
- observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:

  (i) adverse changes in the payment status of borrowers in the portfolio; and

  (ii) national or local economic conditions that correlate with defaults on the assets in the portfolio.

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

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

When an asset is uncollectible, it is written off against the related allowance account. Such assets are written off after all necessary procedures have been completed and the amount of the loss has been determined (for loans, advances and financing that are collectively assessed for impairment).

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

Loan Loss Provision Policy

The Group maintains both an individual impairment allowance and a collective impairment allowance for impaired loans.

(a) Individual impairment allowance

The Group and the Issuer determine the allowance appropriate for significant loans, advances and financing on an individual basis. The allowances are established based primarily on estimates of the realisable value of the collateral to secure the loans, advances and financing, or agreed repayment arrangement, and are measured as the difference between the carrying amount of the loans, advances and financing and the present value of the expected future cash flows discounted at the original effective interest rate of the loans, advances and financing.

All other loans, advances and financing that have been individually evaluated, but not considered to be individually impaired, are grouped together with loans which are not individually significant, but are within similar credit risk characteristics, for collective assessment of impairment.

(b) Collective impairment allowance

Loans which are not individually significant are grouped together for collective impairment assessment. These loans are grouped within similar credit risk characteristics for collective assessment, whereby data from the loan portfolio (such as credit quality, levels of arrears, credit utilisation, loan to collateral ratios etc.) and concentrations of risks (such as the performance of different individual groups) are taken into consideration.

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

Profile of Impaired Loans

Impaired loans, advances and financing by purpose

The following table shows a breakdown of impaired loans, advances and financing by purpose of the Issuer and the Group as at the dates indicated:

The Issuer

	Audited as at 31 December				Unaudited as at 30 June	
	2011	2012	2013	2013	2014	2014
	RM million	RM million	RM million	U.S.$ million	RM million	U.S.$ million
Purchase of securities	91	88	113	34	60	19
Purchase of transport vehicles	170	135	124	38	122	38
Purchase of landed property:						
Residential	913	835	751	229	684	213
Non-residential	198	143	72	22	87	27
Purchase of property, plant and equipment other than land and building	74	51	35	11	28	9
Personal use	120	134	148	45	155	48
Credit card	43	36	37	11	37	11
Purchase of consumer durables	2	2	2	1	2	1
Construction	243	244	117	36	115	36
Working capital	974	876	1,383	421	1,316	410
Other purposes	24	57	69	21	69	21
Total	**2,852**	**2,601**	**2,851**	**869**	**2,675**	**833**

The Group

	Audited as at 31 December			
	2011	2012	2013	2013
	RM million	RM million	RM million	U.S.$ million
Purchase of securities	91	88	113	34
Purchase of transport vehicles	268	260	219	67
Purchase of landed property:				
- Residential	1,085	965	876	267
- Non-residential	212	158	100	30
Purchase of property, plant and equipment other than land and building	146	67	45	14
Personal use	125	137	150	46
Credit card	43	39	41	13
Purchase of consumer durables	2	2	2	1
Construction	245	246	118	36
Working capital	1,250	1,041	1,537	468
Other purposes	26	87	147	45
Total	**3,493**	**3,090**	**3,348**	**1,021**

Financial Assets/Investments Portfolio

Financial assets held-for-trading

The Issuer

As at 30 June 2014, the financial assets held-for-trading constituted 0.97 per cent. of the Issuer's total assets which compares with 1.08 per cent. for the financial year ended 31 December 2013. The Issuer's financial assets held-for-trading comprised mainly Malaysian Government Securities (46.04 per cent.) and Singapore Government Treasury Bills (30.52 per cent.).

The following table summarises securities held-for-trading by security type:

	Audited as at 31 December				Unaudited as at 30 June	
	2011	2012	2013	2013	2014	2014
	RM million	RM million	RM million	U.S.$ million	RM million	U.S.$ million
At fair value						
Money market instruments:						
Malaysian Government Securities	—	222	371	113	718	224
Malaysian Government Treasury Bills	—	53	—	—	—	—
Malaysian Government Investment Issues	93	—	122	37	227	71
Bank Negara Malaysia Monetary Notes	501	598	605	184	—	—
Thailand Treasury Bills	—	—	6	2	39	12
Singapore Government Treasury Bills	276	228	467	142	476	148
Sukuk Perumahan Kerajaan (SPK)	—	—	—	—	10	3
Quoted securities:						
In Malaysia						
Private debt securities	—	—	3	1	1	—
Unquoted securities:						
In Malaysia						
Private debt securities	—	9	—	—	11	4
Commercial paper	—	—	—	—	77	24
Total	**870**	**1,110**	**1,574**	**479**	**1,559**	**486**

The Group

As at 31 December 2013, the financial assets held-for-trading constituted 1.36 per cent. of the Group's total assets which compares with 0.91 per cent. for the financial year ended 31 December 2012. The Group's financial assets held-for-trading comprised mainly Bank Negara Malaysia Monetary Notes (48.63 per cent.) and Singapore Government Treasury Bills (19.71 per cent.).

The following table summarises securities held-for-trading by security type:

	Audited as at 31 December			
	2011	2012	2013	2013
	RM million	RM million	RM million	U.S.$ million
At fair value				
Money market instruments:				
Malaysian Government Securities	—	222	371	113
Malaysian Government Treasury Bills	—	53	—	—
Malaysian Government Investment Issues	144	152	145	44
Bank Negara Malaysia Monetary Notes	808	598	1,151	351
Cagamas bonds	—	250	—	—
Khazanah bonds	54	—	—	—
Thailand Treasury Bills	—	—	6	2
Negotiable instruments of deposits	—	—	199	61
Singapore Government Treasury Bills	276	228	467	142
Wakala Global Sukuk	16	7	—	—
Quoted securities:				
In Malaysia				
Private debt securities	—	—	3	1
Unquoted securities:				
In Malaysia				
Private debt securities	5	40	25	8
Total	**1,303**	**1,550**	**2,367**	**722**

Financial investments available-for-sale

The Issuer

As at 30 June 2014, the financial investments available-for-sale constituted 7.80 per cent. of the Issuer's total assets which compares with 7.42 per cent. for the financial year ended 31 December 2013. The Issuer's financial investments available-for-sale comprised mainly private debt securities (unquoted securities) (69.95 per cent.) for the six month period ended 30 June 2014 which compares with 68.21 per cent. for the financial year ended 31 December 2013.

The following table summarises financial investments available-for-sale by security type:

	Audited as at 31 December				Unaudited as at 30 June	
	2011	2012	2013	2013	2014	2014
	RM million	RM million	RM million	U.S.$ million	RM million	U.S.$ million
At fair value						
Money market instruments:						
Malaysian Government Securities	974	460	644	196	746	232
Malaysian Government Investment Issues	1,096	1,410	1,033	315	1,110	346
Cagamas bonds	82	41	25	8	10	3
Singapore Government Treasury Bills	73	25	272	83	476	148
Singapore Government Securities	232	135	137	42	134	42
Thailand Government bonds	86	106	96	29	91	28
1 Malaysia Sukuk	292	278	318	97	308	96
Wakala Global Sukuk	92	78	125	38	67	21
Sukuk Perumahan Kerajaan (SPK)	—	101	48	15	108	34
Quoted securities:						
In Malaysia						
Corporate loan stocks	47	31	—	—	—	—
Shares	10	5	25	7	5	2
Unquoted securities:						
In Malaysia						
Corporate loan stocks	344	338	255	78	3	1
Shares	394	362	468	142	506	157
Private debt securities	2,995	5,460	7,579	2,310	8,860	2,760
Perpetual notes/sukuk	—	—	86	26	86	27
Outside Malaysia						
Private debt securities	6	1	1	—	—	—
Credit link notes	—	—	—	—	157	49
	6,723	8,831	11,112	3,386	12,667	3,946
Accumulated impairment losses	(384)	(374)	(309)	(94)	(127)	(40)
Total	**6,339**	**8,457**	**10,803**	**3,292**	**12,540**	**3,906**

The Group

As at 31 December 2013, the financial investments available-for-sale constituted 7.61 per cent. of the Group's total assets which compares with 5.89 per cent. for the financial year ended 31 December 2012. The Group's financial investments available-for-sale comprised mainly private debt securities (unquoted securities) (67.09 per cent.) for the financial year ended 31 December 2013 which compares with 61.85 per cent. for the financial year ended 31 December 2012.

The following table summarises financial investments available-for-sale by security type:

	Audited as at 31 December			
	2011	2012	2013	2013
	RM million	RM million	RM million	U.S.$ million
At fair value				
Money market instruments:				
Malaysian Government Securities	974	460	644	196
Malaysian Government Investment Issues	1,966	1,896	1,557	475
Cagamas bonds	82	92	85	26
Khazanah bonds	—	36	16	5
Negotiable instruments of deposits	—	—	100	30
Singapore Government Treasury Bills	73	25	272	83
Singapore Government Securities	232	135	137	42
Thailand Government bonds	86	106	96	29
1 Malaysia Sukuk	292	278	318	97
Wakala Global Sukuk	115	95	153	47
Sukuk Perumahan Kerajaan (SPK)	—	101	48	15
Quoted securities:				
In Malaysia				
Corporate loan stocks	47	31	—	—
Shares	12	12	29	9
Outside Malaysia				
Shares	—	2	—	—
Unquoted securities:				
In Malaysia				
Corporate loan stocks	344	338	255	78
Shares	395	362	469	142
Private debt securities	3,775	6,437	9,103	2,774
Perpetual notes/sukuk	—	—	286	87
Outside Malaysia				
Shares	—	—	—	—
Private debt securities	6	1	1	—
	8,399	10,407	13,569	4,135
Accumulated impairment losses	(384)	(374)	(310)	(94)
Total	**8,015**	**10,033**	**13,259**	**4,041**

Financial investments held-to-maturity

The Issuer

As at 30 June 2014, financial investments held-to-maturity constituted 11.47 per cent. of the Issuer's total assets which compares to 13.12 per cent. for the financial year ended 31 December 2013. The Issuer's financial investments held-to-maturity comprised mainly private debt securities (29.25 per cent.), Malaysian Government Investment Issues (28.24 per cent.) and Malaysian government securities (quoted money market instruments) (12.51 per cent.) for the six month period ended 30 June 2014 which compares with 27.91 per cent., 28.54 per cent. and 13.63 per cent. respectively for the financial year ended 31 December 2013.

The following table summarises financial investments held-to-maturity by security type:

	Audited as at 31 December				Unaudited as at 30 June	
	2011	2012	2013	2013	2014	2014
	RM million	RM million	RM million	U.S.$ million	RM million	U.S.$ million
At amortised cost						
Money market instruments:						
Malaysian Government Securities	2,769	2,416	2,618	798	2,323	724
Malaysian Government Investment Issues	2,196	4,756	5,482	1,671	5,243	1,633
Cagamas bonds	1,718	2,065	2,221	677	2,157	672
Khazanah bonds	55	58	60	18	62	19
Negotiable instruments of deposits	1,006	1,704	1,803	550	1,728	538
Singapore Government Securities	123	127	184	56	182	57
Thailand Government Securities	240	264	293	89	270	84
Bankers' acceptances	170	339	—	—	—	—
Sukuk (Brunei) Incorporation	54	58	39	12	36	11
Wakala Global Sukuk	203	213	228	70	223	69
Sukuk Perumahan Kerajaan (SPK)	—	—	101	31	101	31
Quoted securities:						
In Malaysia						
Bonds	1	1	1	—	1	—
Prasarana bonds	950	738	772	235	771	240
Private debt securities	2,604	2,971	5,360	1,633	5,431	1,692
Corporate loan stocks	56	55	43	13	41	13
	12,145	15,765	19,205	5,853	18,569	5,783
Accumulated impairment losses	(123)	(119)	(108)	(33)	(114)	(35)
Total	**12,022**	**15,646**	**19,097**	**5,820**	**18,455**	**5,748**

The Group

As at 31 December 2013, financial investments held-to-maturity constituted 12.52 per cent. of the Group's total assets which compares to 10.45 per cent. for the financial year ended 31 December 2012. The Group's financial investments held-to-maturity comprised mainly private debt securities (28.69 per cent.), Malaysian Government Investment Issues (28.86 per cent.) and Malaysian government securities (quoted money market instruments) (11.95 per cent.) for the financial year ended 31 December 2013 which compares with 20.33 per cent., 30.69 per cent. and 13.48 per cent. respectively for the financial year ended 31 December 2012.

The following table summarises financial investments held-to-maturity by security type:

	Audited as at 31 December			
	2011	2012	2013	2013
	RM million	RM million	RM million	U.S.$ million
At amortised cost				
Money market instruments:				
Malaysian Government Securities	2,769	2,416	2,618	798
Malaysian Government Investment Issues	2,992	5,500	6,326	1,928
Cagamas bonds	1,912	2,340	2,445	745
Khazanah bonds	63	66	69	21
Negotiable instruments of deposits	1,006	2,126	2,449	746
Singapore Government Securities	123	127	184	56
Thailand Government Securities	240	264	293	89
Bankers' acceptances	170	339	33	10
Sukuk (Brunei) Incorporation	54	58	39	12
Wakala Global Sukuk	203	213	228	70
Sukuk Perumahan Kerajaan (SPK)	—	—	111	34
Quoted securities:				
In Malaysia				
Bonds	1	1	1	—
Prasarana bonds	950	754	772	235
Private debt securities	3,040	3,643	6,290	1,917
Corporate loan stocks	56	55	43	13
Outside Malaysia				
Private debt securities	19	18	20	6
	13,598	17,920	21,921	6,680
Accumulated impairment losses	(123)	(119)	(108)	(33)
Total	**13,475**	**17,801**	**21,813**	**6,647**

Risk Management

Introduction

The risk management process within the Group seeks to identify, measure, monitor and control risk so that risk exposures are adequately managed and that the expected returns adequately compensate the risks.

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

(i) It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and controls in the organisation, as well as deficiencies in the risk management culture.

(ii) It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk-adjusted returns.

Overarching Risk Management Principles

The Risk Management Framework contains five fundamental principles that drive the philosophy of risk management in the Group. They are:

(i) Risk governance from the Boards of Directors (the "**Board**") of the various operating entities within the Group;

(ii) Clear understanding of risk management ownership;

(iii) Institutionalisation of a risk-focused organisation;

(iv) Alignment of risk management to business strategies; and

(v) Optimisation of risk-adjusted returns.

Principle 1: Risk governance from the Board of Directors of the various operating entities within the Group

The ultimate responsibility of the Board is to ensure that an effective risk management process is in place which is uniformly understood across the Group. The Group has a structured framework to support the Board's oversight responsibilities.

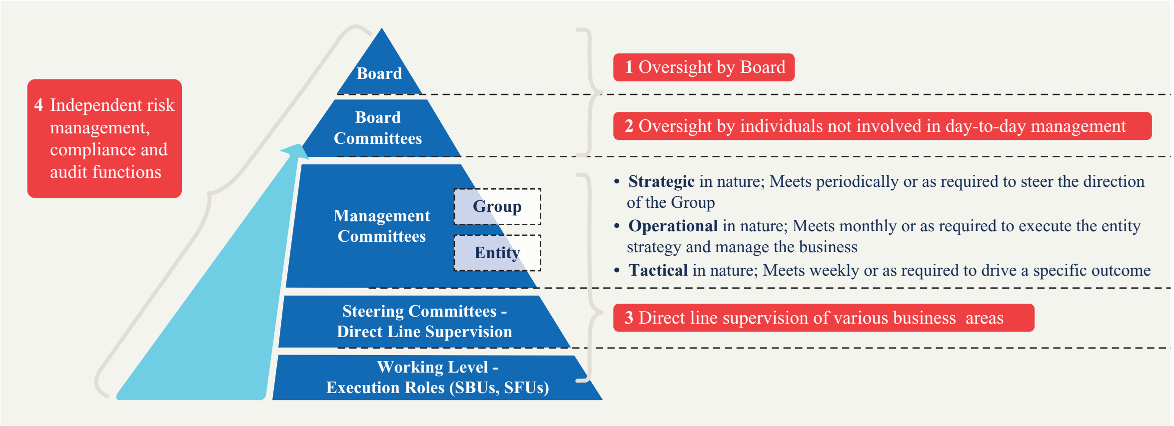
Board Risk Committee ("BRC")

The Group has established the BRC to assist the Boards of the various operating entities in the Group in their risk oversight functions and to serve as a consultative body to the Boards for areas pertaining to risk management.

A Risk Management Committee has also been established at RHB Islamic to focus on the risk management issues of the Islamic Bank, particularly in relation to risk issues unique to Islamic finance.

The responsibility for the supervision of the day to day management of enterprise risk and capital matters is delegated to the Group Capital & Risk Committee ("**GCRC**") comprising senior management of the Group and reporting directly to the BRC and the Group Management Committee.

There are other committees set up to manage specific areas of risk in the Group. An overview of this governance framework at Group level is as below:



Principle 2: Clear understanding of risk management ownership

Proactive risk ownership is important for effective management of risk. This promotes a risk awareness culture throughout the Group. The SBGs and the SFGs of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risk. The business units manage certain defined risks supported by the services provided by the functional units, including risk management functions.

Principle 3: Institutionalisation of a risk-focused organisation

In addition to risk ownership, a risk-focused culture is promoted throughout the Group through the strengthening of the central risk coordination function as well as the continuous reinforcement of a risk and control environment within the Group.

Central Risk Coordination Function

The risk management function is independent of the business function to ensure that the necessary balance in risk/return decisions is not compromised by short term pressures to generate revenues. This risk management function is responsible for formulating risk related policies and presents risk performance and related reports to the BRC and GCRC for recommendation to the Board.

The risk management function in the Group reports to the Group Chief Risk Officer. The role and responsibilities of the Group Chief Risk Officer include:

- Facilitating the setting of the strategic direction and overall policy on management and control of risks of the Group;
- Ensuring industry best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk underwriting models;
- Developing a proactive, balanced and risk attuned culture within the Group;
- Advising senior management, BRC, GCRC and Boards on risk issues and their possible impact on the Group in the achievement of its objectives and strategies; and
- Administering the delegation of discretionary powers to management personnel within the Group.

Principle 4: Alignment of risk management to business strategy

The Group's risk management framework serves to align the Group's business strategy to risk strategy, and vice versa. This is articulated through the risk appetite setting and the Group's annual business and financial budgetary plan, which is facilitated by the integration of risk measures in capital management.

Risk appetite is set by the Board and reported through various metrics that enable the Bank and the Group to manage capital constraints and shareholders' expectations. The risk appetite is a key component of the management of risks and describes the types and level of risk that the Bank and the Group are prepared to accept in delivering the strategy.

Principle 5: Optimisation of risk adjusted economic and financial returns

One of the objectives of capital management is to reflect a risk-adjusted return assumed by the businesses throughout the Group. By linking risk to capital, the risk adjusted return measure contributes to the creation of shareholder value by facilitating the allocation of capital to the businesses.

The medium to long term strategy and principle of risk management of the Group is to intensify the integration of capital management within the Group. The Group is progressively implementing a risk-adjusted return-based framework for allocation of capital to business units and for performance measurement and management.

Credit Risks

Credit risk management is conducted in a holistic manner. Credit underwriting standards are articulated in an approved Group credit policy which is developed for the assurance of asset quality that is in line with the Group's risk appetite. Industry best practices are instilled in the continual updating of the Group credit policy, including independent assessment of credit proposals, assignment of ratings and adoption of multi-tiered delegated lending authorities spanning from individuals to credit approving committees. Credit reviews and ratings are conducted on the credit exposures at least annually.

The analysis of any single large exposure and group exposures are conducted regularly. The SBGs undertake regular account updates, monitoring and management of these exposures. Further country and industry specific limits are also incorporated within the overall credit risk management for better assessment and management of credit concentration risk.

Market Risk

The Group Asset and Liability Committee ("**Group ALCO**") also performs a critical role in the oversight of the management of market risk.

For effective control of operations, defined management action triggers and risk limits are established and actively monitored. Stress testing is rigorously applied in ascertaining the susceptibility of and the extent to which the Group's financials and earnings are affected by prospective changes in market interest rates/profit rates, key risk drivers or scenarios. Market risk measures include conventional risk quantification methodologies such as risk factor sensitivity analysis and value-at-risk measures.

In addition, the Group has established an interest rate/rate of return risk management policy which provides for the governance of interest rate/rate of return. Interest rate/profit rate sensitivity triggers are applied on earnings for the respective entity within the Group. The Group regularly considers the economics and necessity of increasing or reducing its interest rate/profit rate risk hedges.

Liquidity Risk

The Group ALCO also provides the oversight for management of liquidity risks. Triggers and limits are determined based on the Group's risk appetite and are measured by conventional risk quantification methodologies such as regulatory liquidity framework requirements. The Group maintains adequate liquidity surplus to maintain its requirements, and is well above the regulatory requirement. Liquidity preservation is also augmented by the Group's practice of maintaining appropriate amounts of liquefiable assets as additional buffers against times of extreme market systemic risks and stress; as well as the Group's implementation of policies and practices in relation to contingency funding plan and operations.

Operational Risk

Each business and support unit of the respective operating entities in the Group is responsible for understanding the operational risks inherent in its products, activities, processes and systems. They are supported in this function by the central risk coordination units which include the operational risk management function, the compliance function and the internal audit function.

The Group's Operational Risk Management Framework comprises a wide range of activities and elements, broadly classified as follows:

- ***Analysis and Enhancement*** — The Group has implemented a Basel II compliant operational risk management system to support its workflow and analytical capabilities.

- ***Education and Awareness*** — This is aligned with the principle and requirement that the front-line business and support units of the Group are, by nature of their direct involvement in interfacing with customers and in operating the business, responsible for managing operational risk and acting as the first line of defence against operational losses.

- ***Monitoring and Intervention*** — This is where the principal head office risk control units actively manage operational non-compliances and incidents, as well as undertake recovery actions, including business continuity measures in cases of incidences causing disruption to business activities.

Reputational Risk

The Group has developed and implemented a reputational risk management framework. The key elements for management of reputational risk include:

- Prompt and effective communication with all stakeholders;

- Strong and consistent enforcement of controls relating to governance, business and legal compliance;

- Continuous monitoring of threats to reputation;

- Ensuring ethical practices throughout the Group; and

- Establishing crisis management plans and ensuring these are continuously updated.

Islamic Finance Related Risks

The Board of RHB Islamic is assisted by its Risk Management Committee to manage the risks that are unique to Islamic financing. Some of these unique risks include:

- Commodity and Inventory Risk which arises from holding items in inventory either for resale under a Murabahah contract or with a view to leasing under an Ijarah contract.

- Rate of Returns Risk in relation to investment returns necessitated by profit sharing principles, and

- Shariah Compliance Risk arising from potential non-compliance with Shariah rules and principles in RHB Islamic's operations as well as problems of legal uncertainty in interpreting and enforcing Shariah contracts.

Capital Management and Basel

The Group's capital management objective is to maintain a strong capital position consistent with the expectations of various stakeholders while delivering sustainable returns to shareholders. It also calls for the Group to ensure that adequate capital resources are available to support business growth, investment opportunities as well as adverse situations, and to meet regulatory capital requirements.

The Group's capital management objective is translated into capital targets that are consistent with the need to support business growth in line with strategic plans and risk appetite. Through the Internal Capital Adequacy Assessment Process ("**ICAAP**"), the Group assesses its forecast capital supply and demand which is determined by the following:

- Material risk types where capital is deemed to be an appropriate risk mitigation method;

- Capital targets; and
- The use of forward three-year planning.

In addition, capital stress tests are also conducted to evaluate the sensitivity of the key assumptions in the capital plan to the effects of plausible stress scenarios and to assess how the Group can continue to maintain adequate capital under such scenarios.

Each operating subsidiary in the Group manages its capital using a consistent capital management framework and process. The capital management framework guides the establishment of capital strategy for the Group and its entities, as well as highlighting the internal analytical capabilities required and the functions that support the capital management framework within the Group.

Supported by monitoring and reporting capabilities, the Boards and senior management are kept informed and updated of the Group's capital utilisation and capital position which is generated by the Group's information system and processes.

Basel II Implementation

The Group places great importance to Basel II and views it as a Group-wide initiative in meeting international best practices in this area. A dedicated Group Basel Steering Committee was set up in October 2004 to oversee all Basel related initiatives and activities throughout the Group and to ensure that it is on track in meeting the regulatory requirements outlined in the Capital Adequacy Framework issued by BNM.

For the purpose of complying with regulatory requirements under Basel II Pillar I, the approaches adopted by the respective bank entities as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Bank Berhad	Internal Rating-Based Approach	Standardised Approach	Basic Indicator Approach
RHB Islamic Bank Berhad	Standardised Approach	Standardised Approach	Basic Indicator Approach
RHB Investment Bank Berhad	Standardised Approach	Standardised Approach	Basic Indicator Approach

The Group's ICAAP framework ensures that all material risks are identified, measured and reported, and that adequate capital levels consistent with the risk profiles, including capital buffers, are maintained to support the current and projected demand for capital, under existing and stressed conditions. For non-measurable risks, relevant framework and control mechanisms are implemented to mitigate and manage same.

The Group's relevant Pillar 3 disclosures are published in the Annual report and available on the corporate website (www.rhb.com.my).

Basel III Implementation

The implementation of Basel III for capital components by BNM in Malaysia has commenced with effect from 1 January 2013. Under the new Basel III rules, banking institutions are required to strengthen the quality of their capital by maintaining higher minimum capital requirements and holding capital buffers, namely the capital conservation buffer and the countercyclical capital buffer. However, the requirements are subject to a series of transitional arrangements with a gradual phase-in commencing 2013.

Apart from the above, the Group has commenced the Basel III observation period reporting to BNM on the two key liquidity ratios, namely the Liquidity Coverage Ratio ("**LCR**") and the Net Stable Funding Ratio ("**NSFR**"), since June 2012. The result produced during the observation period facilitates the Group's strategy in managing the appropriate funding sources for achieving optimal LCR and NSFR. The Group is taking steps to review and refine assumptions applied in producing a more prudent LCR and NSFR ratios.

Principal Shareholders

Share capital

The authorised and issued and paid-up share capital of the Issuer as at 30 June 2014 is as follows:

Type	No. of shares	Par value (RM)	Amount (RM)
Authorised			
Ordinary Shares	8,000,000,000	0.50	4,000,000,000
Irredeemabke Non-Cumulative Convertible			
Preference Shares	2,000,000,000	1.00	2,000,000,000
Issued and paid-up capital			
Ordinary Shares	6,636,170,242	0.50	3,318,085,121
Class of Shares	Ordinary shares of RM0.50 each.		
Voting Rights	Voting rights are granted to holders of ordinary shares as stated in the Memorandum and Articles of Association of the Issuer		

Shareholders

Based on the Register of Substantial Shareholders of the Issuer as at 31 August 2014, RHB Capital holds 100 per cent. of the ordinary shares of the Issuer.

Management

Board of Directors

The Board of Directors of the Issuer has collective responsibility for leadership and management of the Issuer and is collectively responsible for promoting its success by directing and supervising its affairs.

The Board of Directors of the Issuer consists of ten directors and ten senior management personnel. The Issuer has adopted a set of formal, considered and transparent procedures for the appointment of new directors. The appointment of each new director is discussed at the Board Nominating & Remuneration Committee before recommendation is made to the Board of Directors for consideration and approval. The appointment of directors is also subject to BNM's approval.

The aggregate emoluments, consisting of annual fees/salaries/allowances and benefits in kind of the Board of Directors of the Issuer for the financial year ended 31 December 2013 were RM4.42 million (U.S.$1.35 million).

The members of the Board of Directors of the Issuer as at 31 August 2014 are as follows:

Name	Designation
Tan Sri Azlan Zainol	Non-Independent Non-Executive Chairman
Tuan Haji Khairuddin Ahmad	Senior Independent Non-Executive Director
Ong Seng Pheow	Independent Non-Executive Director
Choong Tuck Oon	Independent Non-Executive Director
Abdul Aziz Peru Mohamed	Independent Non-Executive Director
Dato' Mohamed Khadar Merican	Independent Non-Executive Director
Tan Sri Ong Leong Huat @ Wong Joo Hwa	Non-Independent Non-Executive Director
Mohamed Ali Ismaeil Ali AlFahim	Non-Independent Non-Executive Director
Chin Yoong Kheong	Independent Non-Executive Director
Dato' Khairussaleh Ramli	Deputy Group Managing Director, Managing Director, RHB Bank Berhad

Director's Profiles

The profiles of the members of the Board of Directors of the Issuer as at 31 August 2014 are as follows:

Tan Sri Azlan Zainol, Non-Independent Non-Executive Chairman

Tan Sri Azlan Zainol ("**Tan Sri Azlan**") was appointed as a Non-Independent Non-Executive Director and formalised as Chairman of the Issuer on 27 July 2005 and 29 July 2005, respectively, representing RHB Capital, the holding company of the Issuer.

Tan Sri Azlan is a Fellow of the Institute of Chartered Accountants in England and Wales. He is a Member of the Malaysian Institute of Accountants and a Member of the Malaysian Institute of Certified Public Accountants.

Tan Sri Azlan was previously the Chief Executive Officer of the Employees Provident Fund Board until his retirement in April 2013. He has more than 29 years of experience in the financial sector, having been appointed as the Managing Director of AmBank Berhad and prior to that, as the Managing Director of AmFinance Berhad.

Tan Sri Azlan's other directorships in public companies include RHB Capital, Rashid Hussain Berhad (In Member's Voluntary Liquidation), Malaysian Resources Corporation Berhad (Chairman), Kuala Lumpur Kepong Berhad, Jardine Cycle & Carriage Limited (Singapore) and RHB Holdings Hong Kong Limited (formerly known as OSK Holdings Hong Kong Limited).

Tuan Haji Khairuddin Ahmad, Senior Independent Non-Executive Director

Tuan Haji Khairuddin Ahmad ("**Haji Khairuddin**") was appointed as a Non-Independent Non-Executive Director of the Issuer on 6 September 2001, representing Danamodal Nasional Berhad ("**Danamodal**"). Haji Khairuddin was re-designated from Non-Independent Non-Executive Director to Independent Non-Executive

Director on 18 March 2008, after Danamodal ceased to be a substantial Irredeemable Non-Cumulative Convertible Preference Shareholder of the Issuer in January 2008. He also serves as the Chairman of the Board Risk Committee as well as a Member of the Board Credit Committee.

Haji Khairuddin began his career in the banking industry and was previously with Citibank N.A., Southern Bank Berhad, Bank of Commerce Berhad and Arab Malaysian Finance Berhad. He attended the Advance Management Course at Columbia Business School in New York, USA.

Haji Khairuddin's other directorships include RHB Indochina (Chairman), RHB OSK Indochina Securities Limited (Chairman), RHB Bank Lao Limited (Chairman) and RHB Asset Management Sdn Bhd (formerly known as RHB Investment Management Sdn Bhd).

Ong Seng Pheow, Independent Non-Executive Director

Ong Seng Pheow ("**Mr. Ong**") was appointed as an Independent Non-Executive Director of the Issuer on 20 November 2006. He also serves as the Chairman of the Board Audit Committee as well as a Member of the Board Technology Committee.

Mr. Ong has over 34 years of audit and accounting experience. He is a Member of the Malaysian Institute of Certified Public Accountants ("**MICPA**") and Malaysian Institute of Accountants. He was a partner of Ernst & Young from 1984 to 2003. His last position in Ernst & Young was the National Director of Assurance and Advisory Business Services. He also served on committees and working groups of MICPA.

Mr. Ong's other directorships in public companies include RHB Insurance Berhad (Chairman), RHB Trustees Berhad, Malaysian Trustees Berhad, RHB Holdings Hong Kong Limited (formerly known as OSK Holdings Hong Kong Limited), RHB Bank Lao Limited, Daiman Development Berhad, LCTH Corporation Berhad, George Kent (Malaysia) Berhad and HELP International Corporation Berhad.

Choong Tuck Oon, Independent Non-Executive Director

Choong Tuck Oon ("**Mr. Choong**") was appointed as an Independent Non-Executive Director of the Issuer on 1 April 2010. He also serves as the Chairman of the Board Technology Committee as well as a Member of the Board Risk Committee and Board Nominating & Remuneration Committee.

Mr. Choong holds a Bachelor of Science (First Class) from University of Malaya, a Masters of Science from the Asian Institute of Technology and an Executive Diploma in Directorship from Singapore Institute of Directors and Singapore Management University.

Mr. Choong was with Accenture for 23 years until his retirement in 2010 as Senior Partner in the Financial Services Asia-Pacific practice. Mr. Choong has extensive experience leading business and IT transformation, mergers and acquisitions and risk management for more than 20 large domestic, regional/global financial institutions across ASEAN and North Asia; including various national multi-bank collaborative initiatives. He also has experiences in the Oil and Gas, Telecommunication and Utilities industries. Mr. Choong was also involved in voluntary non-governmental organisation activities, such as launching a bank-of-banks for micro-finance institutions across Indonesia for a consortium of international aid agencies and developing a new growth strategy across 11 countries in Asia Pacific for an international conservation fund. Prior to Accenture, Mr. Choong was with Petronas for seven years in various upstream and downstream functions.

Mr. Choong's other directorships include RHB Islamic, RHB Indochina, RHB OSK Indochina Securities Limited and RHB Private Equity Holdings Sdn Bhd. He is also a Non-Executive Director in NTUC Income Insurance Cooperative Singapore.

Abdul Aziz Peru Mohamed, Independent Non-Executive Director

Abdul Aziz Peru Mohamed ("**Encik Aziz Peru**") was appointed as an Independent Non-Executive Director of the Issuer on 7 February 2011. He also serves as a Member of the Board Credit Committee.

Encik Aziz Peru attended various training programmes at the Harvard Business School and Pacific Bankers Rim programmes in the United States of America.

Encik Aziz Peru is currently the Chief Executive Officer/Director of As-Salihin Trustee Berhad, a trust company specialising in Islamic estate planning. He held various Senior Management positions in the banking industry with almost 30 years experience in an accomplished career track spanning management of branch network and retail banking. He spent most of his working years at Malayan Banking Berhad, where his last position was General Manager, Consumer Banking Division. He was also formerly the Senior General Manager of AmBank Berhad from 2002 to 2005. During his years in the banking industry, he was appointed as Chairman of the Rules Committee of the Association of Banks of Malaysia and has held several other key positions including as a Board Member of Mayban Property Trust and Mayban Trustees Bhd.

Encik Aziz Peru's other directorships include RHB Investment Bank Berhad, RHB Insurance Berhad and RHB Asset Management Sdn Bhd (formerly known as RHB Investment Management Sdn Bhd).

Dato' Mohamed Khadar Merican, Independent Non-Executive Director

Dato' Mohamed Khadar Merican ("**Dato' Mohamed Khadar**") was appointed as an Independent Non-Executive Director of the Issuer on 1 November 2011. Dato' Mohamed Khadar serves as the Chairman of the Board Credit Committee as well as a Member of the Board Nominating & Remuneration Committee.

Dato' Mohamed Khadar is a Member of the Institute of Chartered Accountants in England and Wales and is also a Member of the Malaysian Institute of Accountants.

Dato' Mohamed Khadar has had more than 35 years of experience in financial and general management. He served as an auditor and a consultant in an international accounting firm, before joining a financial services group in 1986. Dato' Mohamed Khadar has held various senior management positions in Pernas International Holdings Berhad (now known as Tradewinds Corporation Berhad) between 1988 and April 2003, including those of President and Chief Operating Officer.

Dato' Mohamed Khadar's other directorships in public companies include RHB Capital (Chairman), RHB OSK Securities (Thailand) Public Company Limited (Chairman), RHB Investment Bank Berhad, Rashid Hussain Berhad (In Members' Voluntary Liquidation), Astro Malaysia Holdings Berhad and Sona Petroleum Berhad.

Tan Sri Ong Leong Huat @ Wong Joo Hwa, Non-Independent Non-Executive Director

Tan Sri Ong Leong Huat @ Wong Joo Hwa ("**Tan Sri Ong**") was appointed as a Non-Independent Non-Executive Director of the Issuer on 20 November 2012.

Tan Sri Ong holds a Capital Markets and Services Representative's license issued by the Securities Commission of Malaysia under the Capital Markets and Services Act, 2007 for dealing in securities. Tan Sri Ong was a Director of MESDAQ (now known as ACE Market) from July 1999 to March 2002, a member of the Capital Market Advisory Council appointed by the Securities Commission in 2004 to advise on issues relating to the implementation of the Capital Market Master Plan. He was previously a member of the Securities Market Consultative Panel of Bursa Malaysia.

For over 17 years since 1969, Tan Sri Ong was attached to a leading financial institution where he last held the position of Senior General Manager. He was the Managing Director/Chief Executive Officer of OSKIB from July 1985 to January 2007 and thereafter appointed as the Group Managing Director/CEO of OSKIB. He was then re-designated as a Non-Independent Non-Executive Director of OSKIB and subsequently, resigned on 30 April 2013.

Tan Sri Ong's other directorships in public companies include RHB Investment Bank Berhad (Chairman), PJ Development Holdings Berhad (Chairman), OSK Holdings Berhad, OSK Property Holdings Berhad, OSK Ventures International Berhad, Bursa Malaysia Berhad and KE-ZAN Holdings Berhad.

Mohamed Ali Ismaeil Ali AlFahim, Non-Independent Non-Executive Director

Mohamed Ali Ismaeil Ali AlFahim ("**Mr. Al-Fahim**") was appointed as a Non-Independent Non-Executive Director of the Issuer on 9 May 2014.

Mr. Al-Fahim holds a Bachelor of Science in Business Administration from the University of Suffolk, Boston. He commenced his professional career at Abu Dhabi National Oil Company from 2000 to 2008. His role as Head of Group Financing Department focused on the identification and pursuit of investment strategies reflecting a balanced investment portfolio. During that time, Mr. Al-Fahim also worked as a corporate finance consultant for KPMG-Dubai from 2001 to 2002 and for HSBC Bank at Project and Export Finance Division-London in 2006.

Since September 2008, Mr. Al-Fahim has been Head of Finance at the Finance & Accounts Department of International Petroleum Investment Company PJSC. He represents IPIC as a board member on various boards of investee companies, including EDP Energia de Portugal, Aabar Investment PJS, Arabtec Holdings PJSC, First Energy Bank, Unicredit Spa, Al Izz Islamic Bank, Depa Interiors and Oasis Capital Bank. He is also a Director of RHB Capital and RHB Investment Bank Berhad.

Chin Yoong Kheong, Independent Non-Executive Director

Chin Yoong Kheong ("**Mr. Chin**") was appointed as an Independent Non-Executive Director of the Issuer on 1 August 2014.

Mr. Chin holds a Bachelor of Arts Honours degree in Economics from the University of Leeds and a Fellow of the Institute of Chartered Accountants in England and Wales. He is also a Member of the Malaysian Institute of Certified Public Accountants and Malaysian Institute of Accountants. Mr. Chin retired as a partner of KPMG on 31 December 2013, after having served the firm for more than 34 years in the United Kingdom, Vietnam and Malaysia. Mr. Chin's vast experience covers business solutions in areas such as strategy, human resources, performance improvement to public and infrastructure sector, consumer and industrial markets, and financial services industry. Throughout his long career with KPMG, Mr. Chin was experienced in the audit function before specialising in taxation for 14 years. He was responsible for setting up the KPMG practice in Vietnam and subsequently headed KPMG's consulting practice for more than 7 years.

Mr. Chin's other directorships in public companies include TAHPS Berhad and Otto Marine Ltd, a shipping company listed on the Singapore Stock Exchange.

Dato' Khairussaleh Ramli, Deputy Group Managing Director, Group, Managing Director, RHB Bank Berhad

Dato' Khairussaleh Ramli ("**Dato' Khairussaleh**") was appointed as the Managing Director of the Issuer and as the Deputy Group Managing Director of the Group on 13 December 2013. Dato' Khairussaleh also serves as a Member of the Board Technology Committee.

Dato' Khairussaleh has more than 20 years of experience in the financial services and capital markets industry, where he has held senior positions in well-established local financial institutions. Dato' Khairussaleh was the Maybank Group Chief Financial Officer from November 2008 to January 2012. He was thereafter appointed President Director/Chief Executive Officer of Bank Internasional Indonesia, ranked among the top banks in Indonesia. Prior to joining Maybank, Dato' Khairussaleh served in Telekom Malaysia Berhad for two years with his last position being the Group Strategy Officer. He also spent eight years with Bursa Malaysia Berhad, holding various positions before rising to the post of Chief Financial Officer in 2004. He spent seven years with the Public Bank Group, one of the top banks in Malaysia, from 1990 to 1997.

Dato' Khairussaleh's knowledge and experience earned him the "Best CFO in Malaysia Award" in 2010 and 2011 from Finance Asia and the "Best CFO in Malaysia Award" in 2012 from Alpha Southeast Asia.

Dato's Khairussaleh holds a Bachelor of Science in Business Administration from Washington University and is also a graduate of the Advanced Management Programme at Harvard Business School.

Senior Management

The management of the businesses and operations of the Group has been overseen by the Group Management Committee, comprising the following members:

Name	Designation
Kellee Kam Chee Khiong	Group Managing Director
Dato' Khairussaleh Ramli	Deputy Group Managing Director Managing Director, RHB Bank Berhad
Mike Chan Cheong Yuen	Managing Director, RHB Investment Bank Berhad
Ibrahim Bin Hassan	Managing Director, RHB Islamic Bank Berhad
U Chen Hock	Executive Director, Group International Business
Norazzah Binti Sulaiman	Group Chief Governance Officer
Yap Choi Foong	Group Chief Financial Officer
Patrick Ho Kwong Hoong	Group Chief Risk Officer
Jamaluddin bin Bakri	Group Chief Human Resource Officer
Christopher Loh Meng Heng	Group Chief Strategy & Transformation Officer
Rohan Krishnalingam	Group Chief Operations Officer

Board Committees

To enable the Board to devote more time for strategic and critical matters, the Board has delegated specific responsibilities to the following board committees, residing either at the Issuer or at RHB Capital level:

At RHB Capital Level

Board Nominating & Remuneration Committee ("BNRC")

- All of its members are Non-Executive Directors of RHB Capital and/or its subsidiaries; and
- Its main objective is to support the Boards in reviewing and assessing the appointment/re-appointment of directors, board committee members, Group Shariah Committee and key senior management officers (which entails Group Managing Director ("**Group MD**"), Chief Executive Officer/Managing Director who is the Direct Report of the Group MD and any persons as may be decided by the Committee) as well as advising the Boards on optimal size and mix of the Boards. The BNRC also supports the Board in providing oversight and direction on human resource matters and operations, and to recommend to the Boards for approval of the remuneration and human resource strategies.

Board Risk Committee

- All of its members are Non-Executive Directors of RHB Capital and/or its subsidiaries; and
- Its main objective is to provide oversight and governance of risks at the Group.

At RHB Bank Level

Board Audit Committee

- All of its members are Independent Non-Executive Directors of RHB Capital and/or its subsidiaries; and
- Its main objective is to provide independent oversight of the financial reporting and internal control system and ensure checks and balances for entities within the Group, excluding RHB Capital.

Board Credit Committee

- All of its members are Non-Executive Directors of RHB Capital and/or its subsidiaries; and
- Its main objective is to affirm, veto or include additional conditions on all types of credits applications (including under stocks/futures broking) and all types of underwriting applications and renewals approved

for amounts above the defined thresholds of the Group Credit Committee (GCC) and/or the Investment & Underwriting Committee (IUC), as well as to oversee the management of impaired loans/assets and monitor the recovery of impaired loans/assets and also to approve policy loan/financing and loans/financing required by BNM to be referred to Board for approval.

Board Technology Committee

- Comprises four Non-Executive Directors of RHB Capital and/or its subsidiaries, Group Managing Director (Group MD) and Deputy Group MD; and

- Its principal responsibility is to provide guidance on the Group's strategic information technology programmes and major information technology investments.

The functions and terms of references of the Group Board Committees are clearly defined and comply with the relevant governing laws, regulations and guidelines among others the Malaysian Code on Corporate Governance and BNM's Guidelines on Corporate Governance for licensed institutions. The members of the Group Board Committees comprise the directors of the Issuer and that of the operating entities within the Group to ensure a fair representation across the entities in pursuing the interests of the entities concerned.

The relevant minutes/extract minutes of meetings of all Group Board Committees/Board Audit Committee are tabled before the respective Boards for notation. On matters reserved for the Board and where Board Committees have no authority to make decisions, proposals will be submitted for Board's consideration.

Supervision and Regulation

The Issuer and certain entities within the Group are regulated by BNM, which was established on 26 January 1959 pursuant to the Central Bank of Malaya Ordinance, 1958 (renamed the Central Bank of Malaysia Act, 1958 and repealed by the Central Bank of Malaysia Act, 2009 on 25 November 2009) as the central bank of Malaysia. BNM is directly involved in the regulation and supervision of Malaysia's financial system. Its principal functions are to: (i) act as a banker, financial adviser and financial agent to the Government; (ii) issue currency and keep reserves to safeguard the value of the currency; (iii) promote monetary stability and a sound financial structure; (iv) influence the credit situation to the advantage of Malaysia; and (v) manage public debt, administer exchange controls, supervise and regulate banks (including subsidiaries of foreign banks incorporated in Malaysia), banking and finance companies, investment banks, discount houses and money brokering businesses and deal with international monetary institutions.

BNM and the Minister of Malaysia's Ministry of Finance ("**MOF**") have extensive powers under the FSA and the Islamic Financial Services Act 2013 ("**IFSA**"). The FSA is the principal statute that sets out the laws for the licensing and regulation of institutions carrying on banking, finance company, investment banking, discount houses and money-brokering businesses and the IFSA is the principal statute that sets out the laws for the licensing and regulation of institutions carrying on Islamic banking. In addition to the FSA and the IFSA, Malaysian licensed institutions are subject to guidelines issued by BNM from time to time.

The following discussion sets out information with respect to the regulations of the banking industry by BNM:

Licensing and Limitation of Business Activities of Banks

Under the FSA, banking business, which is defined to include deposit taking and provision of financing, can only be conducted by a public company (which includes domestic public limited companies and subsidiaries of foreign banks incorporated as public limited companies in Malaysia) which has obtained a licence from the MOF on the recommendation of BNM.

Under the IFSA, Islamic banking business, which is defined as banking business whose aims and operations do not involve any element which is not approved by the religion of Islam, can only be conducted by a company which has obtained a licence from the MOF on the recommendation of BNM.

Banks are also subject to a number of other restrictions on the operation of their business. In particular, a bank may not: (i) declare or pay any dividend on its shares except with the prior written approval of BNM or where such permission has been specified by BNM under such terms, rules, directives and regulations as may be imposed by BNM from time to time; (ii) acquire or hold any shares of another bank except as permitted under the FSA, the IFSA (as the case may be) or by prescribed regulation.

Statutory Reserves

BNM requires Malaysian banks to maintain a sum equivalent to the SRR in the form of non-interest bearing reserves with BNM. The SRR is currently set at four per cent. of total eligible liabilities.

Capital Adequacy Requirements

With effect from 1 September 1989, capital adequacy regulations implementing the agreement reached by the Basel Committee on Banking Supervision Practices (the "**Basel Committee**") in July 1988 were introduced into the Malaysian banking system. These regulations, which were phased in over a two-year period, specify a minimum Tier I capital to risk weighted assets ratio of four per cent. and a minimum total capital to risk-weighted assets ratio of eight per cent. Tier I capital includes paid-up ordinary share capital, share premium, statutory reserves, general reserves, retained profit/loss, minority interests, innovative and non-innovative Tier I capital instruments approved by BNM and after deducting goodwill and deferred tax assets. Tier II capital includes general allowances for loan losses, subordinated debts with an initial maturity of at least five years, any innovative and non-innovative hybrid Tier I capital instruments in excess of the limits set by BNM to qualify as Tier I capital which is approved by BNM as Tier II capital and revaluation surpluses.

Under BNM's Capital Adequacy Framework (Basel II — Risk-weighted Computation), risk-weighted assets are the sum of: (i) the risk-weighted assets for credit risk; (ii) the risk weighted assets equivalent for market risk; and (iii) the total risk weighted assets for operational risk. The credit risk weights and the credit conversion factors are provided in the said BNM guidelines.

Single Counterparty Exposure Limit

Banks are prohibited from extending credit facilities to any counterparty in excess of the prescribed percentage in relation to the capital funds of the bank, subject to certain exemptions (see "Risk Factors — Considerations relating to the Malaysian banking industry" above).

Qualifications of Directors; Power to Remove Directors

Under the FSA and the IFSA (as the case may be), a person cannot be appointed as a director of a bank if, for example, that person has been declared bankrupt; has suspended payments or has compounded with his creditors whether within or outside of Malaysia; has been convicted of any offence under the FSA or the IFSA (as the case may be); if there has been any order of detention, supervision, restricted residence, banishment or deportation made against him; or if that person has been a director of or directly concerned in the management of any company which is being or has been wound up by a court or has been a director of a bank whose licence has been revoked under the FSA. The appointment of board of directors (the "**Board**"), the chairman of the Board and the chief executive officer of a bank is subject to the prior written approval of BNM. The appointment of a director and the chief executive officer of a bank is subject to renewal every two years upon re-assessment by BNM pursuant to an application submitted by the bank for the reappointment. BNM's Guidelines on Corporate Governance for Licensed Institutions stipulate (as updated 17 March 2011), *inter alia*, that:

(a) The Board of a licensed institution must have an appropriate number of directors commensurate with the complexity, size, scope and operations of the licensed institution.

(b) The Board should comprise of directors who as a group provide a mixture of core competencies such as finance, accounting, legal, business management, information technology and investment management.

(c) At least a third of the Board must be independent directors. However, in cases where BNM has concerns as to the effective functioning of the Board, a higher proportion of independent directors may be specified by BNM.

(d) There should not be more than one executive director on the Board of a licensed institution. However, under exceptional circumstances, BNM may allow up to a maximum of two executive directors.

(e) Directors who are errant, ineffective or negligent in discharging their responsibilities may be removed from the Board. All resignation and removal of independent directors from the Board can only take effect after the Board has cleared the resignation and removal with BNM.

(f) There shall be clear separation between the roles of chairman and chief executive officer of a licensed institution.

(g) Individuals who are active in politics cannot be appointed as a director of a licensed institution.

BNM is also empowered under the FSA and the IFSA (as the case may be) to remove any director of a bank with the prior concurrence of the MOF if, inter alia, it is satisfied that the bank is carrying on its business in a manner detrimental to the interests of its depositors, its creditors or the public generally or is insolvent or has become or is likely to become unable to meet all or any of its obligations or is about to suspend payment of its debts.

Interest Rate Regulation

Effective 26 April 2004, BNM introduced an interest rate framework aimed at enhancing the effectiveness of monetary policy transmission process and efficiency of the operation of the financial markets as well as pricing by banking institutions. Under this interest rate framework, banking institutions are allowed to determine their own lending rates on all credit facilities and loan products, other than credit card loans, and loans where the lending rates are governed by legislation or prescribed by BNM.

In addition, under this interest rate framework, the Overnight Policy Rate ("**OPR**") replaced the three-month intervention rate as the policy rate. BNM will announce its monetary policy stance through changes in the OPR. The implementation of monetary policy targets the overnight interbank rate to fluctuate within a corridor around the OPR. To minimise excessive volatility in the overnight interbank rate, BNM has set a corridor of +/– 25 basis points around the OPR. BNM will ensure that overnight interbank rates trade within this corridor by providing a lending facility and a deposit facility at the upper and lower limit of the corridor respectively.

Exchange Control Policy

Malaysia has historically maintained a liberal system of exchange controls. Prior to September 1998, the few exchange control rules that were in place were aimed at monitoring the settlement of payments and receipts for compilation of balance of payments statistics and to ensure that funds raised abroad were channelled to finance productive investments in Malaysia which either directly or indirectly generate foreign exchange.

On 1 September 1998, the Government introduced a series of selective exchange control measures. These measures were designed to eliminate the internationalisation of the Ringgit to contain speculation and to stabilise short-term capital flows. On 2 September 1998, the exchange rate was fixed at RM3.80 to U.S.$1.00. With effect from 22 July 2005, the exchange rate had been allowed to operate in a managed float by BNM with its value being determined by various economic factors. BNM will monitor the exchange rate against a currency basket.

On 23 March 2005, BNM announced the relaxation of the foreign exchange administration rules governing overseas investments by residents (both individuals and corporations) and the retention of foreign currency in foreign currency accounts by residents. Limits on foreign currency credit facilities that can be obtained by residents from non-residents, licensed onshore banks and licensed merchant banks were increased, and the rules governing domestic borrowings by Non Resident Controlled Companies were removed. These changes in the foreign exchange administration rules became effective on 1 April 2005.

In 2007, the foreign exchange administration rules were further liberalised as part of the continuous efforts to increase efficiency and reduce cost of doing business in Malaysia.

In line with the liberalisation, registration requirements for forward foreign exchange contracts by residents; Ringgit-denominated loans to non-residents for purchase or construction of immovable properties in Malaysia; investment in foreign currency assets by residents; foreign currency borrowing by residents; and prepayment or repayment of foreign currency borrowing by residents, were abolished. Monthly reporting on balances of foreign currency accounts of residents was also abolished.

In May 2008, BNM had further liberalised the rules on borrowing and lending by resident companies. Resident companies are free to borrow any amount in foreign currency from other resident companies within the same corporate group basis without prior approval from BNM. Furthermore, in terms of lending in Ringgit, a resident company or individual is free to lend in Ringgit any amount to non-resident non-bank companies or individuals to finance activities in the real sector in Malaysia (previously only up to RM10,000).

Pursuant to the FSA, which came into force on 30 June 2013, no person shall undertake or engage in the lending or borrowing of foreign currency except with the written approval of BNM save that this restriction shall not apply to any licensed bank under the FSA.

Priority Sector Lending Guidelines

There are currently three priority sector lending guidelines issued by BNM which are applicable to commercial banks, including the Issuer. These are: (i) loans for houses costing up to RM100,000 (for Peninsular Malaysia) and an additional 20.0 per cent. on the value of houses for the states of Sabah and Sarawak; (ii) lending to SMEs and Bumiputera SMEs; and (iii) agriculture financing. The housing loan lending guideline is to ensure that financing of home ownership is available to lower income groups. The prescribed interest rate on such loans is Base Lending Rate ("**BLR**") plus 1.75 per cent. The guidelines on lending to SMEs aim to provide financial assistance to SMEs, including Bumiputera SMEs, to obtain financing for their business operations. The guideline for Bumiputera SMEs lending is to ensure a minimum level of loans is extended to this community. For this lending guideline, SME is defined as domestic business enterprises under three sectors, these being manufacturing (including agro-based and manufacturing related services), primary agriculture and the services sector (including information and communications technology) where the number of full-time employees must not be more than 150, 50 and 50 employees, respectively or annual sales turnover must not exceed RM25 million, RM5 million and RM5 million, respectively. The agriculture financing guideline will ensure the sector continues to have access to financing at reasonable cost. In this guideline, the agriculture sector refers to amongst others, agriculture (i.e. growing of crops, market gardening, horticulture, livestock farming, fisheries), agriculture related services and activities.

Powers of Enforcement

BNM has broad powers to enforce the FSA and the IFSA. In particular, where a bank is insolvent or is likely to become unable to meet all or any of its obligations or is about to suspend payment, BNM may remove from office any officer or director of the bank concerned, appoint any person as a director of the bank concerned, appoint any person to advise the bank in relation to the proper conduct of its business, recommend that the MOF place the bank under the control of BNM or authorise BNM to make a court application or appoint a receiver or manager to manage the affairs of the bank or authorise BNM to present a petition for winding-up of the bank concerned.

In addition, if BNM is of the opinion that a bank is likely to suspend payment to any extent, BNM may provide liquidity assistance to the bank upon such terms and conditions as BNM deems fit. If BNM is of the opinion that the bank is likely to become insolvent or is likely to become unable to meet all or any of its obligation, BNM may, with the prior approval of the MOF, provide financial assistance to another bank or any other person to purchase any shares, or the whole or any part of the business, assets or liabilities of the bank.

Inspections by BNM

BNM is empowered to examine from time to time, without any prior notice, the books or other documents, accounts and transactions of a bank and may be directed by the MOF to do so in the event the MOF suspects that the banking institution is carrying on its business in a manner which is, or which is likely to be, detrimental to the interests of its depositors or creditors or has insufficient assets to cover its liabilities to the public or is contravening any provisions of the FSA, the IFSA or the Central Bank of Malaysia Act, 2009.

Deposit Insurance

Deposit insurance is a system established by the Government to protect depositors against the loss of their deposits in the event a member institution is unable to meet its obligations to depositors. As an integral component of an effective financial safety net, a deposit insurance system enhances consumer protection by providing explicit protection to depositors.

In Malaysia, the deposit insurance system was brought into effect in September 2005 and is managed by PIDM or MDIC within the international context. PIDM/MDIC is an independent statutory body established under the PIDM Act (see "Risk Factors — Considerations relating to the Malaysian banking industry" above).

Benefits to insurance depositors include:

- PIDM insures depositors holding insured deposits with member institutions;
- deposit insurance is automatic;
- there are no direct costs to depositors for deposit insurance protection; and
- should a member institution fail, PIDM will promptly reimburse depositors up to the limit of the deposit insurance coverage provided under the PIDM Act.

Benefits to the financial system include:

- PIDM promotes public confidence in Malaysia's financial system by protecting depositors against the loss of their deposits;
- PIDM reinforces and complements the existing regulatory and supervisory framework by providing incentives for sound risk management in the financial system;
- PIDM minimises costs to the financial system by finding least cost solutions to resolve failing member institutions; and
- PIDM contributes to the stability of the financial system by dealing with member institution failures expeditiously and reimbursing depositors as soon as possible.

With effect from 31 December 2010, the Malaysia Deposit Insurance Corporation Act 2011 ("**2011 Act**") came into effect and replaced the PDIM Act.

The 2011 Act was enacted to implement an enhanced financial consumer protection package, whereby, amongst others, the deposit insurance limit was increased to RM250,000 per depositor per member bank. In addition, under the 2011 Act, foreign currency deposits will now benefit from deposit insurance protection.

The enhanced financial consumer protection package also includes the expansion of PIDM's mandate to include the administration of the Takaful and Insurance Benefits Protection System ("**TIPS**"). TIPS is an explicit, limited Government protection system which covers takaful and insurance benefits and will be administered broadly along the same approach as provided for in the current deposit insurance system.

Licensed insurance companies and registered takaful operators ("**insurer members**") will automatically become member institutions of PIDM. In addition, the 2011 Act includes powers for PIDM to intervene in or resolve troubled insurer members and ensure prompt payments to claimants under the policies or takaful certificates protected under TIPS.

The 2011 Act widens PIDM's mandate, roles and responsibilities, and provide it with a wider toolkit to fulfil its mandate to protect depositors in the event of a member institution failure.

Lending to Connected Parties

Effective 1 January 2008, BNM revised the "Guidelines on Credit Transactions and Exposures with Connected Parties" and "Guidelines on Credit Transactions and Exposures with Connected Parties for Islamic Banks" (collectively as "**Connected Parties Guidelines**") to provide greater flexibility for licensed institutions, including banks, to extend credit and make investments in the ordinary course of business to/in connected parties which are of good credit standing, while ensuring that connected parties, who by virtue of their positions which could potentially exert influence over the credit approval process, do not inappropriately derive more favourable terms and conditions than other loan customers. The Connected Parties Guidelines sets out the broad parameters and conditions relating to the conduct of such transactions with connected parties to ensure an appropriate level of prudence. It also outlines the roles and responsibilities of the management and the Board of the licensed institution.

Competition Act 2010

The Competition Act 2010 ("**Competition Act**") which took effect on 1 January 2012, was introduced to promote economic development by promoting and protecting the process of competition in order to maximise consumer welfare through the prohibition of anti-competitive practices. The Competition Act applies to all commercial activities undertaken within Malaysia and those outside Malaysia which have effects on competition in the Malaysian market. The scope of the Competition Act includes prohibition of anti-competitive agreements and the abuse of dominant position.

Malaysian Economy

The Malaysian economy expanded by 6.4 per cent. in the second quarter of 2014

Global economic activity continued to expand at a moderate pace in the second quarter. The recovery in the US resumed after an unusual weather-related weakness in the first quarter. Growth in Japan was, however, affected by the implementation of the increase in the consumption tax in April. In Asia, economic activity continued to expand, albeit at a more moderate pace in most economies.

The Malaysian economy registered a strong growth of 6.4 per cent. in the second quarter of 2014 (1Q 2014: 6.2 per cent.), underpinned by higher exports and continued strength in private domestic demand. On the supply side, growth in the major economic sectors remained firm, supported by trade and domestic activity. On a quarter-on-quarter seasonally adjusted basis, the economy grew by 1.8 per cent. (1Q 2014: 0.8 per cent.).

Exports and private sector activity remained the key drivers of growth during the quarter. Private investment continued to register double-digit growth, expanding by 12.1 per cent. (1Q 2014: 14.1 per cent.), reflecting investments in the services and manufacturing sectors. Private consumption increased by 6.5 per cent. (1Q 2014: 7.1 per cent.), supported by stable employment conditions and continued wage growth. In contrast, public sector expenditure declined by 2.1 per cent. (1Q 2014: 2.7 per cent.).

Public consumption declined marginally by 1.3 per cent. (1Q 2014: 11.2 per cent.), reflecting lower Government spending on emoluments, and supplies and services. Public investment declined by of 3.3 per cent. (1Q 2014: 6.4 per cent.), due to lower spending on fixed assets by both the Federal Government and public enterprises.

On the supply side, growth in the major economic sectors remained strong. The services sector recorded sustained growth, supported mainly by the trade-related sub-sectors. The manufacturing sector expanded at a faster pace, underpinned by the electronics and electrical cluster, particularly semiconductors. The construction sector expanded at a more moderate pace, driven mainly by the residential and non-residential sub-sectors. Meanwhile, the agriculture sector registered strong growth, reflecting higher production of palm oil. The mining sector turned around to record positive growth, due mainly to higher production of both natural gas and crude oil.

The inflation rate, as measured by the annual change in the Consumer Price Index (CPI), averaged 3.3 per cent. in the second quarter of 2014 (1Q 2014: 3.4 per cent.). The slight decline was due to lower inflation in the food and non-alcoholic beverages and housing, water, electricity, gas and other fuels categories.

The trade surplus amounted to RM18.4 billion in the second quarter of 2014 (1Q 2014: RM26.3 billion). Gross exports grew at a stronger pace of 14.2 per cent. (1Q 2014: 10.8 per cent.), reflecting the continued expansion of global economic activity. Gross imports also increased, registering growth of 8.6 per cent. (1Q 2014: 5.5 per cent.).

The international reserves of BNM amounted to RM423.6 billion (equivalent to USD131.9 billion) as at 30 June 2014. This reserve level has taken into account the quarterly adjustment for foreign exchange revaluation changes. As at 31 July 2014, the reserves position amounted to RM423.5 billion (equivalent to USD131.8 billion), sufficient to finance 9.0 months of retained imports and is 1.2 times the redefined short-term external debt.

Interest rates remained stable

The 3-month interbank rate continued to rise throughout the quarter due to the preference of interbank lenders for shorter-term lending, in line with the shift in their deposits toward shorter maturities. This was further reinforced by expectations for an Overnight Policy Rate ("**OPR**") increase between May and July, which resulted in further upward movement in the interbank rates. The average interbank rate for other maturities remained relatively stable. Retail deposit rates were stable during the period. The average quoted fixed deposit ("**FD**") rates of commercial banks were relatively unchanged. Lending rates were also broadly stable throughout the period. The average base lending rate ("**BLR**") of commercial banks remained unchanged at 6.53 per cent. while the weighted average lending rate ("**ALR**") on outstanding loans was stable during the period (end-June 2014: 5.37 per cent.; end-March 2014: 5.39 per cent.).

The OPR was maintained at 3.00 per cent. during the second quarter of 2014. Amid firm growth prospects and with inflation expected to remain above its long-run average, the Monetary Policy Committee ("**MPC**") decided to raise the OPR by 25 basis points to 3.25 per cent. on 10 July 2014. The adjustment in the degree of monetary accommodation was also aimed at mitigating the risk of broader economic and financial imbalances that could undermine longer-term growth prospects of the Malaysian economy. The wholesale and retail lending and deposit rates were revised to levels that are consistent with the current OPR level. The average BLR of commercial banks increased to 6.78 per cent., with most commercial banks revising their respective BLRs by 25 basis points. Depositors were also compensated by a higher rate of return on their savings following the increase in the OPR. The average quoted FD rates rose between 15 to 17 basis points to a higher range of 3.07 per cent. to 3.30 per cent. as at end-July. Notwithstanding the rise in the OPR, monetary conditions continue to remain supportive of economic activity.

The monetary aggregates continued to expand in the second quarter. M1, or narrow money, increased by RM2.2 billion during the quarter. On an annual basis, M1 expanded by 10.2 per cent. as at end-June (end-March 2014: 11.4 per cent.). M3, or broad money, increased by RM19.8 billion on a quarter-on-quarter basis to record an annual growth rate of 5.6 per cent. as at end June (end-March: 5.9 per cent.). The increase in M3 during the quarter was driven by the continued expansion in credit extended to the private sector by the banking system and higher net claims on the Government.

Total gross financing raised by the private sector through the banking system and the capital market amounted to RM281 billion in the second quarter (1Q 2014: RM282.2 billion). On a net basis, outstanding banking system loans and private debt securities ("**PDS**") expanded at an annual growth rate of 9.1 per cent. as at end-June (end-March 2014: 9.6 per cent.). Net funds raised in the capital market were lower at RM17.2 billion in the second quarter (1Q 2014: RM39.4 billion).

The ringgit and most other regional currencies appreciated against the US dollar as sound regional growth prospects and the continued highly accommodative monetary policy in the US sustained investor interest in regional financial markets. Positive sentiments following the release of better-than-expected domestic economic data, particularly the strong first quarter economic growth and a stronger pace of export growth, also supported the ringgit. Overall, the ringgit appreciated by 1.8 per cent. against the US dollar. The ringgit also appreciated against the euro (2.6 per cent.) and Japanese yen (0.3 per cent.), but depreciated against the pound sterling (-0.6 per cent.) and Australian dollar (-0.2 per cent.). Against regional currencies, ringgit performance was mixed.

Between 1 July and 13 August 2014, the ringgit appreciated against the US dollar by 0.6 per cent.. The ringgit also appreciated against the euro (2.7 per cent.), Australian dollar (2.1 per cent.), pound sterling (2 per cent.) and Japanese yen (1.6 per cent.). The ringgit's performance against regional currencies was mixed.

Financial stability continued to be preserved

The Malaysian financial system exhibited continued resilience in the second quarter amid improved conditions in the global and domestic financial markets. Financial intermediation remained well-supported by sound financial institutions, orderly financial market conditions and sustained confidence in the financial system.

Capitalisation of the banking system remained high, with the common equity tier 1 capital ratio, tier 1 capital ratio and total capital ratio well above the minimum regulatory levels, at 12.2 per cent., 13 per cent. and 14.8 per cent., respectively. The total capital buffer of the banking system stood at more than RM80 billion. Similarly, the capital adequacy ratio of the insurance sector remained strong at 249.7 per cent. (1Q 2014: 249.7 per cent.), with an excess capital buffer of RM25.7 billion.

The Malaysian economy to remain on a steady growth path

Going forward, the global economy is expected to continue on a moderate growth path. Recent improvements in economic activity suggest that a cyclical recovery remains underway in some advanced economies. This will continue to benefit international trade activity. In Asia, domestic demand is expected to remain supportive of growth. Nevertheless, country specific developments may affect the overall pace of growth in these economies. The overall balance of risks for the global economy thus remains biased towards the downside due to uncertainty over policy adjustments in the key economies as well as geopolitical developments. Persistent geopolitical tensions in Eastern Europe and the Middle East could heighten financial market volatility and weigh down on the ongoing global economic recovery.

For the Malaysian economy, growth of exports is expected to moderate slightly in the second half of the year, partly reflecting the significant base effect in the corresponding period in 2013. Nevertheless, leading indicators suggest that private sector activity will remain as the key driver of growth. Exports will continue to benefit from the recovery in the advanced economies and from regional demand. Going forward, the Malaysian economy is expected to remain on a steady growth path.

(*Source: BNM Bulletin — Economic and Financial Developments in Malaysia in the Second Quarter of 2014*)

Overview of the Malaysian Banking Industry

Interest rates remained stable

The OPR was maintained at 3.00 per cent. during the second quarter of 2014. At this level of the OPR, monetary conditions remained supportive of economic activity.

Reflecting the unchanged OPR, the average overnight interbank rate was stable during the quarter, moving within a range of 2.95 per cent. to 3.00 per cent. between 1 April and 30 June 2014. Interbank rates for tenures of 1 month and less were also broadly stable. The 3-month interbank rate, however, continued to rise throughout the quarter due to the preference of interbank lenders for shorter-term lending, in line with the shift in their deposits toward shorter maturities. This was further reinforced by expectations for an OPR increase between May and July which resulted in further upward movement in the interbank rates.

Similarly, rates on interest rate swaps and the 3-month Kuala Lumpur Interbank Offered Rate futures increased during the period amid market expectations for an OPR increase in the second half.

Retail deposit rates were stable during the period. The average quoted FD rates of commercial banks were relatively unchanged. As at end-June 2014, the average quoted FD rates of commercial banks for the tenures 1 to 12 months ranged between 2.91 per cent. to 3.15 per cent., respectively.

Lending rates to the economy were also broadly stable throughout the quarter. The average BLR of commercial banks remained unchanged at 6.53 per cent.. The weighted ALR on outstanding loans was stable (end-June 2014: 5.37 per cent.; end-March 2014: 5.39 per cent.).

Lending rates on car loans, however, reflected the enhancement of banks' risk management practices. Nevertheless, overall lending rates continued to be close to levels prior to the global financial crisis.

Amid firm growth prospects and with inflation expected to remain above its long-run average, the MPC decided to raise the OPR by 25 basis points to 3.25 per cent. on 10 July 2014. The adjustment in the degree of monetary accommodation was also aimed at mitigating the risk of broader economic and financial imbalances that could undermine the longer term growth prospects of the Malaysian economy.

The wholesale and retail lending and deposit rates were revised to levels that are consistent with the current OPR level. The average BLR of commercial banks increased to 6.78 per cent., with most commercial banks revising their respective BLRs by 25 basis points. Depositors were also compensated by a higher rate of return on their savings following the increase in the OPR. The average quoted FD rates rose between 15 to 17 basis points to a higher range of 3.07 per cent. to 3.30 per cent. as at end-July. Notwithstanding the rise in the OPR, monetary conditions continue to remain supportive of economic activity.

M3 continue to expand

The monetary aggregates continued to expand in the second quarter. M1, or narrow money, increased by RM2.2 billion during the quarter. On an annual basis, M1 expanded by 10.2 per cent. as at end-June (end-March 2014: 11.4 per cent.). M3, or broad money, increased by RM19.8 billion on a quarter-on-quarter basis to record an annual growth rate of 5.6 per cent. as at end-June (end-March: 5.9 per cent.).

The increase in M3 during the quarter was driven by the continued expansion in credit extended to the private sector by the banking system and higher net claims on the Government. These expansionary factors, however, were partially offset by the decline in net foreign assets.

In the banking system, ample liquidity conditions prevailed at both the institutional and system-wide levels. The level of surplus liquidity placed with BNM was relatively stable during the quarter.

Private sector financing activity was sustained in the second quarter

In the second quarter, total gross financing raised by the private sector through the banking system and the capital market amounted to RM281.0 billion (1Q 2014: RM282.2 billion). On a net basis, outstanding banking system loans and PDS expanded at an annual growth rate of 9.1 per cent. as at end-June (end-March 2014: 9.6 per cent.).

Net lending to businesses by the banking system expanded by a lower amount of billion during the quarter (1Q 2014: RM11.0 billion). The annual growth of outstanding business loans also moderated to 7.2 per cent. during the quarter (end-March 2014: 8.8 per cent.) due to the stronger growth in loan repayments relative to disbursements. Nevertheless, the level of loans disbursed to businesses remained healthy during the quarter, with loans disbursed to SMEs being RM1.4 billion more than the previous quarter. Demand for new financing by businesses also increased with higher loan applications recorded across major sectors.

Net financing to the household sector expanded by RM18.6 billion during the quarter (1Q 2014: RM15.9 billion). On an annual basis, outstanding household loans grew by 11.5 per cent. as at end-June (end-March 2014: 11.6 per cent.).

Lower net funds raised in the capital market

Net funds raised in the capital market were lower at RM17.2 billion in the second quarter (1Q 2014: RM39.4 billion). The decline was due mainly to lower issuances of government and PDS and concurrently, higher redemptions in both sectors.

In the private sector, new issuances of PDS amounted to RM18.5 billion (1Q 2014: RM20.5 billion). Funds raised were contributed mainly by issuances in the construction and finance, insurance, real estate and business services sectors, for working capital and general corporate purposes. Meanwhile, equity issuances during the quarter amounted to RM5.2 billion (1Q 2014: RM4.2 billion). After adjusting for redemptions, net funds raised by the private sector amounted to RM8.7 billion (1Q 2014: RM15.4 billion).

In the public sector, gross funds raised moderated to RM24.5 billion (1Q 2014: RM27.5 billion). Funds were raised through new issuances of a 5-year Malaysian Government Security ("**MGS**") and a 3-year Government Investment Issue ("**GII**"), as well as the reopening of a 3-year, 10-year and 20-year MGS and 7-year and 14-year GII. The Government also issued the Government Housing Sukuk of RM2.6 billion during the quarter.

Bond yields increased in the short- to medium-end

MGS yields in the short- to medium-end of the yield curve increased, driven mainly by market expectations for an OPR increase. This increase in the MGS yields was, however, partially mitigated by the sustained demand for MGS by non-residents arising from the positive sentiments generated by the release of better-than-expected domestic economic data. Yields on 3-year and 5-year MGS recorded an increase of 11 and 8 basis points respectively, while the 10-year MGS recorded a decline of 7 basis points. Higher rated corporate bond yields also moved in tandem with the increase in MGS yields. The yields on the 5-year AAA and AArated corporate bonds recorded an increase of 7 and 4 basis points respectively.

Secondary trading in the bond market increased

Total trading in the secondary market increased to RM152 billion during the quarter (1Q 2014: RM137 billion) supported mainly by the GII segment with a higher liquidity ratio of 0.25. Liquidity ratios in the MGS and PDS segments remained relatively unchanged at 0.26 and 0.06 respectively.

(*Source: BNM Bulletin — Economic and Financial Developments in Malaysia in the Second Quarter of 2014*)

Taxation

Malaysian Taxation

The description below is of a general nature and is only a summary of the law and practice currently applicable in Malaysia or other applicable jurisdictions. Prospective investors should consult their own professional advisers on the relevant taxation considerations applicable to the acquisition, holding and disposal of the Notes.

Withholding tax

Pursuant to Section 109(1) of the Income Tax Act 1967, where any person (the "**payer**") is liable to pay interest derived from Malaysia to any other person not known to the payer to be resident in Malaysia, other than interest attributable to a business carried on by such other person in Malaysia, the payer shall upon paying or crediting the interest (other than interest on an approved loan or interest of the kind referred to in paragraphs 33, 33A, 33B, 35 or 35A of Part I, Schedule 6) deduct therefrom tax at the rate applicable to such interest. Accordingly, interest derived from the Notes payable to non-residents is subject to a withholding tax of 15 per cent. However, since the Notes are issued by a person carrying on the business of banking in Malaysia and licensed under FSA, interest payable under the Notes to any person not resident in Malaysia is tax exempt under paragraph 33 of Schedule 6 of the Income Tax Act 1967.

Capital gains tax

There is no capital gains tax in Malaysia, except in relation to real property gains tax chargeable on the disposal of real property or shares of real property companies within specified periods after the date of purchase of real property. As the Notes are not considered chargeable assets for real property gains tax purposes, there is no tax imposed on capital gains derived from disposal of the Notes in Malaysia.

Gift or Inheritance Tax

There is neither gift nor inheritance tax in Malaysia.

Stamp duty

The Stamp Duty (Exemption) (No. 23) Order 2000 provides that all instruments relating to the issue of, offer for subscription or purchase of, or invitation to subscribe for or purchase, debentures approved by the Securities Commission under Section 32 of the Securities Commission Act 1993 (now Section 212 of the Capital Markets and Services Act 2007) and the redemption or transfer of such debentures, are exempted from stamp duty.

Goods and services tax

As at the date of this Offering Circular, the goods and services tax ("**GST**"), a broad-based consumption tax, is scheduled to be implemented by the Government of Malaysia by 1 April 2015 and will replace the Sales Tax and Service Tax. Once implemented, the GST regime may result in a potential increase in operating costs which will affect all financial institutions in Malaysia. However, this increase is not expected to have any material impact on the operations and/or profitability of the Issuer or the Group.

Non-Malaysian Taxation

EU Directive on the Taxation of Savings Income

The EU has adopted a Directive regarding the taxation of savings income. The Directive requires Member States to provide to the tax authorities of another Member State details of payments of interest and other similar income paid by a person within its jurisdiction to an individual resident in that other Member State or to certain limited types of entities established in that other Member State, except that for a transition period Austria and Luxembourg are instead required (unless during that period they elect otherwise) to operate a withholding system in relation to such payments (the ending of such transitional period being dependent upon the conclusion of certain other agreements relating to information exchange with certain other countries). A number of non-EU countries and territories including Switzerland have adopted similar measures (a withholding system in the case of Switzerland). In April 2013, the Luxembourg government announced its intention to abolish the withholding system with effect from 1 January 2015, in favour of automatic information exchange under the Directive.

On 24 March 2014, the European Council adopted an EU Council Directive amending and broadening the scope of the requirements described above. In particular, the changes expand the range of payments covered by the Directive to include certain additional types of income, and widen the range of recipients payments to whom are covered by the Directive, to include certain other types of entity and legal arrangement. Member States are required to implement national legislation giving effect to these changes by 1 January 2016 (which national legislation must apply from 1 January 2017).

Proposed Financial Transaction Tax ("FTT")

The European Commission recently published a proposal for a Directive for a common FTT in Belgium, Germany, Estonia, Greece, Spain, France, Italy, Austria, Portugal, Slovenia and Slovakia (the "**Participating Member States**"). The proposed FTT has very broad scope and could, if introduced in its current form, apply to certain dealings in the Notes (including secondary market transactions) in certain circumstances.

Under current proposals the FTT could apply in certain circumstances to persons both within and outside of the Participating Member States. Generally, it would apply to certain dealings in the Notes where at least one party is a financial institution, and at least one party is established in a Participating Member State. A financial institution may be, or be deemed to be, "established" in a Participating Member State in a broad range of circumstances, including (a) by transacting with a person established in a Participating Member State or (b) where the financial instrument which is subject to the dealings is issued in a Participating Member State.

The FTT proposal remains subject to negotiation between the Participating Member States and is the subject of legal challenge. It may therefore be altered prior to any implementation, and the timing of which remains unclear. Additional EU Member States may decide to participate. Prospective holders of the Notes are advised to seek their own professional advice in relation to the FTT.

Foreign Account Tax Compliance Act

Sections 1471 through 1474 of the U.S. Internal Revenue Code of 1986 ("**FATCA**") impose a new reporting regime and potentially a 30% withholding tax with respect to certain payments to any non-U.S. financial institution (a "foreign financial institution", or "**FFI**" (as defined by FATCA)) that does not become a "**Participating FFI**" by entering into an agreement with the U.S. Internal Revenue Service ("**IRS**") to provide the IRS with certain information in respect of its account holders and investors or is not otherwise exempt from or in deemed compliance with FATCA. The Issuer is classified as an FFI.

The new withholding regime will be phased in beginning 1 July 2014 for payments from sources within the United States and will apply to "**foreign passthru payments**" (a term not yet defined) no earlier than 1 January 2017. This withholding would potentially apply to payments in respect of (i) any Notes characterised as debt (or which are not otherwise characterised as equity and have a fixed term) for U.S. federal tax purposes that are issued after the "**grandfathering date**", which is the date that is six months after the date on which final U.S. Treasury Regulations defining the term foreign passthru payment are filed with the Federal Register and (ii) any Notes characterised as equity or which do not have a fixed term for U.S. federal tax purposes, whenever issued. If Notes are issued on or before the grandfathering date and additional Notes of the same series are issued after that date, the additional Notes may not be treated as grandfathered, which may have negative consequences for the existing Notes, including a negative impact on market price.

The United States and a number of other jurisdictions have announced their intention to negotiate intergovernmental agreements to facilitate the implementation of FATCA (each, an "IGA"). Pursuant to FATCA and the "Model 1" and "Model 2" IGAs released by the United States, an FFI in an IGA signatory country could be treated as a "**Reporting FI**" not subject to withholding under FATCA on any payments it receives. Further, an FFI in an IGA jurisdiction would generally not be required to withhold under FATCA or an IGA (or any law implementing an IGA) (any such withholding being "**FATCA Withholding**") from payments it makes. Under each Model IGA, a Reporting FI would still be required to report certain information in respect of its account holders and investors to its home government or to the IRS. The United States and Malaysia have reached an agreement in substance on the terms of an IGA based largely on the Model 1 IGA. Malaysia will be treated as having a Model 1 IGA in effect until 31 December 2014, at which time an IGA (the "**U.S.-Malaysia IGA**") must be signed in order for Malaysia to continue to be treated as an IGA jurisdiction.

If the Issuer is treated as a Reporting FI pursuant to the U.S.-Malaysia IGA it does not anticipate that it will be obliged to deduct any FATCA Withholding on payments it makes. There can be no assurance, however, that the Issuer will be treated as a Reporting FI, or that it would in the future not be required to deduct FATCA Withholding from payments it makes. Accordingly, the Issuer and financial institutions through which payments on the Notes are made may be required to withhold FATCA Withholding if any FFI through or to which payment on such Notes is made is not a Participating FFI, a Reporting FI, or otherwise exempt from or in deemed compliance with FATCA.

Whilst the Notes are in global form and held within Euroclear or Clearstream, Luxembourg (together the "**ICSDs**"), it is expected that FATCA will not affect the amount of any payments made under, or in respect of, the Notes by the Issuer, any payment agent and the common depositary, given that each of the entities in the payment chain between the Issuer and the participants in the ICSDs is a major financial institution whose business is dependent on compliance with FATCA and that any alternative approach introduced under an IGA will be unlikely to affect the Notes. The documentation expressly contemplates the possibility that the Notes may go into definitive form and therefore that they may be taken out of the ICSDs. If this were to happen, then a non-FATCA compliant holder could be subject to FATCA Withholding. However, definitive Notes will only be printed in remote circumstances.

FATCA is particularly complex and its application is uncertain at this time. The above description is based in part on regulations, official guidance and model IGAs, all of which are subject to change or may be implemented in a materially different form. Prospective investors should consult their tax advisers on how these rules may apply to the Issuer and to payments they may receive in connection with the Notes.

Subscription and Sale

Summary of Dealer Agreement in respect of Notes

Subject to the terms and on the conditions contained in a dealer agreement (the "**Dealer Agreement**") between the Issuer, the Arrangers and the Permanent Dealers, the Notes will be offered on a continuous basis by the Issuer to the Permanent Dealers. However, the Issuer has reserved the right to sell Notes directly on its own behalf to Dealers that are not Permanent Dealers. The Notes may be resold at prevailing market prices, or at prices related thereto, at the time of such resale, as determined by the relevant Dealer. The Notes may also be sold by the Issuer through the Dealers, acting as agents of the Issuer. The Dealer Agreement also provides for Notes to be issued in syndicated Tranches that are underwritten by two or more Dealers.

The Issuer will pay each relevant Dealer a commission as agreed between them in respect of Notes subscribed by it. The Issuer has agreed to reimburse the Arrangers and Dealers for certain of their expenses incurred in connection with the establishment of the Programme and Dealers for certain of their activities in connection with the Programme. The commissions in respect of an issue of Notes on a syndicated basis will be stated in the relevant Pricing Supplement.

The Issuer has agreed to indemnify the Arrangers and Dealers against certain liabilities in connection with the offer and sale of the Notes. The Dealer Agreement entitles Dealers to terminate any agreement that they make to subscribe Notes in certain circumstances prior to payment for such Notes being made to the Issuer.

Each of the Arrangers and the Dealers and their respective affiliates may engage in transactions with, and perform services for, the Issuer or its group companies or affiliates in the ordinary course of business and have engaged, or may in the future engage, in commercial banking and investment banking transactions with the Issuer or its group companies or affiliates, for which they have received, and may in the future receive, compensation.

Selling Restrictions

United States

The Notes have not been and will not be registered under the Securities Act and may not be offered, sold or delivered within the United States except in certain transactions exempt from the registration requirements of the Securities Act. Each Dealer has agreed that it will not offer, sell or deliver any Notes within the United States, except as permitted by the Dealer Agreement. Terms used in this paragraph have the meanings given to them by Regulation S under the Securities Act.

The Bearer Notes are subject to U.S. tax law requirements and may not be offered, sold or delivered within the United States or its possessions or to a United States person, except in certain transactions permitted by U.S. tax regulations. Terms used in this paragraph have the meanings given to them by the U.S. Internal Revenue Code of 1986 and regulations promulgated thereunder.

The Notes are being offered and sold outside the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of any identifiable tranche of Notes, an offer or sale of Notes within the United States by any dealer (whether or not participating in the offering of such tranche of Notes) may violate the registration requirements of the Securities Act.

This Offering Circular has been prepared by the Issuer for use in connection with the offer and sale of the Notes outside the United States. The Issuer and the Dealers reserve the right to reject any offer to purchase the Notes, in whole or in part, for any reason. This Offering Circular does not constitute an offer to any person in the United States. Distribution of this Offering Circular by any non-U.S. person outside the United States to any U.S. person or to any other person within the United States, is unauthorised and any disclosure without the prior written consent of the Issuer of any of its contents to any such U.S. person or other person within the United States, is prohibited.

Public Offer Selling Restriction under the Prospectus Directive

In relation to each Member State of the European Economic Area which has implemented the Prospectus Directive (each, a "**Relevant Member State**"), each Dealer has represented and agreed, and each future Dealer will be required to represent and agree, that with effect from and including the date on which the Prospectus Directive is implemented in that Relevant Member State (the "**Relevant Implementation Date**") it has not made and will not make an offer of Notes which are the subject of the offering contemplated by this Offering Circular as completed by the pricing supplement in relation thereto to the public in that Relevant Member State except that it may, with effect from and including the Relevant Implementation Date, make an offer of such Notes to the public in that Relevant Member State:

(a) if the pricing supplement in relation to the Notes specify that an offer of those Notes may be made other than pursuant to Article 3(2) of the Prospectus Directive in that Relevant Member State (a "**Non-exempt Offer**"), following the date of publication of a prospectus in relation to such Notes which has been approved by the competent authority in that Relevant Member State or, where appropriate, approved in another Relevant Member State and notified to the competent authority in that Relevant Member State, provided that any such prospectus has subsequently been completed by the pricing supplement contemplating such Non-exempt Offer, in accordance with the Prospectus Directive, in the period beginning and ending on the dates specified in such prospectus or final terms, as applicable and the Issuer has consented in writing to its use for the purpose of that Non-exempt Offer;

(b) at any time to any legal entity which is a qualified investor as defined in the Prospectus Directive;

(c) at any time to fewer than 100 or, if the Relevant Member State has implemented the relevant provision of the 2010 PD Amending Directive, 150, natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the relevant Dealer or Dealers nominated by the Issuer for any such offer; or

(d) at any time in any other circumstances falling within Article 3(2) of the Prospectus Directive,

provided that no such offer of Notes referred to in (b) to (d) above shall require the Issuer or any Dealer to publish an offering circular pursuant to Article 3 of the Prospectus Directive or supplement an offering circular pursuant to Article 16 of the Prospectus Directive.

For the purposes of this provision, the expression an "**offer of Notes to the public**" in relation to any Notes in any Relevant Member State means the communication in any form and by any means of sufficient information on the terms of the offer and the Notes to be offered so as to enable an investor to decide to purchase or subscribe the Notes, as the same may be varied in that Member State by any measure implementing the Prospectus Directive in that Member State and the expression "**Prospectus Directive**" means Directive 2003/71/EC (and amendments thereto, including the 2010 PD Amending Directive, to the extent implemented in the Relevant Member State), and includes any relevant implementing measure in each Relevant Member State and the expression "**2010 PD Amending Directive**" means Directive 2010/73/EU.

United Kingdom

Each Dealer has represented and agreed, and each future Dealer will be required to represent and agree, that:

(i) in relation to any Notes which have a maturity of less than one year, (a) it is a person whose ordinary activities involve it in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of its business and (b) it has not offered or sold and will not offer or sell any Notes other than to persons whose ordinary activities involve them in acquiring, holding, managing or disposing of investments (as principal or agent) for the purposes of their businesses or who it is reasonable to expect will acquire, hold, manage or dispose of investments (as principal or agent) for the purposes of their businesses where the issue of the Notes would otherwise constitute a contravention of Section 19 of the FSMA by the Issuer;

(ii) it has only communicated or caused to be communicated and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA) received by it in connection with the issue or sale of any Notes in circumstances in which Section 21(1) of the FSMA does not apply to the Issuer; and

(iii) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to any Notes in, from or otherwise involving the United Kingdom.

Malaysia

Each Dealer has represented and agreed, and each future Dealer will be required to represent and agree, that, at issuance, the Notes shall only be offered, sold or otherwise disposed of directly or indirectly to a person to whom an offer or invitation to subscribe the Notes may be made and to whom the Notes are issued which would fall within Schedule 6 or Section 229(1)(b) of the Capital Markets and Services Act 2007 ("**CMSA**") or Schedule 7 or Section 230(1)(b) of the CMSA read together with Schedule 8 or Section 257(3) of the CMSA at issuance. Thereafter, each Dealer represents and agrees, and each future Dealer will be required to represent and agree, that the Notes shall only be offered, sold, transferred or otherwise disposed of directly or indirectly to a person to whom an offer or invitation to purchase the Notes would fall within Schedule 6 or Section 229(1)(b) of the CMSA read together with Schedule 8 or Section 257(3) of the CMSA.

Singapore

Each Dealer has acknowledged, and each future Dealer will be required to acknowledge, that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Dealer has represented and agreed that it has not offered or sold any Notes or caused such Notes to be made the subject of an invitation for subscription or purchase and will not offer or sell such Notes or cause such Notes to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of such Notes, whether directly or indirectly, to persons in Singapore other than (i) to an institutional investor under Section 274 of the Securities and Futures Act, Chapter 289 of Singapore (the "SFA"), (ii) to a relevant person pursuant to Section 275(1), or any person pursuant to Section 275(1A), and in accordance with the conditions specified in Section 275, of the SFA or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Notes are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(i) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(ii) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities (as defined in Section 239(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Notes pursuant to an offer made under Section 275 of the SFA except:

(a) to an institutional investor or to a relevant person defined in Section 275(2) of the SFA, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(b) where no consideration is or will be given for the transfer;

(c) where the transfer is by operation of law;

(d) as specified in Section 276(7) of the SFA; or

(e) as specified in Regulation 32 of the Securities and Futures (Offers of Investments) (Shares and Debentures) Regulations 2005 of Singapore.

Hong Kong

In relation to each Tranche of Notes issued by the Issuer, each Dealer has represented and agreed, and each future Dealer will be required to represent and agree, that (i) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Notes except other than (a) to "professional investors" as defined in the

Securities and Futures Ordinance (Cap. 571) of Hong Kong and any rules made under that Ordinance; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong or which do not constitute an offer to the public within the meaning of that Ordinance; and (ii) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Notes, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Notes which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the Securities and Futures Ordinance and any rules made under that Ordinance.

Japan

The Notes have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "**Financial Instruments and Exchange Act**"). Accordingly, each Dealer has represented and agreed, and each future Dealer will be required to represent and agree, that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Notes in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

PRC

This Offering Circular does not constitute an offer to sell or the solicitation of an offer to buy any Notes in the PRC to any person to whom it is unlawful to make the offer or solicitation in the PRC. Accordingly, each Dealer has represented and agreed, and each future Dealer will be required to represent and agree, that neither it nor any of its affiliates has offered or sold or will offer or sell the Notes within the PRC by means of this Offering Circular or any other document.

General

These selling restrictions may be supplemented or modified by the agreement of the Issuer and any Dealers following a change in a relevant law, regulation or directive. Any such modification will be set out in the Pricing Supplement issued in respect of the issue of Notes to which it relates or in a supplement to this Offering Circular.

No representation is made that any action has been or will be taken in any jurisdiction that would permit a public offering of any of the Notes, or possession or distribution of this Offering Circular, any other offering material or any Pricing Supplement, in any country or jurisdiction where action for that purpose is required.

Each Dealer has agreed, and each future Dealer will be required to agree, that it shall, to the best of its knowledge, comply with all relevant laws, regulations and directives in each jurisdiction in which it purchases, offers, sells or delivers Notes or has in its possession or distributes this Offering Circular, any other offering material or any Pricing Supplement in all cases at its own expense.

Form of Pricing Supplement

Pricing Supplement dated [●]
RHB BANK BERHAD

Issue of [Aggregate Nominal Amount of Tranche][Title of Notes]
under the U.S.$5,000,000,000 Euro Medium Term Note Programme

This document constitutes the Pricing Supplement relating to the issue of Notes described herein. Terms used herein shall be deemed to be defined as such for the purposes of the Conditions set forth in the Offering Circular dated 23 September 2014 [and the supplemental [Offering Circular] dated [●]]. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with such Offering Circular [as so supplemented].

[*The following alternative language applies if the first tranche of an issue which is being increased was issued under an Offering Circular with an earlier date.*

Terms used herein shall be deemed to be defined as such for the purposes of the Conditions (the "**Conditions**") set forth in the Offering Circular dated 23 September 2014. This Pricing Supplement contains the final terms of the Notes and must be read in conjunction with the Offering Circular dated [current date] [and the supplemental Offering Circular dated [●]], save in respect of the Conditions which are extracted from the Offering Circular dated 23 September 2014 and are attached hereto.]

[*Include whichever of the following apply or specify as "Not Applicable" (N/A). Note that the numbering should remain as set out below, even if "Not Applicable" is indicated for individual paragraphs or sub-paragraphs. Italics denote directions for completing the Pricing Supplement.*]

1.	Issuer		RHB Bank Berhad
2.	(i)	Series Number:	[●]
	(ii)	Tranche Number:	[●]
	(If fungible with an existing Series, details of that Series, including the date on which the Notes become fungible).		[●]
3.	Specified Currency or Currencies:		[●]
4.	Aggregate Nominal Amount:		[●]
	(i)	Series:	[●]
	(ii)	Tranche:	[●]
5.	(i)	Issue Price:	[●] per cent. of the Aggregate Nominal Amount [plus accrued interest from [insert date] *(in the case of fungible issues only, if applicable)*]
	(ii)	[Net Proceeds:	[●] (*Required only for listed issues*)]
6.	(i)	Specified Denominations:	[●] *Notes [(including Notes denominated in Sterling) in respect of which the issue proceeds are to be accepted by the issuer in the United Kingdom or whose issue otherwise constitutes contravention of S19 FSMA and] which have a maturity of less than one year must have a minimum redemption value of £100,000 (or its equivalent in other currencies).*

			If the specified denomination is expressed to be €100,000 or its equivalent and multiples of a lower principal amount (for examples €1,000), insert the following: *"€100,000 and integral multiples of [€1,000] in excess thereof up to and including [€199,000]. No notes in definitive form will be issued with a denomination above [€199,000]".*
	(ii)	Calculation Amount:	[●]
7.	(i)	Issue Date:	[●]
	(ii)	Interest Commencement Date:	[Specify/Issue date/Not Applicable]
8.		Maturity Date:	[*specify date or (for Floating Rate Notes) Interest Payment Date falling in or nearest to the relevant month and year/None*] *Note that for Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification it will be necessary to specify the Interest Payment Date falling in or nearest to the relevant month and year.*
9.		Interest Basis:	[[●] per cent. Fixed Rate] [from [●] to [●]] [[specify reference rate] +/- [●] per cent. Floating Rate] [from [●] to [●]] [Zero Coupon] [Other (*specify*)]
10.		[Redemption/Payment Basis:	[Redemption at par] [Partly Paid] [Instalment] [Other (*specify*)]
11.		Change of Interest or Redemption/Payment Basis:	[*Specify details of any provision for convertibility of Notes into another interest or redemption/ payment basis*]
12.		Put/Call Options:	[Investor Put] [Issuer Call] [(further particulars specified below)]
13.		Status of the Notes:	Senior
14.		Listing and admission to trading:	[[●] (*specify)/None*]
15.		Method of distribution:	[Syndicated/Non-syndicated]

PROVISIONS RELATING TO INTEREST (IF ANY) PAYABLE

16.		Fixed Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Rate[(s)] of Interest:	[●] per cent. per annum [payable [annually/semi-annually/quarterly/monthly] in arrear]
	(ii)	Interest Payment Date(s):	[●] in each year [adjusted in accordance with [*specify Business Day Convention and any applicable Business Center(s) for the definition of "Relevant Business Day"*]/[*not adjusted*]]

	(iii)	Fixed Coupon Amount[(s)]:	[●] per Calculation Amount *For Renminbi or Hong Kong dollar denominated Fixed Rate Notes where the Interest Payment Dates are subject to modification the following alternative wording is appropriate: "Each Fixed Coupon Amount shall be calculated by multiplying the product of the Rate of Interest and the Calculation Amount by the Day Count Fraction and rounding the resultant figure, in the case of Renminbi denominated Fixed Rate Notes, to the nearest CNY0.01, CNY0.005 being rounded upwards or, in the case of Hong Kong dollar denominated Fixed Rate Notes, to the nearest HK$0.01, HK$0.005 being rounded upwards."*
	(iv)	Broken Amount(s):	[●] per Calculation Amount, payable on the Interest Payment Date falling [in/on] [S]
	(v)	Day Count Fraction:	[30/360/Actual/Actual(ICMA/ISDA)/other]
	(vi)	[Determination Dates:	[●] in each year *(insert regular interest payment dates, ignoring issue date or maturity date in the case of a long or short first or last coupon. N.B. only relevant where Day Count Fraction is Actual/Actual (ICMA)*)]
	(vii)	Other terms relating to the method of calculating interest for Fixed Rate Notes:	[Not Applicable/*give details*]
17.	(i)	Floating Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(ii)	Interest Period(s):	[●]
	(iii)	Specified Interest Payment Dates:	[●]
	(iv)	Interest Period Date:	[●] (*Not applicable unless different from Interest Payment Date*)
	(v)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other (*give details)*]
	(vi)	Business Centre(s):	[●]
	(vii)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/ other (*give details)*]
	(viii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]
	(ix)	Screen Rate Determination:	
		— Reference Rate:	[●]
		— Interest Determination Date(s):	[●]
		— Relevant Screen Page:	[●]

	(x)	ISDA Determination:	
		— Floating Rate Option:	[●]
		— Designated Maturity:	[●]
		— Reset Date:	[●]
	(xi)	Margin(s):	[+/-][●] per cent. per annum
	(xii)	Minimum Rate of Interest:	[●] per cent. per annum
	(xiii)	Maximum Rate of Interest:	[●] per cent. per annum
	(xiv)	Day Count Fraction:	[●]
	(xv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating interest on Floating Rate Notes, if different from those set out in the Conditions:	[●]
18.		Variable Rate Note Provisions:	[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Interest Period:	[●]
	(ii)	Specified Interest Payment Dates:	[●]
	(iii)	Interest Period Date:	[●] (*Not applicable unless different from Interest Payment Date*)
	(iv)	Business Day Convention:	[Floating Rate Convention/Following Business Day Convention/Modified Following Business Day Convention/Preceding Business Day Convention/other *(give details)*]
	(v)	Business Centre(s):	[●]
	(vi)	Manner in which the Rate(s) of Interest is/are to be determined:	[Screen Rate Determination/ISDA Determination/ other *(give details)*]
	(vii)	Party responsible for calculating the Rate(s) of Interest and Interest Amount(s) (if not the [Agent]):	[●]
	(viii)	Screen Rate Determination:	
		— Reference Rate:	[●]
		— Interest Determination Date(s):	[●]
		— Relevant Screen Page:	[●]
	(ix)	ISDA Determination:	
		— Floating Rate Option:	[●]
		— Designated Maturity:	[●]
		— Reset Date:	[●]
	(x)	Margin(s):	[+/-][●] per cent. per annum
	(xi)	Minimum Rate of Interest:	[●] per cent. per annum
	(xii)	Maximum Rate of Interest:	[●] per cent. per annum
	(xiii)	Day Count Fraction:	[●]

	(xiv)	Fall back provisions, rounding provisions, denominator and any other terms relating to the method of calculating the Fall Back Rate on Variable Rate Notes, if different from those set out in the Conditions:	[●]
19.	Zero Coupon Note Provisions:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Amortisation Yield:	[●] % per annum
	(ii)	Any other formula/basis of determining amount payable:	[●]

PROVISIONS RELATING TO REDEMPTION

20.	Call Option:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	[●]
	(ii)	Optional Redemption Amount(s) of each Note per Calculation Amount and specified denomination method, if any, of calculation of such amount(s):	[●]
	(iii)	If redeemable in part:	
		— Minimum Redemption Amount:	[●] per Calculation Amount
		— Maximum Redemption Amount:	[●] per Calculation Amount
	Notice period:		[●]
21.	Put Option:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	(i)	Optional Redemption Date(s):	
	(ii)	Optional Redemption Amount(s) of each Note and method, if any, of calculation of such amount(s):	[●] per Calculation Amount
	(iii)	Notice period:	[●]
22.	VRN Purchase Option:		[Applicable/Not Applicable] (*If not applicable, delete the remaining sub-paragraphs of this paragraph*)
	Purchase Option Period:		[*Specify maximum and minimum number of days for notice period*]
23.	Early Redemption Amount:		[●] per Calculation Amount
24.	Early Redemption Amount(s) per Calculation Amount payable on redemption for taxation reasons or on event of default and/or the method of calculating the same (if required or if different from that set out in the Conditions):		[●]

GENERAL PROVISIONS APPLICABLE TO THE NOTES

25.	Form of Notes:	**Bearer Notes** [Temporary Global Note exchangeable for a Permanent Global Note which is exchangeable for Definitive Notes in the limited circumstances specified in the Permanent Global Note] [Temporary Global Note exchangeable for Definitive Notes on [●] days' notice] [Permanent Global Note exchangeable for Definitive Notes in the limited circumstances specified in the permanent Global Note] [Definitive Notes] (*N.B. The exchange upon notice/at any time options should not be expressed to be applicable if the Specified Denomination of the Notes in paragraph 6 includes language substantially to the following effect: "€100,000 and integral multiples of €1,000 in excess thereof up to and including €199,000." Furthermore, such Specified Denomination construction is not permitted in relation to any issue of Notes which is to be represented on issue by a Temporary Global Note exchangeable for Definitive Notes.*) **Registered Notes:** [Global Certificate ([Currency] [●] nominal amount) registered in the name of a nominee for a common depositary for Euroclear and Clearstream, Luxembourg]
26.	Financial Centre(s) or other special provisions relating to Payment Dates:	[Not Applicable/*give details. Note that this paragraph relates to the date and place of payment, and not interest period end dates, to which sub-paragraphs 16(ii), 17(iv) and 19(vii) relate*]
27.	Talons for future Coupons or Receipts to be attached to Definitive Notes (and dates on which such Talons mature):	[Yes/No. If yes, *give details*]
28.	Details relating to Partly Paid Notes: amount of each payment comprising the Issue Price and date on which each payment is to be made and consequences (if any) of failure to pay, including any right of the Issuer to forfeit the Notes and interest due on late payment:	[Not Applicable/*give details*]
29.	Details relating to Instalment Notes: amount of each instalment ("**Instalment Amount**"), date on which each payment is to be made ("**Instalment Date**"):	[Not Applicable/*give details*]
30.	Redenomination, renominalisation and reconventioning provisions:	[Not Applicable/The provisions [annexed to this Pricing Supplement] apply]
31.	Consolidation provisions:	[Not Applicable/The provisions [annexed to this Pricing Supplement] apply]
32.	Other terms or special conditions:	[Not Applicable/*give details*]

DISTRIBUTION

33.	(i)	If syndicated, names of Managers:	[Not Applicable/*give name*]
	(ii)	Stabilising Manager (if any):	[Not Applicable/*give name*]
34.		If non-syndicated, name of Dealer:	[Not Applicable/*give name*]
35.		U.S. Selling Restrictions:	[Reg. S Compliance Category [1/2]; TEFRA D/TEFRA C/TEFRA not applicable]
36.		Additional selling restrictions:	[Not Applicable/*give name*]

OPERATIONAL INFORMATION

37.	ISIN Code:	[●]
38.	Common Code: [CMU Instrument number (if applicable)]:	[●]
39.	CUSIP:	[●]
40.	Any clearing system(s) other than Euroclear Bank S.A./N.V. and Clearstream Banking, société anonyme and the relevant identification number(s):	[Not Applicable/*give name(s) and number(s)*]
41.	Delivery:	Delivery [against/free of] payment
42.	Additional Paying Agent(s) (if any):	[●]

GENERAL

43.	Governing Law:	English

[PURPOSE OF PRICING SUPPLEMENT

This Pricing Supplement comprises the final terms required for issue and admission to trading on the Singapore Exchange Securities Trading Limited of the Notes described herein pursuant to the U.S.$5,000,000,000 Euro Medium Term Note Programme of RHB Bank Berhad.]

RESPONSIBILITY

The Issuer accepts responsibility for the information contained in this Pricing Supplement.

Signed on behalf of
RHB BANK BERHAD

By: ______________________________
Duly authorised

Clearing and Settlement

The following is a summary of the rules and procedures of Euroclear, Clearstream, Luxembourg and the CMU currently in effect, as they relate to clearing and settlement of transactions involving the Notes. The rules and procedures of these systems are subject to change at any time.

The Clearing Systems

Euroclear and Clearstream, Luxembourg

Euroclear and Clearstream, Luxembourg each holds securities for participating organisations and facilitates the clearance and settlement of securities transactions between their respective participants through electronic book-entry changes in accounts of such participants. Euroclear and Clearstream, Luxembourg provide to their respective participants, among other things, services for safekeeping, administration, clearance and settlement of internationally-traded securities and securities lending and borrowing. Euroclear and Clearstream, Luxembourg participants are financial institutions throughout the world, including underwriters, securities brokers and dealers, banks, trust companies, clearing corporations and certain other organisations. Indirect access to Euroclear and Clearstream, Luxembourg is also available to others, such as banks, brokers, dealers and trust companies which clear through or maintain a custodial relationship with a Euroclear or Clearstream, Luxembourg participant, either directly or indirectly.

Distributions of principal with respect to book-entry interests in the Notes held through Euroclear or Clearstream, Luxembourg will be credited, to the extent received by the Paying Agent, to the cash accounts of Euroclear or Clearstream, Luxembourg participants in accordance with the relevant system's rules and procedures.

Each of the persons shown in the records of Euroclear, Clearstream, Luxembourg or an Alternative Clearing System as the holder of a Note represented by a Global Note or a Global Certificate must look solely to Euroclear, Clearstream, Luxembourg or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, and in relation to all other rights arising under the Global Notes or Global Certificates, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, Luxembourg, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Notes for so long as the Notes are represented by such Global Note or Global Certificate and such obligations of the Issuer will be discharged by payment to the bearer of such Global Note or the holder of the underlying Registered Notes, as the case may be, in respect of each amount so paid.

Beneficial ownership in Notes will be held through financial institutions as direct and indirect participants in Euroclear and Clearstream, Luxembourg.

The aggregate holdings of book-entry interests in the Notes in Euroclear and Clearstream, Luxembourg will be reflected in the book-entry accounts of each such institution. Euroclear and Clearstream, Luxembourg, as the case may be, and every other intermediate holder in the chain to the beneficial owner of book-entry interests in the Notes, will be responsible for establishing and maintaining accounts for their participants and customers having interests in the book-entry interest in the Notes. The Paying Agent will be responsible for ensuring that payments received by it from the Issuer for holders of interests in the Notes holding through Euroclear and Clearstream, Luxembourg are credited to Euroclear or Clearstream, Luxembourg, as the case may be.

The Issuer will not impose any fees in respect of the Notes, however, holders of book entry interests in the Notes may incur fees normally payable in respect of the maintenance and operation of accounts in Euroclear and Clearstream, Luxembourg.

The CMU

The CMU is a central depositary service provided by the Central Moneymarkets Unit of the HKMA for the safe custody and electronic trading between the members of this service ("**CMU Members**") of capital markets instruments ("**CMU Instruments**") which are specified in the CMU Reference Manual as capable of being held within the CMU.

The CMU is only available to CMU Instruments issued by a CMU Member or by a person for whom a CMU Member acts as agent for the purposes of lodging instruments issued by such persons. Membership of the services is open to all members of the Hong Kong Capital Markets Association, "authorised institutions" under the Banking Ordinance of Hong Kong and other domestic and overseas financial institutions at the discretion of the HKMA.

Compared to clearing services provided by Euroclear and Clearstream, Luxembourg, the standard custody and clearing service provided by the CMU is limited. In particular (and unlike the European clearing systems), the HKMA does not as part of this service provide any facilities for the dissemination to the relevant CMU Members of payments (of interest or principal) under, or notices pursuant to the notice provisions of, the CMU Instruments. Instead, the HKMA advises the lodging CMU Member (or a designated paying agent) of the identities of the CMU Members to whose accounts payments in respect of the relevant CMU Instruments are credited, whereupon the lodging CMU Member (or the designated paying agent) will make the necessary payments of interest or principal or send notices directly to the relevant CMU Members. Similarly, the HKMA will not obtain certificates of non-U.S. beneficial ownership from CMU Members or provide any such certificates on behalf of CMU Members. The CMU Lodging and Paying Agent will collect such certificates from the relevant CMU Members identified from an instrument position report obtained by request from the HKMA for this purpose.

An investor holding an interest in the Notes through an account with either Euroclear or Clearstream, Luxembourg will hold that interest through the respective accounts which Euroclear and Clearstream, Luxembourg each have with the CMU.

Book-Entry Ownership

Bearer Notes

The Issuer has made applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of any Series of Bearer Notes. The Issuer may also apply to have Bearer Notes accepted for clearance through the CMU. In respect of Bearer Notes, a temporary Global Note and/or a permanent Global Note will be deposited with a common depositary for Euroclear and Clearstream, Luxembourg or a sub-custodian for the CMU. Transfers of interests in a temporary Global Note or a permanent Global Note will be made in accordance with the normal market debt securities operating procedures of Euroclear and Clearstream, Luxembourg or the CMU. Each Global Note will have an International Securities Identification Number ("**ISIN**") and a Common Code or, if lodged with a sub-custodian for the CMU, will have a CMU Instrument Number.

Registered Notes

The Issuer has made applications to Euroclear and Clearstream, Luxembourg for acceptance in their respective book-entry systems in respect of the Notes to be represented by a Global Certificate, each such Global Certificate will have an ISIN and a Common Code. Investors in Notes of such Series may hold their interests in a Global Certificate only through Euroclear or Clearstream, Luxembourg. The Issuer may also make application to the CMU for acceptance in its respective book-entry system in respect of the Notes to be represented by a Global Certificate. If lodged with a sub-custodian for the CMU, such Notes will have a CMU Instrument Number.

General Information

(1) Application has been made to the LFX for the listing of the Notes issued under the Programme and approval-in-principle has been received from the SGX-ST for permission to deal in, and for quotation of, any Notes which are agreed at the time of issue thereof to be so listed on the SGX-ST. There can be no assurance that the application to the Official List of the SGX-ST for the listing of the Notes of any Series will be approved. The approval-in-principal from, and the admission of any Notes to, the LFX and the Official List of the SGX-ST, is not to be taken as an indication of the merits of the Issuer, the Programme or such Notes. The SGX-ST and the LFX assume no responsibility for the accuracy of any of the statements made, opinions expressed or reports contained herein. The Notes will trade on the SGX-ST in a minimum board lot size of S$200,000 or its equivalent in other currencies so long as any of the Notes remain listed on the SGX-ST. For so long as any Notes are listed on the SGX-ST and the rules of SGX-ST so require, the Issuer shall appoint and maintain a paying agent in Singapore where such Notes (or Certificates in respect thereof) may be presented or surrendered for payment or redemption, in the event that any of the Global Notes or Global Certificates representing such Notes is exchanged for definitive Notes or definitive Certificates. In addition, in the event that any of the Global Notes or Global Certificates representing such Notes is exchanged for definitive Notes or definitive Certificates, an announcement of such exchange shall be made by or on behalf of the Issuer through the SGX-ST and such announcement will include all material information with respect to the delivery of the definitive Notes or Certificates, including details of the paying agent in Singapore.

(2) The Issuer has obtained all necessary consents, approvals and authorisations in Malaysia in connection with the establishment of the Programme. The establishment of the Programme was authorised by the Board on 28 May 2014.

(3) Except as disclosed in this Offering Circular, there has been no significant change in the financial or trading position of the Issuer or of the Group since 31 December 2013 and no material adverse change in the prospects of the Issuer or of the Group since 31 December 2013.

(4) Except as disclosed in this Offering Circular, neither the Issuer nor any of its Subsidiaries is nor has been involved in any governmental, legal or arbitration proceedings (including any such proceedings which are pending or threatened of which the Issuer is aware) during the 12 months preceding the date of this Offering Circular which may have or has had in the recent past significant effects on the financial position or profitability of the Issuer or the Group.

(5) Each Bearer Note having a maturity of more than one year, Receipt, Coupon and Talon will bear the following legend: "Any United States person who holds this obligation will be subject to limitations under the United States income tax laws, including the limitations provided in Sections 165(j) and 1287(a) of the Internal Revenue Code".

(6) Notes have been accepted for clearance through the Euroclear and Clearstream, Luxembourg systems (which are the entities in charge of keeping the records). The Issuer may also apply to have Notes accepted for clearance through the CMU. The CMU instrument number will be set out in the relevant Pricing Supplement. The Common Code, the International Securities Identification Number (ISIN) and (where applicable) the identification number for any other relevant clearing system for each Series of Notes will be set out in the relevant Pricing Supplement.

The address of Euroclear is 1 Boulevard du Roi Albert II, B-1210 Brussels, Belgium and the address of Clearstream, Luxembourg is 42 Avenue JF Kennedy, L-1855 Luxembourg. The address of the CMU is 55th Floor, Two International Finance Centre, 8 Finance Street, Central, Hong Kong. The address of any alternative clearing system will be specified in the applicable Pricing Supplement.

(7) As at 31 August 2014, there were no material contracts entered into other than in the ordinary course of the Issuer's business, which could result in any member of the Group being under an obligation or entitlement that is material to the Issuer's ability to meet its obligations to noteholders in respect of the Notes being issued.

(8) The issue price and the amount of the relevant Notes will be determined, before filing of the relevant Pricing Supplement of each Tranche, based on the prevailing market conditions.

The Issuer does not intend to provide any post-issuance information in relation to any issues of Notes.

(9) For so long as Notes may be issued pursuant to this Offering Circular, the following documents will be available, during usual business hours on any weekday (Saturdays and public holidays excepted), for inspection at the office of the Fiscal Agent or the registered office of the Issuer:

(A) the Agency Agreement (which includes the form of the Global Notes, the definitive Bearer Notes, the Certificates, the Coupons, the Receipts and the Talons);

(B) the Deed of Covenant;

(C) the Memorandum and Articles of Association of the Issuer;

(D) the latest published annual report and audited accounts of the Issuer and the Group;

(E) each Pricing Supplement (save that Pricing Supplement relating to an unlisted Series of Notes will only be available for inspection by a holder of such Note and such holder must produce evidence satisfactory to the Issuer and the relevant Paying Agent as to its holding of Notes and identity); and

(F) a copy of this Offering Circular together with any Supplemental Offering Circular or further Offering Circular.

(10) Copies of the latest annual report and consolidated and unconsolidated accounts of the Issuer and the latest interim consolidated and unconsolidated accounts of the Issuer, may be obtained, and copies of the Agency Agreement and the Deed of Covenant will be available for inspection, at the specified offices of each of the Paying Agents during normal business hours, so long as any of the Notes is outstanding.

(11) PricewaterhouseCoopers of Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral PO Box 10192, 50706 Kuala Lumpur, Malaysia have audited, and rendered unqualified audit reports on, the financial statements of the Issuer for the three financial years ended 31 December 2011, 2012 and 2013.

INDEX TO FINANCIAL STATEMENTS

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

DIRECTORS' REPORT

The directors submit herewith their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2013.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic Banking business, leasing, offshore banking, offshore trust services, nominee services and property investment.

There have been no significant changes in these principal activities during the financial year, other than those disclose on Note 46.

FINANCIAL RESULTS

	Group	Bank
	RM'000	RM'000
Profit before taxation	2,339,480	2,037,172
Taxation	(575,467)	(514,490)
Net profit for the financial year	1,764,013	1,522,682

DIVIDENDS

The dividends paid by the Bank since 31 December 2012 were as follows:

	RM'000
In respect of the financial year ended 31 December 2012:	
Final dividend of 1.13 sen less 25% tax and single-tier dividend of 2.74 sen paid on 18 July 2013.	238,000
In respect of the financial year ended 31 December 2013:	
Interim single-tier dividend of 2.56 sen paid on 30 October 2013	170,000

The directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2013 at the forthcoming Annual General Meeting.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

ISSUE OF SHARES

There were no issue of shares in the Bank during the financial year.

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

DIRECTORS' REPORT (CONTINUED)

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

DIRECTORS' REPORT (CONTINUED)

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 47 to the financial statements.

DIRECTORS OF THE BANK

The directors of the Bank in office since the date of the last report and at the date of this report are:

Tan Sri Azlan Zainol
Tuan Haji Khairuddin Ahmad
Ong Seng Pheow
Choong Tuck Oon
Dato' Mohd Ali Mohd Tahir
Abdul Aziz Peru Mohamed
Dato' Mohamed Khadar Merican
Tan Sri Ong Leong Huat @ Wong Joo Hwa
Dato' Khairussaleh Ramli (appointed on 13 December 2013)
Johari Abdul Muid (resigned on 18 July 2013)

In accordance with Article 100 of the Bank's Articles of Association, Choong Tuck Oon and Dato' Mohamed Khadar Merican retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 104 of the Bank’s Articles of Association, Dato' Khairussaleh Ramli retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Tuan Haji Khairuddin Ahmad will retire at the forthcoming Annual General Meeting and being eligible, offers himself for re-election.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SECURITIES

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

	As at 1.1.2013	Bought	(Sold)	As at 31.12.2013
Ultimate Holding company				
RHB Capital Berhad				
Tuan Haji Khairuddin Ahmad:				
- indirect*	20,247	10,900 @	-	31,147
Choong Tuck Oon:				
- direct	1,061	31 #	-	1,092
Dato' Mohamed Khadar Merican:				
- direct	62,760	1,726 #	-	64,486
Tan Sri Ong Leong Huat @ Wong Joo Hwa:				
- indirect	1,100 *	-	-	1,100
- indirect	245,000,000 ^	7,304,688 #	-	252,304,688

Notes:
@ 900 shares were acquired pursuant to the Dividend Reinvestment Plan (DRP).
# The shares were acquired pursuant to the DRP.
* The interest is held through family member.
^ Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholdings in OSK Holdings Berhad

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Bank has received or become entitled to receive any benefit (other than directors' remuneration and benefits-in-kind as disclosed in Note 31 to the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

ULTIMATE HOLDING COMPANY

The directors regard RHB Capital Berhad, a company incorporated in Malaysia, as the ultimate holding company.

DIRECTORS' REPORT (CONTINUED)

AUDITORS

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

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

TAN SRI AZLAN ZAINOL
CHAIRMAN

DATO' KHAIRUSSALEH RAMLI
MANAGING DIRECTOR

Kuala Lumpur
6 March 2014

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2013

		Group		Bank	
			Restated		
	Note	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012
		RM'000	RM'000	**RM'000**	RM'000
ASSETS					
Cash and short-term funds	2	**9,231,558**	22,679,853	**5,575,273**	19,022,404
Securities purchased under resale agreements		**184,560**	676,858	**184,560**	676,858
Deposits and placements with banks and other financial institutions	3	**2,517,976**	3,552,654	**5,056,311**	3,780,228
Financial assets held-for-trading	4	**2,367,098**	1,549,863	**1,573,539**	1,110,482
Financial investments available-for-sale	5	**13,258,584**	10,033,215	**10,802,836**	8,456,556
Financial investments held-to-maturity	6	**21,813,036**	17,801,251	**19,097,086**	15,645,993
Loans, advances and financing	7	**117,891,870**	107,831,404	**95,752,900**	89,275,815
Other assets	8	**547,543**	396,908	**696,129**	708,812
Derivative assets	9	**418,624**	250,917	**425,518**	271,029
Statutory deposits	10	**3,954,819**	3,637,205	**3,110,223**	2,916,509
Tax recoverable		**26,155**	38	**26,152**	-
Deferred tax assets	11	**12,160**	8,455	**-**	-
Investment in subsidiaries	12	**-**	-	**1,740,314**	1,272,972
Property, plant and equipment	13	**666,736**	675,115	**492,464**	505,775
Goodwill and other intangible assets	14	**1,267,142**	1,241,814	**1,040,244**	1,017,722
TOTAL ASSETS		**174,157,861**	170,335,550	**145,573,549**	144,661,155
LIABILITIES AND EQUITY					
Deposits from customers	15	**135,615,137**	131,541,921	**111,794,716**	111,557,605
Deposits and placements of banks and other financial institutions	16	**12,479,163**	12,005,569	**10,570,624**	9,459,328
Obligations on securities sold under repurchase agreements	17	**165,098**	-	**165,098**	-
Bills and acceptances payable		**2,076,481**	3,732,067	**2,061,391**	3,710,455
Other liabilities	18	**970,728**	1,250,367	**770,474**	775,703
Derivative liabilities	9	**270,024**	273,197	**291,922**	273,559
Recourse obligation on loans sold to Cagamas Berhad	19	**2,269,353**	2,445,361	**961,020**	982,840
Taxation liabilities		**17,639**	125,648	**-**	98,525
Deferred tax liabilities	11	**35,376**	50,907	**35,372**	50,903
Borrowings	20	**571,049**	709,534	**571,049**	632,778
Subordinated obligations	21	**4,021,868**	4,020,919	**4,021,868**	4,020,919
Hybrid Tier-I Capital Securities	22	**606,215**	606,086	**606,215**	606,086
Senior Debt Securities	23	**1,647,634**	1,536,674	**1,647,634**	1,536,674
TOTAL LIABILITIES		**160,745,765**	158,298,250	**133,497,383**	133,705,375
Share capital	24	**3,318,085**	3,318,085	**3,318,085**	3,318,085
Reserves	25	**10,094,011**	8,719,215	**8,758,081**	7,637,695
TOTAL EQUITY		**13,412,096**	12,037,300	**12,076,166**	10,955,780
TOTAL LIABILITIES AND EQUITY		**174,157,861**	170,335,550	**145,573,549**	144,661,155
COMMITMENTS AND CONTINGENCIES	**39**	**95,495,234**	77,905,294	**92,178,814**	76,345,104

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

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Group			**Bank**
			Restated		
	Note	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012
		RM'000	RM'000	**RM'000**	RM'000
Interest income	**26**	**6,486,598**	5,993,493	**6,459,572**	5,956,963
Interest expense	**27**	**(3,252,197)**	(2,932,109)	**(3,222,165)**	(2,918,059)
Net interest income		**3,234,401**	3,061,384	**3,237,407**	3,038,904
Other operating income	**28**	**1,048,883**	945,603	**1,040,785**	932,883
		4,283,284	4,006,987	**4,278,192**	3,971,787
Net income from Islamic Banking business	**29**	**586,488**	487,171	**-**	-
		4,869,772	4,494,158	**4,278,192**	3,971,787
Other operating expenses	**30**	**(2,120,455)**	(1,954,712)	**(1,871,065)**	(1,757,284)
Operating profit before allowances		**2,749,317**	2,539,446	**2,407,127**	2,214,503
Allowance for impairment on loans and financing	**32**	**(422,580)**	(147,484)	**(383,020)**	(56,375)
Impairment write-back on other assets	**33**	**12,743**	6,858	**13,065**	6,858
Profit before taxation		**2,339,480**	2,398,820	**2,037,172**	2,164,986
Taxation	**34**	**(575,467)**	(590,861)	**(514,490)**	(533,004)
Net profit for the financial year		**1,764,013**	1,807,959	**1,522,682**	1,631,982
Earnings per share (sen):					
- basic	**35**	**26.58**	27.24	**22.95**	24.59

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

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Group	Group	Bank	Bank
			Restated		
	Note	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012
		RM'000	RM'000	**RM'000**	RM'000
Net profit for the financial year		**1,764,013**	1,807,959	**1,522,682**	1,631,982
Other comprehensive income/(loss):					
Items that will be reclassified subsequently to profit or loss:					
- currency translation differences		**89,208**	(8,350)	**43,518**	4,809
- unrealised net (loss)/gain on revaluation of financial investments available-for-sale ('AFS')		**(73,294)**	106,619	**(26,257)**	90,390
- net transfer to income statements on disposal or impairment of financial investments AFS		**(20,749)**	(73,262)	**(24,162)**	(51,755)
Income tax relating to components of other comprehensive income/(loss)	**36**	**23,618**	(8,538)	**12,605**	(9,659)
Other comprehensive income for the financial year, net of tax		**18,783**	16,469	**5,704**	33,785
Total comprehensive income for the financial year		**1,782,796**	1,824,428	**1,528,386**	1,665,767

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

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

		Attributable to equity holders of the Bank						
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserves RM'000**	**Translation reserves RM'000**	**AFS reserves RM'000**	**Retained profits RM'000**	**Total RM'000**
Balance as at 1 January 2013		**3,318,085**	**8,563**	**3,836,496**	**(69,739)**	**220,996**	**4,722,899**	**12,037,300**
Net profit for the financial year		**-**	**-**	**-**	**-**	**-**	**1,764,013**	**1,764,013**
Other comprehensive income/(loss) for the financial year:								
Currency translation differences		**-**	**-**	**-**	**89,208**	**-**	**-**	**89,208**
Financial investments available-for-sale ('AFS'):								
- unrealised net loss on revaluation		**-**	**-**	**-**	**-**	**(73,294)**	**-**	**(73,294)**
- net transfer to income statements on disposal or impairment		**-**	**-**	**-**	**-**	**(20,749)**	**-**	**(20,749)**
Income tax relating to components of other comprehensive income	**36**	**-**	**-**	**-**	**-**	**23,618**	**-**	**23,618**
Total comprehensive income/(loss) for the financial year		**-**	**-**	**-**	**89,208**	**(70,425)**	**1,764,013**	**1,782,796**
Ordinary dividends	**37**	**-**	**-**	**-**	**-**	**-**	**(408,000)**	**(408,000)**
Transfer to statutory reserves		**-**	**-**	**83,250**	**-**	**-**	**(83,250)**	**-**
Balance as at 31 December 2013		**3,318,085**	**8,563**	**3,919,746**	**19,469**	**150,571**	**5,995,662**	**13,412,096**
Restated								
Balance as at 1 January 2012		3,318,085	8,563	3,358,704	(61,389)	196,177	3,911,093	10,731,233
Net profit for the financial year		-	-	-	-	-	1,807,959	1,807,959
Other comprehensive (loss)/income for the financial year:								
Currency translation differences		-	-	-	(8,350)	-	-	(8,350)
Financial investments AFS:								
- unrealised net gain on revaluation		-	-	-	-	106,619	-	106,619
- net transfer to income statements on disposal or impairment		-	-	-	-	(73,262)	-	(73,262)
Income tax relating to components of other comprehensive income	36	-	-	-	-	(8,538)	-	(8,538)
Total comprehensive (loss)/income for the financial year		-	-	-	(8,350)	24,819	1,807,959	1,824,428
Ordinary dividends	37	-	-	-	-	-	(520,000)	(520,000)
Acquisition of subsidiaries:								
- effects of predecessor accounting	46	-	-	-	-	-	1,639	1,639
Total transaction with shareholders		-	-	-	-	-	(518,361)	(518,361)
Transfer to statutory reserves		-	-	477,792	-	-	(477,792)	-
Balance as at 31 December 2012		3,318,085	8,563	3,836,496	(69,739)	220,996	4,722,899	12,037,300

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

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

		← Non-distributable				→	Distributable	
	Note	Share capital	Share premium	Statutory reserves	Translation reserves	AFS reserves	Retained profits	Total
Bank		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2013		**3,318,085**	**8,563**	**3,478,138**	**12,023**	**217,933**	**3,921,038**	**10,955,780**
Net profit for the financial year		**-**	**-**	**-**	**-**	**-**	**1,522,682**	**1,522,682**
Other comprehensive income/(loss) for the financial year:								
Currency translation differences		**-**	**-**	**-**	**43,518**	**-**	**-**	**43,518**
Financial investments AFS:								
- unrealised net loss on revaluation		**-**	**-**	**-**	**-**	**(26,257)**	**-**	**(26,257)**
- net transfer to income statements on disposal or impairment		**-**	**-**	**-**	**-**	**(24,162)**	**-**	**(24,162)**
Income tax relating to components of other comprehensive income	**36**	**-**	**-**	**-**	**-**	**12,605**	**-**	**12,605**
Total comprehensive income/(loss) for the financial year		**-**	**-**	**-**	**43,518**	**(37,814)**	**1,522,682**	**1,528,386**
Ordinary dividends	**37**	**-**	**-**	**-**	**-**	**-**	**(408,000)**	**(408,000)**
Balance as at 31 December 2013		**3,318,085**	**8,563**	**3,478,138**	**55,541**	**180,119**	**5,035,720**	**12,076,166**
Balance as at 1 January 2012		3,318,085	8,563	3,070,142	7,214	188,957	3,217,052	9,810,013
Net profit for the financial year		-	-	-	-	-	1,631,982	1,631,982
Other comprehensive income/(loss) for the financial year:								
Currency translation differences		-	-	-	4,809	-	-	4,809
Financial investments AFS:								
- unrealised net gain on revaluation		-	-	-	-	90,390	-	90,390
- net transfer to income statements on disposal or impairment		-	-	-	-	(51,755)	-	(51,755)
Income tax relating to components of other comprehensive income	36	-	-	-	-	(9,659)	-	(9,659)
Total comprehensive income for the financial year		-	-	-	4,809	28,976	1,631,982	1,665,767
Ordinary dividends	37	-	-	-	-	-	(520,000)	(520,000)
Transfer to statutory reserves		-	-	407,996	-	-	(407,996)	-
Balance as at 31 December 2012		3,318,085	8,563	3,478,138	12,023	217,933	3,921,038	10,955,780

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

RHB BANK BERHAD (6171-M)
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	31.12.2013	Group Restated 31.12.2012
		RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**2,339,480**	2,398,820
Adjustments for:			
Property, plant and equipment:			
- depreciation		**82,518**	80,491
- gain on disposal		**(130)**	(1,004)
- written off		**21**	2
Amortisation of computer software license		**34,240**	29,011
Allowance for impairment loss - foreclosed properties		**275**	-
Write-back of allowance for impairment losses:			
- foreclosed properties		**(355)**	(21)
- others		**(379)**	(3,064)
Financial investments AFS:			
- net gain on sale		**(83,838)**	(73,263)
- interest income		**(319,649)**	(237,188)
- investment income		**(75,441)**	(65,433)
- dividend income		**(6,137)**	(5,527)
- allowance for impairment losses		**9,883**	7,300
- write-back of allowance for impairment losses		**(10,868)**	(7,275)
Financial investments held-to-maturity:			
- net gain from early redemption		**(10,566)**	(3,308)
- interest income		**(625,133)**	(499,646)
- investment income		**(89,267)**	(70,990)
- allowance for impairment losses		**-**	5,333
- write-back of allowance for impairment losses		**(11,299)**	(9,131)
Change in allowance for impairment on loans, financing other losses		**496,990**	425,211
Amortisation of discount for Hybrid Tier-I Capital Securities		**291**	269
Amortisation/Accretion of discounts for borrowings and subordinated obligations		**427**	888
Unrealised gain on revaluation of derivatives		**(48,804)**	(21,615)
Net gain on fair value hedges		**(5,638)**	(11,003)
Unrealised exchange (gain)/loss		**(97,479)**	12,741
Operating profit before working capital changes		**1,579,142**	1,951,598
(Increase)/Decrease in operating assets:			
Securities purchased under resale agreements		**516,490**	(530,823)
Deposits and placements with banks and other financial institutions		**1,034,904**	(2,614,819)
Financial assets held-for-trading		**(809,099)**	(239,194)
Loans, advances and financing		**(10,353,532)**	(12,824,775)
Other assets		**(147,905)**	(86,599)
Statutory deposits		**(306,412)**	(464,434)
		(10,065,554)	(16,760,644)
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**3,798,895**	17,753,527
Deposits and placements of banks and other financial institutions		**330,662**	3,995,583
Obligations on securities sold under repurchase agreements		**165,098**	-
Bills and acceptances payable		**(1,656,299)**	(32,373)
Other liabilities		**(129,005)**	330,949
Recourse obligation on loans sold to Cagamas Berhad		**(176,008)**	1,283,547
		2,333,343	23,331,233
Cash (used in)/generated from operations		**(6,153,069)**	8,522,187
Taxation paid		**(705,340)**	(352,071)
Net cash (used in)/generated from operating activities		**(6,858,409)**	8,170,116

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

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

			Group
			Restated
	Note	**31.12.2013**	31.12.2012
		RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(60,446)**	(71,506)
Purchase of computer software license		**(66,866)**	(38,741)
Proceeds from disposal of property, plant and equipment		**241**	10,428
Acquisition of subsidiaries - effects of predecessor accounting	46	**-**	(122,126)
Financial investments AFS:			
- net purchase		**(3,111,057)**	(1,873,706)
- interest received		**321,345**	247,418
- investment income received		**70,925**	68,952
- dividend income		**6,137**	5,509
Financial investments held-to-maturity:			
- net purchase		**(3,834,837)**	(4,268,897)
- interest received		**504,705**	486,469
- investment income received		**78,478**	60,290
Acquisition of a subsidiary		**(21,600)**	-
Net cash used in investing activities		**(6,112,975)**	(5,495,910)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of RM subordinated obligations		**-**	2,047,706
Proceeds from issuance of USD senior debt securities		**-**	1,535,591
Repayment from issuance of RM subordinated obligations		**-**	(1,300,000)
Repayment of borrowings		**(103,008)**	(99,563)
Dividends paid to shareholders		**(408,000)**	(520,000)
Net cash (used in)/generated from financing activities		**(511,008)**	1,663,734
Net (decrease)/increase in cash and cash equivalents		**(13,482,392)**	4,337,940
Effects of exchange rate differences		**34,097**	(50,273)
Cash and cash equivalents brought forward		**22,679,853**	18,392,186
Cash and cash equivalents carried forward		**9,231,558**	22,679,853
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and short-term funds	**2**	**9,231,558**	22,679,853

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

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

	Note	Bank 31.12.2013 RM'000	31.12.2012 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit before taxation		**2,037,172**	2,164,986
Adjustments for:			
Property, plant and equipment:			
- depreciation		**75,244**	73,402
- gain on disposal		**(130)**	(997)
- written off		**21**	2
Amortisation of computer software license		**33,218**	28,629
Allowance for impairment loss - foreclosed properties		**275**	-
Write-back of allowance for impairment losses:			
- foreclosed properties		**(355)**	(21)
- others		**-**	(3,064)
Financial investments AFS:			
- net gain on sale		**(83,318)**	(51,755)
- interest income		**(316,088)**	(235,402)
- dividend income		**(6,137)**	(5,525)
- allowance for impairment losses		**9,182**	7,300
- write-back of allowance for impairment losses		**(10,868)**	(7,275)
Financial investments held-to-maturity:			
- net gain from early redemption		**(10,566)**	(1,823)
- interest income		**(618,753)**	(494,993)
- allowance for impairment losses		**-**	5,333
- write-back of allowance for impairment losses		**(11,299)**	(9,131)
Change in allowance for impairment on loans, financing other losses		**456,198**	326,943
Amortisation of discount for Hybrid Tier-I Capital Securities		**291**	269
Amortisation/Accretion of discounts for borrowings and subordinated obligations		**427**	888
Dividend income from a subsidiary		**-**	(9,363)
Unrealised gain on revaluation of derivatives		**(15,344)**	(6,623)
Net gain on fair value hedges		**(3,542)**	(3,498)
Unrealised exchange (gain)/loss		**(97,479)**	12,741
Operating profit before working capital changes		**1,438,149**	1,791,023
(Increase)/Decrease in operating assets:			
Securities purchased under resale agreements		**516,490**	(530,823)
Deposits and placements with banks and other financial institutions		**(1,276,083)**	(1,579,990)
Financial assets held-for-trading		**(454,921)**	(233,344)
Loans, advances and financing		**(6,749,776)**	(8,898,275)
Other assets		**16,910**	(28,379)
Statutory deposits		**(185,962)**	(350,293)
		(8,133,342)	(11,621,104)
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**(20,433)**	17,058,310
Deposits and placements of banks and other financial institutions		**1,050,145**	3,636,297
Obligations on securities sold under repurchase agreements		**165,098**	-
Bills and acceptances payable		**(1,649,543)**	(40,212)
Other liabilities		**91,678**	(152,659)
Recourse obligation on loans sold to Cagamas Berhad		**(21,820)**	(178,974)
		(384,875)	20,322,762
Cash (used in)/generated from operations		**(7,080,068)**	10,492,681
Taxation paid		**(642,147)**	(334,833)
Net cash (used in)/generated from operating activities		**(7,722,215)**	10,157,848

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

RHB BANK BERHAD (6171-M)
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STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

			Bank
	Note	**31.12.2013**	31.12.2012
		RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(55,022)**	(65,282)
Purchase of computer software license		**(61,863)**	(38,040)
Proceeds from disposal of property, plant and equipment		**241**	10,421
Financial investments AFS:			
- net purchase		**(2,192,727)**	(1,980,354)
- interest received		**317,844**	246,447
- dividend income		**6,137**	5,507
Financial investments held-to-maturity:			
- net purchase		**(3,285,034)**	(3,580,367)
- interest received		**498,426**	483,191
Dividend income from a subsidiary		**-**	9,363
Additional share subscriptions/acquisition of a subsidiary		**(467,342)**	(200,000)
Net cash used in investing activities		**(5,239,340)**	(5,109,114)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of RM subordinated obligations		**-**	2,047,706
Proceeds from issuance of USD senior debt securities		**-**	1,535,591
Repayment from issuance of RM subordinated obliigations		**-**	(1,300,000)
Repayment of borrowings		**(103,008)**	(99,563)
Dividends paid to shareholders		**(408,000)**	(520,000)
Net cash (used in)/generated from financing activities		**(511,008)**	1,663,734
Net (decrease)/increase in cash and cash equivalents		**(13,472,563)**	6,712,468
Effects of exchange rate differences		**25,432**	(34,205)
Cash and cash equivalents brought forward		**19,022,404**	12,344,141
Cash and cash equivalents carried forward		**5,575,273**	19,022,404
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and short-term funds	2	**5,575,273**	19,022,404

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These accounting policies have been consistently applied to all the financial years presented, unless otherwise stated.

1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

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

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

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

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

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

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

The relevant new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group's and the Bank's financial year beginning on or after 1 January 2013 are as follows:

- MFRS 10 'Consolidated Financial Statements'
- MFRS 11 'Joint Arrangements'
- MFRS 12 'Disclosures of Interests in Other Entities'
- MFRS 13 'Fair Value Measurement'
- MFRS 3 'Business Combinations'
- MFRS 127 'Separate Financial Statements'
- MFRS 128 'Investments in Associates and Joint Ventures'
- Amendment to MFRS 7 'Financial Instruments: Disclosures'
- Annual Improvements to MFRS 2009 - 2011 Cycle

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

(b) Standards early adopted by the Group and the Bank

The amendments to MFRS 136 'Impairment of Assets' removed certain disclosures of the recoverable amount of CGUs which had been included in MFRS 136 by the issuance of MFRS 13. The amendment is not mandatory for the Group until 1 January 2014, however the Group has decided to early adopt the amendment as of 1 January 2013.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(c) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective.

The Group and the Bank will apply the new standards, amendments to standards and interpretations to existing standards in the following financial period:

(i) Financial year beginning on/after 1 January 2014

Amendment to MFRS 132 'Financial Instruments: Presentation' (effective 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

Amendment to MFRS 139 'Novation of Derivatives and Continuation of Hedge Accounting' (effective 1 January 2014) provide relief from discontinuing hedge accounting in a situation where a derivative, which has been designated as a hedging instrument, is novated to effect clearing with a central counterparty as a result of law or regulation. This is to improve transparency and regulatory oversight of over-the-counter derivatives in an internationally consistent and non-discriminatory way.

Amendments to MFRS 10, MFRS 12 and MFRS 127 (effective 1 January 2014) introduce an exception to consolidation of investment entities. Investment entities are entities whose business purpose is to invest funds solely for returns from capital appreciation, investment income or both and evaluate the performance of its investments on fair value basis. The amendments require investment entities to measure particular subsidiaries at fair value instead of consolidating them.

IC Interpretation 21 'Levies' (effective 1 January 2014) sets out the accounting for an obligation to pay a levy that is not income tax. The interpretation clarifies that a liability to pay a levy is recognised when the obligating event occurs. Obligating event is the event identified by the legislation that triggers the payment of the levy.

(ii) Effective date yet to be determined by the Malaysian Accounting Standards Board

MFRS 9 'Financial Instruments - Classification and Measurement of Financial Assets and Financial Liabilities' replaces the parts of MFRS 139 that relate to the classification and measurement of financial instruments. MFRS 9 requires financial assets to be classified into two measurement categories: those measured at fair value and those measured at amortised cost. The determination is made at initial recognition. The classification depends on the entity's business model for managing its financial instruments and the contractual cash flow characteristics of the instrument. For financial liabilities, the standard retains most of the MFRS 139 requirements. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statements, unless this creates an accounting mismatch. The Group is yet to assess MFRS 9's full impact. The Group will also consider the impact of the remaining phases of MFRS 9 when the standard is completed and issued.

The adoption of the new standards, amendments to published standards are not expected to have a material impact on the financial results of the Group and the Bank, except that the Group and the Bank are in the process of reviewing the requirements of MFRS 9 and expects this process to be completed prior to the effective date.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) BASIS OF CONSOLIDATION

(a) Subsidiaries

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

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

(i) Acquisition accounting

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

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

Acquisition-related costs are expensed as incurred.

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

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in income statements. Refer to accounting policy Note 4 on goodwill and other intangible assets.

(ii) Predecessor accounting

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

The acquired entity's results, assets, liabilities and cash flows are consolidated from the date on which the ultimate controlling party gained control. Consequently, the consolidated financial statements reflect both entities' full financial years results. The corresponding amounts for the previous financial year are restated to reflect the combined results of both entities.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) BASIS OF CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

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

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

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

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

(c) Disposal of subsidiaries

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

3) INVESTMENT IN SUBSIDIARIES

In the Bank's separate financial statements, investment in subsidiaries are stated at cost less accumulated impairment losses. At the end each reporting period, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note 21 on impairment of non-financial assets.

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

4) GOODWILL AND OTHER INTANGIBLE ASSETS

(a) Goodwill

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

Goodwill is stated at cost less accumulated impairment loss and is tested at least annually for impairment. Impairment loss on goodwill (inclusive of impairment losses recognised in a previous interim period) is not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold. Refer to accounting policy Note 21 on impairment of non-financial assets.

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangibles assets - Computer software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software licences are subsequently carried at cost less accumulated amortisation and impairment losses. These costs are amortised over the estimated useful lives of 5 years to 10 years.

At the end of the reporting period, the Group and the Bank assess whether there is any indication of impairment on computer software licences. Where an indication of impairment exists, the carrying amount of the assets is written down to its recoverable amount.

Refer to accounting policy Note 21 on impairment of non-financial assets. Gain and losses arising from de-recognition of computer software licences assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss when the asset is de-recognised.

5) FINANCIAL ASSETS

(a) Classification

The Group and the Bank classify their financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were required. Management determines the classification at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term. Derivatives are also categorised as held-for-trading unless they are designated as hedges (Refer to accounting policy Note 8).

(ii) Loans and receivables

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

(iii) Financial investments available-for-sale

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

(iv) Financial investments held-to-maturity

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5) FINANCIAL ASSETS (CONTINUED)

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the settlement date, the date that an asset is delivered to or by the Group and the Bank.

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

(c) Subsequent measurement - gains and losses

Financial investments available-for-sale and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial investments held-to-maturity are subsequently carried at amortised cost using the effective interest method.

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

Changes in the fair value of financial investments available-for-sale are recognised in other comprehensive income, except for impairment losses (refer to accounting policy Note 19) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on financial investments available-for-sale are recognised separately in profit or loss. Interest on financial investments available-for-sale calculated using the effective interest method is recognised in income statements. Dividend income on available-for-sale equity instruments is recognised in non-interest income in income statements when the Groups's right to receive payments is established.

(d) De-recognition

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

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

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

(e) Offsetting financial instruments

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

6) REPURCHASE AGREEMENTS

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

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

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

7) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

Leasehold land	Amortised over the period of the lease*
Buildings	2% to 3 1/3%
Renovations	7.5% to 10%
Office equipment and furniture	7.5% to 20%
Computer equipment and software	14% to 33 1/3%
Motor vehicles	20% to 25%

* The remaining period of the lease ranges from 7 to 880 years.

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

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in non-interest income in income statements.

At the end of the reporting period, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount. Refer to accounting policy Note 21 on impairment of non-financial assets.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

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

(c) Derivatives that do not qualify for hedge accounting

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9) FINANCIAL LIABILITIES

The Group's and the Bank's holding in financial liabilities is in financial liabilities at fair value through profit or loss (including financial liabilities held-for-trading and those that are designated at fair value) and financial liabilities at amortised cost. All financial liabilities are de-recognised when extinguished.

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

Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in income statements and are subsequently re-measured at their fair values. Changes in fair values of financial liabilities at fair value through profit or loss are recognised in income statements in the financial period in which the changes arise.

Financial liabilities at fair value through profit or loss are financial liabilities held-for-trading. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges (Refer to accounting policy Note 8).

(b) Other liabilities measured at amortised cost

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

Other financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, bills and acceptances payable, recourse obligation on loans sold to Cagamas Berhad and other financial liabilities.

(c) Borrowings measured at amortised cost

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

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

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

10) RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD ('CAGAMAS')

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11) LEASES – WHERE THE GROUP IS LESSEE

(a) Operating lease

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

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

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

(b) Finance lease

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

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

12) LEASES – WHERE THE GROUP IS LESSOR

(a) Operating lease

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

(b) Finance lease

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13) PROVISIONS

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

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

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

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

14) FINANCIAL GUARANTEE CONTRACTS

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

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

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

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

15) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16) SHARE CAPITAL

(a) Classification

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

(b) Share issue cost

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

(c) Dividend distribution

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

17) CASH AND CASH EQUIVALENTS

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

18) REVENUE RECOGNITION

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

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

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

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19) IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortised cost

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

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

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

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

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

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

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

(i) Individual impairment allowance

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost (continued)

(ii) Collective impairment allowance

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

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

(b) Assets classified as available-for-sale

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

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

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

20) EMPLOYEE BENEFITS

(a) Short-term employee benefits

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

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

(b) Defined contribution plans

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

(c) Termination benefits

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21) IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the non-financial assets exceeds its recoverable amount.

The recoverable amount is the higher of a non-financial assets' fair value less costs to sell and value-in-use. For the purpose of assessing impairment, non-financial assets are grouped at the lowest levels for which there is separately identifiable cash flows/CGU. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

The impairment loss is charged to income statements. Impairment losses on goodwill are not reversed. In respect of other non-financial assets, any subsequent increase in recoverable amount is recognised in income statements.

22) CURRENT AND DEFERRED INCOME TAXES

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

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

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

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

23) CURRENCY CONVERSION AND TRANSLATION

(a) Functional and presentation currency

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

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses are presented in income statements within non-interest income.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as available for sale, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statements of financial position;

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

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

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

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

24) SEGMENT REPORTING

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

(a) Allowance for impairment of financial assets

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

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

(b) Goodwill impairment

Goodwill is tested at least annually for impairment. Testing of goodwill for impairment involves a significant amount of estimation. This includes the identification of independent cash generating units and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Estimating the value in use requires the Group and the Bank to make an estimate of the expected future cash flows from the cash-generating unit. Determining both the expected pre-tax cash flows and the risk adjusted discount rate appropriate to the operating unit also require the exercise of judgement. The variables are subject to fluctuations in external market rates and economic conditions beyond management control and are subject to uncertainty and require the exercise of significant judgement. The detailed disclosures on the assessment of impairment of goodwill is disclosed in Note 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

1 GENERAL INFORMATION

RHB Bank Berhad ('the Bank'), is a limited liability bank incorporated and domiciled in Malaysia.

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic Banking business, leasing, offshore banking, offshore trust services, nominee services and property investment.

There have been no significant changes in these principal activities during the financial year, other than those disclose on Note 46.

The address of the registered office of the Bank is Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur, Malaysia

2 CASH AND SHORT-TERM FUNDS

	Group		Bank	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Cash and balances with banks and other financial institutions	**1,627,862**	1,560,255	**1,459,957**	1,326,061
Money at call and deposit placements maturing within one month	**7,603,696**	21,119,598	**4,115,316**	17,696,343
	9,231,558	22,679,853	**5,575,273**	19,022,404

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Licensed banks	**1,813,651**	1,559,013	**2,233,072**	1,689,089
Islamic banks	**90,339**	52,216	**2,823,239**	2,091,139
Bank Negara Malaysia	**-**	1,203,564	**-**	-
Other financial institutions	**613,986**	737,861	**-**	-
	2,517,976	3,552,654	**5,056,311**	3,780,228

4 FINANCIAL ASSETS HELD-FOR-TRADING

	Group		Bank	
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	**370,838**	222,202	**370,838**	222,202
Malaysian Government Treasury Bills	**-**	52,869	**-**	52,869
Malaysian Government Investment Issues	**145,440**	151,583	**122,362**	-
Bank Negara Malaysia Monetary Notes	**1,151,172**	598,073	**604,821**	598,073
Cagamas bonds	**-**	250,324	**-**	-
Thailand Treasury Bills	**6,372**	-	**6,372**	-
Singapore Government Treasury Bills	**466,438**	227,634	**466,438**	227,634
Wakala Global Sukuk	**-**	7,144	**-**	-
Negotiable instruments of deposits	**198,686**	-	**-**	-
Quoted securities:				
In Malaysia				
Private debt securities	**2,708**	-	**2,708**	-
Unquoted securities:				
In Malaysia				
Private debt securities	**25,444**	40,034	**-**	9,704
	2,367,098	1,549,863	**1,573,539**	1,110,482

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 reclassification 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 effect of reclassification on the income statements for the period from the date of reclassification to 31 December 2013 were as follows:

	Carrying amount		Fair value	
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Group				
Reclassified from financial assets HFT to financial investments HTM:				
- Debt securities	**19,786**	18,425	**20,711**	19,724

	Group	
	31.12.2013	31.12.2012
	RM'000	RM'000
Fair value gain that would have been recognised if the financial assets HFT had not been reclassified	**925**	1,299

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

	Group	Group	Bank	Bank
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
At fair value				
Money market instruments:				
Malaysian Government Securities	**644,380**	459,574	**644,380**	459,574
Malaysian Government Investment Issues	**1,557,301**	1,896,122	**1,033,134**	1,409,751
Cagamas bonds	**85,349**	91,802	**25,391**	41,469
Khazanah bonds	**15,929**	36,016	**-**	-
Negotiable instruments of deposits	**99,488**	-	**-**	-
Singapore Government Treasury Bills	**272,185**	25,032	**272,185**	25,032
Singapore Government Securities	**136,433**	135,081	**136,433**	135,081
Thailand Government bonds	**96,341**	106,295	**96,341**	106,295
1 Malaysia Sukuk	**318,010**	277,514	**318,010**	277,514
Wakala Global Sukuk	**153,099**	95,029	**124,939**	78,159
Sukuk Perumahan Kerajaan (SPK)	**47,600**	101,363	**47,600**	101,363
Quoted securities:				
In Malaysia				
Corporate loan stocks	**-**	31,492	**-**	31,492
Shares	**29,283**	12,513	**25,005**	5,263
Outside Malaysia				
Shares	**32**	2,218	**-**	-
Unquoted securities:				
In Malaysia				
Corporate loan stocks	**255,146**	337,781	**255,146**	337,781
Shares	**468,501**	362,146	**467,926**	361,571
Private debt securities	**9,102,487**	6,437,010	**7,579,381**	5,460,071
Perpetual notes/sukuk	**286,149**	-	**85,530**	-
Outside Malaysia				
Shares	**137**	87	**-**	-
Private debt securities	**400**	400	**400**	400
	13,568,250	10,407,475	**11,111,801**	8,830,816
Accumulated impairment losses	**(309,666)**	(374,260)	**(308,965)**	(374,260)
	13,258,584	10,033,215	**10,802,836**	8,456,556

Movement in allowance for impairment losses:

	Group 31.12.2013	Group 31.12.2012	Bank 31.12.2013	Bank 31.12.2012
Balance as at the beginning of the financial year	**374,260**	384,360	**374,260**	384,360
Charged during the financial year	**9,883**	7,300	**9,182**	7,300
Write-back during the financial year	**(10,868)**	(7,275)	**(10,868)**	(7,275)
Disposal/redemption	**(63,609)**	(11,076)	**(63,609)**	(11,076)
Transfer from individual impairment allowance	**-**	643	**-**	643
Transfer from impairment of financial investments - HTM	**-**	315	**-**	315
Exchange difference	**-**	(7)	**-**	(7)
Balance as at the end of the financial year	**309,666**	374,260	**308,965**	374,260

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY

	Group		Bank	
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
At amortised cost				
Money market instruments:				
Malaysian Government Securities	**2,618,574**	2,415,844	**2,618,574**	2,415,844
Malaysian Government Investment Issues	**6,325,725**	5,499,829	**5,481,811**	4,756,426
Cagamas bonds	**2,444,755**	2,340,203	**2,220,854**	2,065,120
Khazanah bonds	**69,288**	66,290	**60,307**	57,632
Negotiable instruments of deposits	**2,449,025**	2,126,329	**1,803,165**	1,704,244
Singapore Government Securities	**183,686**	126,795	**183,686**	126,795
Thailand Government Securities	**293,052**	264,010	**293,052**	264,010
Bankers' acceptances	**33,634**	339,215	**-**	339,215
Sukuk (Brunei) Incorporation	**38,897**	57,594	**38,897**	57,594
Wakala Global Sukuk	**227,722**	212,524	**227,722**	212,524
Sukuk Perumahan Kerajaan (SPK)	**111,202**	-	**101,270**	-
Unquoted securities:				
In Malaysia				
Bonds	**860**	860	**860**	860
Prasarana bonds	**772,004**	753,687	**771,978**	738,455
Private debt securities	**6,289,759**	3,643,514	**5,359,843**	2,971,142
Corporate loan stocks	**43,291**	55,196	**43,291**	55,196
Outside Malaysia				
Private debt securities	**19,786**	18,425	**-**	-
	21,921,260	17,920,315	**19,205,310**	15,765,057
Accumulated impairment losses	**(108,224)**	(119,064)	**(108,224)**	(119,064)
	21,813,036	17,801,251	**19,097,086**	15,645,993

Included in financial investments HTM is private debt securities, which is pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM168,571,000 (31.12.2012: RM Nil).

Movement in allowance for impairment losses:

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
Balance as at the beginning of the financial year	**119,064**	123,511
Charged during the financial year	**-**	5,333
Write-back during the financial year	**(11,299)**	(9,131)
Transfer to impairment of financial investments - AFS	**-**	(315)
Exchange difference	**459**	(334)
Balance as at the end of the financial year	**108,224**	119,064

7 LOANS, ADVANCES AND FINANCING

a) By type

	Group		Bank	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
At amortised cost				
Overdrafts	**5,990,867**	5,895,676	**5,817,324**	5,744,150
Term loans/financing:				
- housing loans/financing	**25,375,496**	21,706,306	**20,820,056**	18,234,938
- syndicated term loans/financing	**3,947,999**	2,521,254	**1,729,997**	1,116,217
- hire purchase receivables	**13,052,002**	12,581,965	**8,130,184**	8,164,582
- lease receivables	**70,174**	75,650	**-**	-
- other term loans/financing	**54,585,428**	51,775,706	**46,819,084**	44,864,944
Bills receivables	**2,561,904**	1,574,283	**1,894,271**	1,553,186
Trust receipts	**523,804**	469,017	**487,710**	447,718
Claims on customers under acceptance credits	**4,327,803**	5,257,979	**4,327,803**	4,426,753
Staff loans/financing	**249,959**	283,790	**241,672**	275,664
Credit card receivables	**2,004,163**	1,926,639	**1,804,532**	1,805,739
Revolving credit	**7,392,659**	5,933,710	**5,490,915**	4,468,642
Floor stocking	**239**	1,229	**239**	1,229
Gross loans, advances and financing	**120,082,497**	110,003,204	**97,563,787**	91,103,762
Fair value changes arising from fair value hedge	**(26,696)**	6,252	**258**	3,111
	120,055,801	110,009,456	**97,564,045**	91,106,873
Allowance for impaired loans, advances and financing:				
- individual impairment allowance	**(891,294)**	(780,081)	**(723,024)**	(648,256)
- collective impairment allowance	**(1,272,637)**	(1,397,971)	**(1,088,121)**	(1,182,802)
Net loans, advances and financing	**117,891,870**	107,831,404	**95,752,900**	89,275,815

Included in loans, advances and financing are housing loans, hire purchase receivables and other term loans/financing sold to Cagamas with recourse for the Group and the Bank are RM2,405,777,000 (31.12.2012: RM2,371,017,000) and RM1,104,114,000 (31.12.2012: RM935,725,000) respectively.

b) By type of customer

	Group		Bank	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Domestic non-bank financial institutions:				
- Others	**2,716,376**	1,502,696	**1,387,420**	932,349
Domestic business enterprises:				
- Small medium enterprises	**12,396,907**	11,516,755	**11,614,086**	10,829,598
- Others	**31,489,316**	30,690,914	**27,053,888**	26,165,958
Government and statutory bodies	**8,476,645**	10,989,382	**5,160,401**	7,675,110
Individuals	**54,820,397**	47,646,933	**44,431,236**	39,391,631
Other domestic entities	**122,919**	10,240	**7,965**	9,948
Foreign entities:				
- Malaysian operations	**1,550,382**	1,193,692	**622,095**	431,614
- Singapore operations	**7,306,871**	5,663,138	**6,586,132**	5,183,555
- Thailand operations	**639,390**	427,765	**606,535**	397,113
- Brunei operations	**94,029**	86,886	**94,029**	86,886
- Cambodia operations	**469,265**	274,803	**-**	-
	120,082,497	110,003,204	**97,563,787**	91,103,762

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

c) By geographical distribution

	Group		Bank	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
In Malaysia	**111,572,942**	103,550,612	**90,277,091**	85,436,208
Outside Malaysia:				
- Singapore operations	**7,306,871**	5,663,138	**6,586,132**	5,183,555
- Thailand operations	**639,390**	427,765	**606,535**	397,113
- Brunei operations	**94,029**	86,886	**94,029**	86,886
- Cambodia operations	**469,265**	274,803	**-**	-
	120,082,497	110,003,204	**97,563,787**	91,103,762

d) By interest/profit rate sensitivity

Fixed rate:				
- Housing loans/financing	**1,019,628**	1,358,105	**229,565**	424,038
- Hire purchase receivables	**13,052,001**	12,581,965	**8,130,184**	8,164,582
- Other fixed rate loans/financing	**16,543,030**	18,575,374	**10,144,309**	12,572,881
Variable rate:				
- BLR/BFR plus	**49,199,021**	42,071,452	**43,218,223**	37,858,542
- Cost-plus	**33,126,678**	30,303,564	**31,088,223**	28,511,823
- Other variable rates	**7,142,139**	5,112,744	**4,753,283**	3,571,896
	120,082,497	110,003,204	**97,563,787**	91,103,762

e) By purpose

Purchase of securities	**11,057,313**	8,734,077	**11,057,313**	8,734,077
Purchase of transport vehicles	**11,863,165**	11,447,613	**6,636,403**	6,696,785
Purchase of landed property:				
- Residential	**25,516,867**	22,152,703	**21,103,911**	18,787,249
- Non-residential	**7,367,419**	5,674,126	**6,945,553**	5,563,444
Purchase of property, plant and equipment other than land and building	**3,350,106**	3,249,719	**2,652,214**	2,591,684
Personal use	**7,193,757**	5,758,114	**6,106,322**	5,109,733
Credit card	**2,004,163**	1,926,639	**1,804,532**	1,805,739
Purchase of consumer durables	**31,513**	37,282	**31,503**	37,265
Construction	**3,114,303**	3,653,745	**2,417,366**	2,417,490
Working capital	**29,612,077**	26,746,123	**24,535,858**	23,295,898
Merger and acquisition	**3,215,709**	3,620,752	**3,083,302**	3,466,447
Other purposes	**15,756,105**	17,002,311	**11,189,510**	12,597,951
	120,082,497	110,003,204	**97,563,787**	91,103,762

f) By remaining contractual maturities

Maturity within one year	**42,429,415**	38,603,531	**38,159,722**	35,253,687
One year to three years	**8,906,271**	8,963,242	**6,612,215**	7,323,538
Three years to five years	**10,125,104**	8,873,068	**6,175,168**	6,052,470
Over five years	**58,621,707**	53,563,363	**46,616,682**	42,474,067
	120,082,497	110,003,204	**97,563,787**	91,103,762

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

g) Impaired loans, advances and financing

i) Movement in impaired loans, advances and financing

	Group		Bank	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Balance as at the beginning of the financial year	**3,090,090**	3,493,331	**2,600,833**	2,852,308
Classified as impaired during the financial year	**4,053,558**	3,939,826	**3,560,559**	3,555,656
Reclassified as non-impaired during the financial year	**(2,459,599)**	(2,746,511)	**(2,150,448)**	(2,467,737)
Amount recovered	**(730,651)**	(784,370)	**(607,867)**	(668,059)
Amount written off	**(614,408)**	(811,276)	**(555,693)**	(673,157)
Exchange difference	**8,722**	(910)	**3,205**	1,822
Balance as at the end of the financial year	**3,347,712**	3,090,090	**2,850,589**	2,600,833

ii) By purpose

Purchase of securities	**113,291**	87,767	**113,291**	87,767
Purchase of transport vehicles	**218,391**	260,414	**124,193**	134,770
Purchase of landed property:				
- Residential	**876,196**	965,098	**751,396**	835,257
- Non-residential	**99,645**	158,072	**72,345**	143,014
Purchase of property, plant and equipment other than land and building	**45,207**	66,981	**35,104**	51,112
Personal use	**150,363**	137,178	**147,523**	133,481
Credit card	**41,332**	39,379	**36,552**	35,927
Purchase of consumer durables	**1,724**	2,058	**1,724**	2,058
Construction	**118,246**	245,762	**117,286**	244,474
Working capital	**1,536,528**	1,040,599	**1,382,487**	875,492
Other purposes	**146,789**	86,782	**68,688**	57,481
	3,347,712	3,090,090	**2,850,589**	2,600,833

iii) By geographical distribution

In Malaysia	**3,223,427**	2,990,526	**2,740,429**	2,501,269
Outside Malaysia:				
- Singapore operations	**85,599**	69,055	**85,599**	69,055
- Thailand operations	**16,025**	21,905	**16,025**	21,905
- Brunei operations	**8,536**	8,604	**8,536**	8,604
- Cambodia operations	**14,125**	-	**-**	-
	3,347,712	3,090,090	**2,850,589**	2,600,833

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

g) Impaired loans, advances and financing (continued)

iv) Movement in allowance for impaired loans, advances and financing

	Note	Group 31.12.2013	Group Restated 31.12.2012	Bank 31.12.2013	Bank 31.12.2012
		RM'000	RM'000	**RM'000**	RM'000
Individual impairment allowance					
Balance as at the beginning of the financial year		**780,081**	812,502	**648,256**	666,218
Amount arising from acquisition of subsidiaries:					
- effects of predecessor accounting	46	**-**	21	**-**	-
Net allowance made during the financial year		**306,575**	267,932	**271,595**	171,471
Reclassification from/(to) collective impairment		**2,509**	(10,895)	**(2,141)**	(9,972)
Amount written off		**(203,000)**	(288,378)	**(196,363)**	(179,670)
Transfer to impairment of investment securities		**-**	(643)	**-**	(643)
Exchange difference		**5,129**	(458)	**1,677**	852
Balance as at the end of the financial year		**891,294**	780,081	**723,024**	648,256
Collective impairment allowance					
Balance as at the beginning of the financial year		**1,397,971**	1,566,152	**1,182,802**	1,335,081
Amount arising from acquisition of subsidiaries:					
- effects of predecessor accounting	46	**-**	2,500	**-**	-
Net allowance made during the financial year		**190,415**	157,279	**184,603**	155,472
Reclassification (to)/from individual impairment		**(2,509)**	10,895	**2,141**	9,972
Amount written off		**(316,200)**	(338,162)	**(281,978)**	(318,268)
Exchange difference		**2,960**	(693)	**553**	545
Balance as at the end of the financial year		**1,272,637**	1,397,971	**1,088,121**	1,182,802

8 OTHER ASSETS

	Note	Group 31.12.2013 RM'000	Group Restated 31.12.2012 RM'000	Bank 31.12.2013 RM'000	Bank 31.12.2012 RM'000
Other receivables		**187,920**	245,440	**134,488**	178,622
Margin deposits		**252,535**	58,759	**252,535**	58,759
Deposits		**44,661**	39,336	**39,908**	34,405
Prepayments		**38,397**	33,488	**37,348**	32,228
Amount due from holding company	(i)	**2,781**	5,643	**2,781**	5,643
Amounts due from subsidiaries	(i)	**-**	-	**207,820**	384,913
Amounts due from related companies	(i)	**21,249**	14,242	**21,249**	14,242
		547,543	396,908	**696,129**	708,812

(i) Amounts due from holding company/subsidiaries/related companies are unsecured, interest free and receivable within the normal credit period.

9 DERIVATIVE ASSETS/(LIABILITIES)

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

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

	Group 31.12.2013 RM'000	Group 31.12.2012 RM'000	Bank 31.12.2013 RM'000	Bank 31.12.2012 RM'000
Derivative assets:				
- trading derivatives	**418,624**	250,917	**425,518**	271,029
Derivative liabilities:				
- trading derivatives	**(267,037)**	(263,288)	**(288,935)**	(263,650)
- fair value hedging derivatives	**(2,987)**	(9,909)	**(2,987)**	(9,909)
	(270,024)	(273,197)	**(291,922)**	(273,559)
	148,600	(22,280)	**133,596**	(2,530)

9 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

	Group			Bank		
	Contract or underlying principal amount	**Financial Year-end positive fair value**	**Financial Year-end negative fair value**	**Contract or underlying principal amount**	**Financial Year-end positive fair value**	**Financial Year-end negative fair value**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31.12.2013						
Trading derivatives:						
Foreign exchange related contracts:						
- forwards/swaps	**11,014,318**	**131,848**	**(77,041)**	**10,520,261**	**131,848**	**(77,041)**
- options	**174,339**	**771**	**(772)**	**174,339**	**771**	**(772)**
- cross currency interest rate swaps	**6,900,287**	**109,600**	**(54,490)**	**6,900,287**	**109,600**	**(54,490)**
Interest rate related contracts:						
- swaps	**26,165,542**	**176,405**	**(134,734)**	**29,570,871**	**183,299**	**(156,632)**
Fair value hedging derivatives:						
Interest rate related contracts:						
- swaps	**1,145,000**	**-**	**(2,987)**	**1,145,000**	**-**	**(2,987)**
		418,624	**(270,024)**		**425,518**	**(291,922)**
31.12.2012						
Trading derivatives:						
Foreign exchange related contracts:						
- forwards/swaps	9,082,591	42,762	(69,168)	8,797,362	42,762	(69,168)
- options	101,189	119	(97)	101,189	119	(97)
- cross currency interest rate swaps	5,605,359	92,075	(53,254)	5,605,359	92,075	(53,254)
Interest rate related contracts:						
- swaps	20,616,847	115,961	(140,769)	23,898,499	136,073	(141,131)
Fair value hedging derivatives:						
Interest rate related contracts:						
- swaps	1,860,000	-	(9,909)	1,860,000	-	(9,909)
		250,917	(273,197)		271,029	(273,559)

Fair value hedging are used by the Group and the Bank for protection against the changes in fair value of financial assets and financial liabilities due to movements in market interest rates. The Group and the Bank uses interest rate swap to hedge against interest rate risk of specific identified fixed rate long-term as well as portfolio homogenous pools of loans, advances and financing. Included in the other operating income (Note 28) is the net gains and losses arising from fair value hedges for the financial year as follows:

	Group		Bank	
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Gain on hedging instruments	**38,418**	4,752	**6,396**	387
Loss on hedged items attributable to the hedged risk	**(37,726)**	(3,278)	**(4,912)**	(121)
	692	1,474	**1,484**	266

10 STATUTORY DEPOSITS

		Group	Group	Bank	Bank
			Restated		
	Note	31.12.2013	31.12.2012	31.12.2013	31.12.2012
		RM'000	RM'000	RM'000	RM'000
Statutory deposits with BNM	(a)	**3,674,790**	3,372,325	**2,884,790**	2,699,570
Statutory deposits with the Monetary Authority of Singapore	(b)	**211,716**	204,410	**211,716**	204,410
Statutory deposits with the Ministry of Finance, Negara Brunei Darussalam	(c)	**13,717**	12,529	**13,717**	12,529
Statutory deposits with the Labuan Offshore Financial Services Authority ('LOFSA')	(d)	**100**	100	**-**	-
Statutory deposit and reserve deposit with National Bank of Cambodia ('NBC')	(e)	**54,496**	47,841	**-**	-
		3,954,819	3,637,205	**3,110,223**	2,916,509

(a) Non-interest bearing statutory deposits maintained with BNM in compliance with Section 26 (2)(c) of the Central Bank of Malaysia Act, 2011.

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

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

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

(e) Included in the statutory deposits and reserve deposit with NBC are:

(i) Interest bearing statutory deposits of RM17.0 million (2012: RM15.9 million) maintained with NBC in compliance with NBC's Prakas B7-01-136 dated 15 October 2001 as capital guarantee. This deposit bears interest at 0.18% per annum, and is not available for use in day-to-day operations but it is refundable when RHB Indochina Bank Limited ('RHB Indochina Bank') (formally known as OSK Indochina Bank Limited) voluntarily ceases to operate its banking business in Cambodia.

(ii) Non-interest bearing deposit of RM37.5 million (2012: RM31.9 million) maintained with NBC as reserve requirements, computed at 8.0% and 12.5% (2012: 8.0% and 12.5%) of customer deposits in Cambodian Riel (KHR) and in foreign currencies, respectively.

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

11 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group	Group	Bank	Bank
	31.12.2013	31.12.2012	31.12.2013	31.12.2012
	RM'000	RM'000	RM'000	RM'000
Deferred tax assets	**12,160**	8,455	**-**	-
Deferred tax liabilities	**(35,376)**	(50,907)	**(35,372)**	(50,903)
	(23,216)	(42,452)	**(35,372)**	(50,903)
Deferred tax assets:				
- settled more than 12 months	**10,001**	7,616	**88**	88
- settled within 12 months	**81,541**	75,781	**74,159**	69,530
Deferred tax liabilities:				
- settled more than 12 months	**(79,414)**	(99,011)	**(79,410)**	(94,499)
- settled within 12 months	**(35,344)**	(26,838)	**(30,209)**	(26,022)
	(23,216)	(42,452)	**(35,372)**	(50,903)

11 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Group	Note	Property, plant and equipment and other intangible assets	Financial investments AFS	Tax losses	Loans, advances and financing	Other liabilities	Other temporay differences	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2013								
Balance as at the beginning of the financial year		**(51,953)**	**(73,889)**	**-**	**7,525**	**75,781**	**84**	**(42,452)**
Transfer (to)/from income statements	**34**	**(2,103)**	**-**	**-**	**(7,525)**	**5,251**	**14**	**(4,363)**
Transfer to equity		**-**	**23,618**	**-**	**-**	**-**	**-**	**23,618**
Exchange difference		**-**	**-**	**-**	**-**	**(19)**	**-**	**(19)**
Balance as at the end of the financial year		**(54,056)**	**(50,271)**	**-**	**-**	**81,013**	**98**	**(23,216)**
31.12.2012								
Balance as at the beginning of the financial year		(54,546)	(65,351)	15,947	(14,514)	63,777	10,140	(44,547)
Transfer from/(to) income statements	34	2,577	-	(16,170)	14,888	16,139	(7,024)	10,410
Reclassification		16	-	-	7,151	(4,135)	(3,032)	-
Transfer to equity		-	(8,538)	-	-	-	-	(8,538)
Exchange difference		-	-	223	-	-	-	223
Balance as at the end of the financial year		(51,953)	(73,889)	-	7,525	75,781	84	(42,452)

11 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year comprise the followings (continued):

Bank	**Note**	**Property, plant and equipment and other intangible assets**	**Financial investments AFS**	**Tax losses**	**Loans, advances and financing**	**Other liabilities**	**Other temporay differences**	**Total**
		RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31.12.2013								
Balance as at the beginning of the financial year		**(47,876)**	**(72,645)**	**-**	**-**	**69,529**	**89**	**(50,903)**
Transfer (to)/from income statements	**34**	**(1,704)**	**-**	**-**	**-**	**4,649**	**-**	**2,945**
Transfer to equity		**-**	**12,605**	**-**	**-**	**-**	**-**	**12,605**
Exchange difference		**-**	**-**	**-**	**-**	**(19)**	**-**	**(19)**
Balance as at the end of the financial year		**(49,580)**	**(60,040)**	**-**	**-**	**74,159**	**89**	**(35,372)**
31.12.2012								
Balance as at the beginning of the financial year		(50,351)	(62,986)	15,947	(19,732)	55,982	5,299	(55,841)
Transfer from/(to) income statements	34	2,475	-	(16,170)	19,732	13,547	(5,210)	14,374
Transfer to equity		-	(9,659)	-	-	-	-	(9,659)
Exchange difference		-	-	223	-	-	-	223
Balance as at the end of the financial year		(47,876)	(72,645)	-	-	69,529	89	(50,903)

11 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

		Group
	31.12.2013	31.12.2012
	RM'000	RM'000
Unabsorbed tax losses carried forward	**735,124**	735,124

12 INVESTMENT IN SUBSIDIARIES

		Bank
	31.12.2013	31.12.2012
	RM'000	RM'000
Unquoted shares, at cost:		
- in Malaysia	**1,460,909**	1,260,909
- outside Malaysia	**280,149**	12,807
	1,741,058	1,273,716
Less: Accumulated impairment losses	**(744)**	(744)
	1,740,314	1,272,972

12 INVESTMENT IN SUBSIDIARIES (CONTINUED)

The following are the subsidiaries of the Bank:

Name of companies	Paid-up capital	Effective interest 2013 %	Effective interest 2012 %	Principal activities
RHB Bank (L) Ltd.^^	US$54,000,000	**100**	100	Offshore banking
- RHB International Trust (L) Ltd.	US$40,000	**100**	100	Offshore trust company
- RHB Corporate Services Sdn. Bhd.	RM150,000	**100**	100	Corporate secretarial services
RHB Islamic Bank Berhad@	RM1,173,424,002	**100**	100	Islamic Banking
RHB Indochina Bank Limited^ (formerly known as OSK Indochina Bank Limited)	US$52,000,000	**100**	100	Commercial banking
- RHB OSK Indochina Securities Limited^ (formerly known as OSK Indochina Securities Limited)	US$11,500,000	**100**	100	Securities underwriting, dealing, brokerage and investment advisory service
RHB Capital Nominees (Tempatan) Sdn. Bhd.	RM10,000	**100**	100	Nominee services for Malaysian beneficial shareholders
- RHB Capital Nominees (Asing) Sdn. Bhd.	RM10,000	**100**	100	Nominee services for foreign beneficial shareholders
UMBC Sdn. Bhd.	RM499,999,818	**100**	100	Dormant company
RHB Delta Sdn. Bhd.+	RM175,000,000	**100**	100	Dormant company
RHB Leasing Sdn. Bhd.	RM10,000,000	**100**	100	Leasing
RHB Capital Properties Sdn. Bhd.	RM21,800,000	**100**	100	Property investment
Utama Gilang Sdn. Bhd.+	RM800,000,000	**100**	100	Dormant company
Utama Assets Sdn. Bhd.	RM2,300,000	**100**	100	Property investment
RHB Investment Ltd.*	S$19,000,000	**100**	100	Property investment and rental
Banfora Pte. Ltd.*	S$25,000,000	**100**	100	Property investment and rental
RHB Bank Nominees Pte. Ltd.*	S$100,000	**100**	100	Nominee services
RHB Trade Services Limited#	HK$2.00	**100**	100	Processing of letters of credit reissuance favouring Hong Kong beneficiaries

* Subsidiaries audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia.

Subsidiary audited by a firm other than member firms of PricewaterhouseCoopers International Limited.

@ During the year, the Bank increased its investment in RHB Islamic Bank Berhad from RM973,424,000 to RM1,173,424,000.

+ The Company has commenced member's voluntary winding-up on 16 February 2011.

^ The Company has become a wholly-owned subsidiary of RHB Bank with effect on 9 April 2013. Refer to Note 46 for details.

^^ On 30 December 2013, the transfer of OSK Investment Bank (Labuan) Limited's ('OSKL'), assets and liabilities to RHB Bank (L) Ltd. has been completed.

All of the subsidiaries are incorporated in Malaysia except for the followings:
(a) RHB Investment Ltd., Banfora Pte. Ltd. and RHB Bank Nominees Pte. Ltd. which are incorporated in Singapore.
(b) RHB Trade Services Limited which is incorporated in Hong Kong.
(c) RHB Indochina Bank Limited and RHB Indochina Securities Limited which are incorporated in Cambodia.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENT

Group		**Leasehold land**				**Office equipment**			
31.12.2013	**Freehold land**	**Less than 50 years**	**50 years or more**	**Buildings**	**Renovations**	**and furniture**	**Computer equipment**	**Motor vehicles**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Cost									
Balance as at the beginning of the financial year	76,954	1,426	127,293	245,899	334,087	228,606	445,194	11,494	1,470,953
Additions	-	-	-	-	27,480	5,709	26,764	493	60,446
Disposals/Written off	-	-	-	-	(8)	(1,863)	(21,273)	-	(23,144)
Reclassifications	-	-	-	-	(7,391)	7,388	13,432	-	13,429
Exchange difference	57	-	3,675	1,968	1,347	1,017	552	103	8,719
Balance as at the end of the financial year	77,011	1,426	130,968	247,867	355,515	240,857	464,669	12,090	1,530,403
Less: Accumulated depreciation									
Balance as at the beginning of the financial year	-	749	6,174	69,528	168,966	199,153	338,870	9,413	792,853
Charge for the financial year	-	35	461	4,894	23,316	13,915	39,212	685	82,518
Disposals/Written off	-	-	-	-	(2)	(1,679)	(21,143)	-	(22,824)
Reclassifications	-	-	-	-	-	(2)	5,929	-	5,927
Exchange difference	-	-	36	637	690	680	429	80	2,552
Balance as at the end of the financial year	-	784	6,671	75,059	192,970	212,067	363,297	10,178	861,026
Less: Accumulated impairment loss									
Balance as at the beginning of the financial year	-	-	-	2,985	-	-	-	-	2,985
Written back	-	-	-	(381)	-	-	-	-	(381)
Exchange difference	-	-	-	37	-	-	-	-	37
Balance as at the end of the financial year	-	-	-	2,641	-	-	-	-	2,641
Net book value as at the end of the financial year	77,011	642	124,297	170,167	162,545	28,790	101,372	1,912	666,736

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group Restated 31.12.2012	Note	Freehold land	Leasehold land Less than 50 years	Leasehold land 50 years or more	Buildings	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost										
Balance as at the beginning of the financial year		82,020	1,426	124,657	249,309	307,650	206,695	412,745	10,058	1,394,560
Amount arising from acquisition of subsidiaries:										
- effects of predecessor accounting	46	-	-	-	-	9,061	6,190	2,239	699	18,189
Additions		-	-	-	-	32,578	4,363	33,745	820	71,506
Disposals/Written off		(5,107)	-	-	(4,747)	(2,115)	(2,354)	(5,259)	(108)	(19,690)
Reclassifications		-	-	-	-	(13,418)	13,418	1,426	-	1,426
Exchange difference		41	-	2,636	1,337	331	294	298	25	4,962
Balance as at the end of the financial year		76,954	1,426	127,293	245,899	334,087	228,606	445,194	11,494	1,470,953
Less: Accumulated depreciation										
Balance as at the beginning of the financial year		-	714	5,696	65,184	143,806	184,186	307,368	8,633	715,587
Amount arising from acquisition of subsidiaries:										
- effects of predecessor accounting	46	-	-	-	-	2,325	2,225	1,011	266	5,827
Charge for the financial year		-	35	458	4,920	24,179	14,831	35,473	595	80,491
Disposals/Written off		-	-	-	(984)	(1,565)	(2,347)	(5,254)	(108)	(10,258)
Exchange difference		-	-	20	408	221	258	272	27	1,206
Balance as at the end of the financial year		-	749	6,174	69,528	168,966	199,153	338,870	9,413	792,853
Less: Accumulated impairment loss										
Balance as at the beginning of the financial year		-	-	-	2,984	-	-	-	-	2,984
Exchange difference		-	-	-	1	-	-	-	-	1
Balance as at the end of the financial year		-	-	-	2,985	-	-	-	-	2,985
Net book value as at the end of the financial year		76,954	677	121,119	173,386	165,121	29,453	106,324	2,081	675,115

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank 31.12.2013	Freehold land	Leasehold land Less than 50 years	Leasehold land 50 years or more	Buildings	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost									
Balance as at the beginning of the financial year	76,009	879	19,989	200,157	304,312	212,045	438,797	8,644	1,260,832
Additions	-	-	-	-	25,411	5,413	24,198	-	55,022
Disposals/Written off	-	-	-	-	(8)	(1,512)	(20,867)	-	(22,387)
Net transfer from a subsidiary company	-	-	-	-	-	-	39	-	39
Reclassifications	-	-	-	-	(5,405)	5,405	6,187	-	6,187
Exchange difference	53	-	-	837	720	344	402	46	2,402
Balance as at the end of the financial year	76,062	879	19,989	200,994	325,030	221,695	448,756	8,690	1,302,095
Less: Accumulated depreciation									
Balance as at the beginning of the financial year	-	495	3,711	61,854	159,365	188,090	333,749	7,442	754,706
Charge for the financial year	-	24	234	4,479	20,799	11,765	37,602	341	75,244
Disposals/Written off	-	-	-	-	(2)	(1,509)	(20,743)	-	(22,254)
Net transfer from a subsidiary company	-	-	-	-	-	-	23	-	23
Exchange difference	-	-	-	463	390	321	341	46	1,561
Balance as at the end of the financial year	-	519	3,945	66,796	180,552	198,667	350,972	7,829	809,280
Less: Accumulated impairment loss									
Balance as at the beginning/end of the financial year	-	-	-	351	-	-	-	-	351
Net book value as at the end of the financial year	76,062	360	16,044	133,847	144,478	23,028	97,784	861	492,464

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank 31.12.2012	Freehold land	Leasehold land Less than 50 years	Leasehold land 50 years or more	Buildings	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost									
Balance as at the beginning of the financial year	81,078	879	19,989	204,305	290,334	197,554	409,931	8,099	1,212,169
Additions	-	-	-	-	29,183	3,180	32,299	620	65,282
Disposals/Written off	(5,107)	-	-	(4,747)	(2,115)	(2,348)	(5,206)	(105)	(19,628)
Net transfer from a subsidiary company	-	-	-	-	-	-	33	-	33
Reclassifications	-	-	-	-	(13,418)	13,418	1,426	-	1,426
Exchange difference	38	-	-	599	328	241	314	30	1,550
Balance as at the end of the financial year	76,009	879	19,989	200,157	304,312	212,045	438,797	8,644	1,260,832
Less: Accumulated depreciation									
Balance as at the beginning of the financial year	-	471	3,476	58,011	138,999	177,571	304,684	7,157	690,369
Charge for the financial year	-	24	235	4,510	21,679	12,638	33,957	359	73,402
Disposals/Written off	-	-	-	(983)	(1,565)	(2,345)	(5,206)	(104)	(10,203)
Net transfer from a subsidiary company	-	-	-	-	-	-	27	-	27
Exchange difference	-	-	-	316	252	226	287	30	1,111
Balance as at the end of the financial year	-	495	3,711	61,854	159,365	188,090	333,749	7,442	754,706
Less: Accumulated impairment loss									
Balance as at the beginning/end of the financial year	-	-	-	351	-	-	-	-	351
Net book value as at the end of the financial year	76,009	384	16,278	137,952	144,947	23,955	105,048	1,202	505,775

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group 31.12.2013 RM'000	Group Restated 31.12.2012 RM'000	Bank 31.12.2013 RM'000	Bank 31.12.2012 RM'000
Accumulated depreciation and impairment loss				
Balances as at the beginning of the financial year	**795,838**	718,571	**755,057**	690,720
Balances as at the end of the financial year	**863,667**	795,838	**809,631**	755,057

The above property, plant and equipment includes the following assets under construction/progress:

	Group 31.12.2013 RM'000	Group Restated 31.12.2012 RM'000	Bank 31.12.2013 RM'000	Bank 31.12.2012 RM'000
Cost				
Renovations	**9,765**	13,028	**8,439**	5,224

14 GOODWILL AND OTHER INTANGIBLE ASSETS

	Note	Group 31.12.2013 RM'000	Group Restated 31.12.2012 RM'000	Bank 31.12.2013 RM'000	Bank 31.12.2012 RM'000
Goodwill on consolidation:	(a)				
Balance as at the beginning of the financial year		**1,120,318**	1,004,017	**905,519**	905,519
Amount arising from acquisition of subsidiaries:					
- effects of predecessor accounting	46	**-**	116,301	**-**	-
Balance as at end of the financial year		**1,120,318**	1,120,318	**905,519**	905,519
Other intangible assets:					
Computer software license	(b)	**146,824**	121,496	**134,725**	112,203
		1,267,142	1,241,814	**1,040,244**	1,017,722

(a) The carrying amount of goodwill allocated to the Group's and the Bank's cash-generating units ('CGUs') are as follows:

	Group 31.12.2013 RM'000	Group Restated 31.12.2012 RM'000	Bank 31.12.2013 RM'000	Bank 31.12.2012 RM'000
CGUs				
Corporate banking	**200,859**	200,859	**182,461**	182,461
Retail banking	**307,919**	307,919	**292,837**	292,837
Business banking	**174,777**	174,777	**174,777**	174,777
Treasury and money market	**268,600**	268,600	**255,444**	255,444
Islamic banking business	**51,862**	51,862	**-**	-
RHB Indochina Bank Limited	**116,301**	116,301	**-**	-
	1,120,318	1,120,318	**905,519**	**905,519**

14 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill on consolidation (continued)

The recoverable amount of a CGU is determined based on value-in-use calculations. These calculations use pre-tax cash flows projections based on financial budgets or forecasts approved by directors covering a four-year (2011: four-year) period. Cash flows beyond the four-year period are extrapolated using the estimated growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The cash flows projections are derived based on a number of key factors including the past performance and the management's expectations of the market developments.

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

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

		Discount rate		**Growth rate**
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	%	%	%	%
CGUs				
Corporate banking	**7.8**	8.8	**3.0**	3.0
Retail banking	**7.8**	8.8	**3.0**	3.0
Business banking	**7.8**	8.8	**3.0**	3.0
Treasury and money market	**7.8**	8.8	**3.0**	3.0
Islamic banking business	**7.8**	8.8	**3.0**	3.0
RHB Indochina Bank Limited	**16.1**	-	**7.0**	-

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

(b) Computer software license

			Group		**Bank**
			Restated		
	Note	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012
		RM'000	RM'000	**RM'000**	RM'000
Cost					
Balance as at the beginning of the financial year		**626,247**	586,025	**576,517**	539,448
Amount arising from acquisition of subsidiaries:					
- effects of predecessor accounting	46	**-**	2,491	**-**	-
Additions		**66,866**	38,741	**61,863**	38,040
Disposals/Written off		**(3,524)**	(2)	**(3,524)**	(2)
Reclassifications		**(13,462)**	(1,426)	**(6,187)**	(1,426)
Exchange difference		**974**	418	**653**	457
Balance as at the end of the financial year		**677,101**	626,247	**629,322**	576,517
Less: Accumulated amortisation					
Balance as at the beginning of the financial year		**479,806**	449,204	**464,314**	435,330
Amount arising from acquisition of subsidiaries:					
- effects of predecessor accounting	46	**-**	1,265	**-**	-
Charge for the financial year		**34,240**	29,011	**33,218**	28,629
Disposals/Written off		**(3,524)**	(2)	**(3,524)**	(2)
Reclassifications		**(5,960)**	-	**-**	-
Exchange difference		**770**	328	**589**	357
Balance as at the end of the financial year		**505,332**	479,806	**494,597**	464,314
Less: Accumulated impairment loss					
Balance as at the beginning/end of the financial year		**24,945**	24,945	**-**	-
Net book value as at the end of the financial year		**146,824**	121,496	**134,725**	112,203

15 DEPOSITS FROM CUSTOMERS

	Group		Bank	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
i) By type of deposits				
Demand deposits	**24,679,473**	22,602,525	**21,926,084**	20,184,299
Savings deposits	**7,532,754**	6,932,789	**6,560,214**	6,129,019
Fixed/investment deposits	**103,394,512**	101,997,647	**83,300,020**	85,235,327
Negotiable instruments of deposits	**8,398**	8,960	**8,398**	8,960
	135,615,137	131,541,921	**111,794,716**	111,557,605
ii) By type of customer				
Government and statutory bodies	**11,450,071**	14,145,334	**6,296,863**	8,269,422
Business enterprises	**81,264,703**	79,996,951	**65,658,605**	69,153,868
Individuals	**38,339,984**	32,667,496	**35,694,868**	31,077,414
Others	**4,560,379**	4,732,140	**4,144,380**	3,056,901
	135,615,137	131,541,921	**111,794,716**	111,557,605

iii) By maturity structure of the fixed/investment deposits and negotiable instrument of deposits

	Group		Bank	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Due within six months	**90,768,874**	84,560,794	**72,350,607**	69,925,495
Six months to one year	**12,172,795**	16,570,816	**10,515,667**	14,588,041
One year to three years	**432,270**	837,740	**422,099**	705,991
Three years to five years	**28,971**	37,257	**20,045**	24,760
	103,402,910	102,006,607	**83,308,418**	85,244,287

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Licensed banks	**10,201,228**	7,484,326	**9,516,893**	6,757,069
Islamic banks	**609,614**	1,083,534	**-**	-
Licensed investments banks	**253,063**	1,859,718	**253,063**	1,859,718
Bank Negara Malaysia	**800,698**	842,592	**800,094**	841,967
Others	**614,560**	735,399	**574**	574
	12,479,163	12,005,569	**10,570,624**	9,459,328

17 OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

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

The financial assets sold under repurchase agreement are as follows:

		Group and Bank
	31.12.2013	31.12.2012
	RM'000	RM'000
Financial investments held-to-maturity	**165,098**	-

18 OTHER LIABILITIES

			Group		**Bank**
			Restated		
	Note	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012
		RM'000	RM'000	**RM'000**	RM'000
Amount due to holding company	(i)	**21,699**	99	**-**	-
Amounts due to subsidiaries	(i)	**-**	-	**25,331**	26,025
Amounts due to related companies	(i)	**6,365**	295,339	**5,940**	5,996
Amount due to Danaharta	(ii)	**1,864**	1,827	**1,864**	1,827
Prepaid instalments		**73,852**	77,984	**73,852**	77,984
Lessee deposits		**29,774**	30,689	**-**	-
Accrual for operational expenses		**163,224**	160,820	**143,997**	150,418
Short term employee benefits		**177,566**	157,127	**163,459**	144,499
Other creditors and accruals		**496,384**	526,482	**356,031**	368,954
		970,728	1,250,367	**770,474**	775,703

(i) Amounts due to holding company, subsidiaries and related companies are unsecured, interest free and repayable within the normal credit period.

(ii) Amount due to Danaharta mainly comprises collections in respect of ex-Sime Bank's overseas branches non-performing loans sold to Danaharta which is managed by the overseas branches.

19 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD

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

20 BORROWINGS

	Group		Bank	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Unsecured:				
Term loans	**571,049**	632,778	**571,049**	632,778
Revolving credits	**-**	76,756	**-**	-
	571,049	709,534	**571,049**	632,778
Scheduled repayment of borrowings are as follows:				
Repayable within one year	**107,961**	178,207	**107,961**	101,451
One year to three years	**213,103**	198,770	**213,103**	198,770
Three years to five years	**180,317**	198,770	**180,317**	198,770
Over five years	**69,668**	133,787	**69,668**	133,787
	571,049	709,534	**571,049**	632,778

(a) Revolving credits

In 2012, the unsecured USD revolving credit facilities of the Group bears interest at rates ranging at 2.23% to 2.36% per annum.

(b) Term loans

On 7 April 2006, the Bank entered into an agreement with Japan Bank for International Cooperation ('JBIC'), to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 11 years. Disbursement of USD50 million and USD30 million was done on 29 June 2006 and 20 October 2006 respectively. Final disbursement of USD20 million was done on 31 January 2007. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing on 8 March 2008 until 8 September 2017 and bears a floating interest rate of British Bankers Association Interest Settlement Rate in USD (BBA LIBOR) plus 0.395% per annum. The average interest rate ranges from 0.78% to 1.13% (2012: 0.89% to 1.13%) per annum.

On 24 March 2008, the Bank entered into another agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 10 years. Disbursement of USD100 million was done on 30 May 2008. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing 8 September 2010 to 8 March 2020 and bears a floating interest rate of BBA LIBOR plus 0.315% per annum. The average interest rate ranges from 0.70% to 1.05% (2012: 0.81% to 1.05%) per annum.

On 28 May 2009, the Bank entered into the third agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 8 years. Disbursement of USD100 million was done on 28 July 2009. The said loan is repayable on 10 April and 10 October each year for 16 equal instalments commencing 10 October 2011 to 10 April 2019 and bears a floating interest rate of BBA LIBOR plus 0.80% per annum. The average interest rate ranges from 1.16% to 1.53% per annum (2012: 1.25% to 1.53%) per annum.

21 SUBORDINATED OBLIGATIONS

		Group and Bank	
	Note	**31.12.2013**	31.12.2012
		RM'000	RM'000
5.5% RM700 million Subordinated Notes 2007/2022	(i)	**703,481**	703,375
5.0% RM700 million Subordinated Notes 2010/2020	(ii)	**706,137**	706,137
5.6% RM300 million Subordinated Notes 2010/2025	(ii)	**302,946**	302,946
4.25% RM250 million Subordinated Notes 2011/2021	(iii)	**251,002**	250,741
4.30% RM750 million Subordinated Notes 2012/2022	(iv)	**754,171**	753,984
4.40% RM1,300 million Subordinated Notes 2012/2022	(iv)	**1,304,131**	1,303,736
		4,021,868	4,020,919

21 SUBORDINATED OBLIGATIONS (CONTINUED)

(i) On 30 November 2007, the Bank issued redeemable unsecured Subordinated Notes amounting to RM700 million in nominal value as follows:

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2007/2022	700	30 November 2022 (Callable with step-up on 2017)	5.5% per annum chargeable to 30 November 2017 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi-annually in arrears

The RM700 million Subordinated Notes constitute direct unsecured obligations of the Bank, subordinated in right and priority of payment, to the extent and in the manner provided for in the RM700 million Subordinated Notes, to all deposit liabilities and other liabilities of the Bank except all other present and future unsecured and subordinated obligations of the Bank which by their terms rank *pari passu* in right of and priority of payment with or subordinated to the RM700 million Subordinated Notes.

(ii) On 29 April 2010, the Bank issued RM1.0 billion nominal value of Subordinated Notes, being the remaining balance of the issuance of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme. The RM1.0 billion Subordinated Notes comprise:

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2010/2020	700	29 April 2020 (Callable with step-up on 2015)	5.0% per annum chargeable to 29 April 2015 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi-annually in arrears
2010/2025	300	29 April 2025 (Callable with step-up on 2020)	5.6% per annum chargeable to 29 April 2020 (but exclusive of payment date), thereafter on step-up coupon rate of 0.5% per annum	Accrued and payable semi-annually in arrears

21 SUBORDINATED OBLIGATIONS (CONTINUED)

(iii) On 31 October 2011, the Bank issued RM250 million nominal value of Subordinated Notes, being part of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Multi-Currency Medium Term Note Programme. The details of the RM250 million Subordinated Notes in nominal value are as follows:

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

(iv) On 7 May 2012 and 30 November 2012, the Bank issued RM750 million and RM1,300 million respectively nominal value of Subordinated Notes, being part of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Multi-Currency Medium Term Note Programme. The details of the RM750 million and RM1,300 million Subordinated Notes in nominal value are as follows:

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

22 HYBRID TIER-I CAPITAL SECURITIES

	Note	Group and Bank 31.12.2013 RM'000	Group and Bank 31.12.2012 RM'000
RM370 million Hybrid Tier-I Capital Securities due in 2039, callable with step-up in 2019	(i)	**375,577**	375,448
RM230 million Hybrid Tier-I Capital Securities due in 2039, callable with step-up in 2019	(ii)	**230,638**	230,638
		606,215	606,086

(i) On 31 March 2009, the Bank completed the first issuance of RM370 million nominal value of Hybrid Tier-I Capital Securities ('HT-I Capital Securities') out of its RM600 million Hybrid Tier-I Capital Securities Programme. The RM370 million HT-I Capital Securities will mature in 2039 and is callable with step-up in 2019. The HT-I Capital Securities bear interest at the rate of 8.0% per annum commencing from the first issue date and thereafter at a stepped up rate of 9.0% per annum from 2019 if not called. The interest is payable semi-annually in arrears.

(ii) On 17 December 2009, the Bank issued the remaining RM230 million nominal value of HT-I Capital Securities which will mature in 2039 and is callable with step-up in 2019. The second issuance of HT-I Capital Securities bear interest at the rate of 6.75% per annum commencing from the first issue date and thereafter at a stepped up rate of 7.75% per annum from 2019 if not called. The interest is payable semi-annually in arrears.

23 SENIOR DEBT SECURITIES

		Group and Bank	
	Note	**31.12.2013**	31.12.2012
		RM'000	RM'000
USD300 million Senior Notes due in 2017	(i)	**982,867**	915,245
USD200 million Senior Notes due in 2017	(ii)	**664,767**	621,429
		1,647,634	1,536,674

(i) On 11 May 2012, the Bank completed the first issuance of USD500 million nominal value under Euro Medium Term Notes Programme. The USD300 million Senior Notes will mature in 2017. The Senior Notes bear interest rate of 3.25% per annum commencing from the first issue date.

(ii) On 28 September 2012, the Bank issued the remaining USD200 million nominal value of Senior Notes which will mature in 2017. The second issuance of Senior Notes bear interest rate of 3.25% per annum commencing from May 2012 which follow the date of the first issuance of Senior Notes. The interest is payable semi-annually in arrears.

24 SHARE CAPITAL

	Number of shares		Nominal value	
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	'000	'000	**RM'000**	RM'000
<u>Group and Bank</u>				
Authorised:				
Balance as at the beginning/end of the financial year				
- Ordinary shares of 50 sen each	**8,000,000**	8,000,000	**4,000,000**	4,000,000
- Preference shares of RM1.00 each	**2,000,000**	2,000,000	**2,000,000**	2,000,000
	10,000,000	10,000,000	**6,000,000**	6,000,000
Issued and fully paid:				
Balance as at the beginning/end of the financial year				
- Ordinary shares of 50 sen each	**6,636,170**	6,636,170	**3,318,085**	3,318,085

25 RESERVES

		Group		Bank	
			Restated		
	Note	31.12.2013	31.12.2012	31.12.2013	31.12.2012
		RM'000	RM'000	RM'000	RM'000
Retained profits	(i)	**5,995,662**	4,722,899	**5,035,720**	3,921,038
Share premium		**8,563**	8,563	**8,563**	8,563
Statutory reserves	(ii)	**3,919,746**	3,836,496	**3,478,138**	3,478,138
Available-for-sale reserves	(iii)	**150,571**	220,996	**180,119**	217,933
Translation reserves	(iv)	**19,469**	(69,739)	**55,541**	12,023
		10,094,011	8,719,215	**8,758,081**	7,637,695

(i) Pursuant to the Finance Act, 2007 which was gazetted on 28 November 2007, dividends paid, credited or distributed to shareholders are not tax deductible by the Bank, but are exempted from tax to the shareholders ('single tier system'). During the financial year 2012, the Bank has fully utilised the credit in the Section 108 balance via distribution of dividends to its shareholders as allowed in the transitional provision under the Finance Act, 2007. As at 31 December 2013, the Bank has sufficient tax exempt account balances to pay tax exempt dividends out of its retained earnings.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax exempt income of RM1,804,047,508 under Section 12 of the Income Tax (Amendment) Act 1999 to pay dividends out of its entire retained profits as at 31 December 2013.

(ii) The statutory reserves are maintained in compliance with Section 47(2)(f) of Financial Services Act 2013 of RM3,478,138,000 (31.12.2012: RM3,478,138,000), Section 57(2)(f) of Islamic Financial Services Act 2013 of RM441,608,000 (31.12.2012: RM358,358,000), and Section 18 of the Singapore Finance Companies (Amendment) Act 1994, and are not distributable as cash dividends.

(iii) Available-for-sale reserves arise from a change in the fair value of financial investments classified as available-for-sale. The unrealised gains or losses are transferred to the income statements upon disposal, derecognition or impairment of such securities.

(iv) Translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations and subsidiaries.

26 INTEREST INCOME

	Group		Bank	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Loans, advances and financing	**5,263,870**	4,835,426	**5,135,435**	4,767,135
Money at call and deposit placements with banks and other financial institutions	**265,067**	404,627	**376,417**	442,827
Securities purchased under resale agreements	**617**	401	**617**	401
Financial assets held-for-trading	**11,342**	15,559	**11,342**	15,559
Financial investments available-for-sale	**319,649**	237,188	**316,088**	235,402
Financial investments held-to-maturity	**625,133**	499,646	**618,753**	494,993
Others	**920**	646	**920**	646
	6,486,598	5,993,493	**6,459,572**	5,956,963
Of which:				
Interest income accrued on impaired financial assets	**154,129**	169,835	**137,158**	148,120

27 INTEREST EXPENSE

	Group		Bank	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Deposits and placements of banks and other financial institutions	**155,894**	174,355	**150,840**	174,352
Deposits from customers	**2,703,699**	2,390,509	**2,680,774**	2,376,715
Subordinated obligations	**191,062**	187,245	**191,062**	187,245
Recourse obligation on loans sold to Cagamas	**43,130**	54,083	**43,130**	54,083
Hybrid Tier-I Capital Securities	**45,416**	45,518	**45,416**	45,518
Senior Debt Securities	**51,315**	24,963	**51,315**	24,963
Borrowings	**8,119**	8,615	**6,066**	8,362
Others	**53,562**	46,821	**53,562**	46,821
	3,252,197	2,932,109	**3,222,165**	2,918,059

28 OTHER OPERATING INCOME

	Group 31.12.2013 RM'000	Group Restated 31.12.2012 RM'000	Bank 31.12.2013 RM'000	Bank 31.12.2012 RM'000
Fee income:				
Commission	**160,232**	124,616	**155,007**	122,851
Service charges and fees	**269,916**	215,727	**267,296**	208,973
Guarantee fees	**48,708**	47,608	**48,708**	47,608
Commitment fees	**48,897**	46,187	**45,539**	45,847
Underwriting fees	**463**	1,211	**463**	1,211
Other fees	**17,291**	16,928	**17,489**	17,134
	545,507	452,277	**534,502**	443,624
Net gain arising from financial assets held-for-trading	**29,601**	44,884	**29,601**	44,884
Net (loss)/gain on revaluation of derivatives	**(1,803)**	7,096	**7,213**	5,960
Net gain on fair value hedges (Note 9)	**692**	1,474	**1,484**	266
Net gain arising from financial investments available-for-sale:				
- net gain on disposal	**85,285**	51,755	**83,318**	51,755
- gross dividends income	**6,137**	5,527	**6,137**	5,525
	91,422	57,282	**89,455**	57,280
Net gain arising from financial investment held-to-maturity:				
- net gain on early redemption	**10,566**	1,823	**10,566**	1,823
Gross dividend income from a subsidiary	**-**	-	**-**	9,363
Other income:				
Net foreign exchange gain/(loss):				
- realised	**203,206**	317,636	**204,014**	316,609
- unrealised	**97,479**	(12,741)	**97,479**	(12,741)
Gain on disposal of property, plant and equipment	**130**	997	**130**	997
Other operating income	**65,078**	69,305	**61,844**	62,625
Other non-operating income	**7,005**	5,570	**4,497**	2,193
	372,898	380,767	**367,964**	369,683
	1,048,883	945,603	**1,040,785**	932,883

29 NET INCOME FROM ISLAMIC BANKING BUSINESS

		Group
	31.12.2013	31.12.2012
	RM'000	RM'000
Income derived from investment of depositors' funds	**1,100,857**	1,046,357
Income derived from investment of shareholder's funds	**118,857**	81,764
Transfer from Profit Equalisation Reserve	**-**	7,252
Total distributable income	**1,219,714**	1,135,373
Income attributable to depositors	**(633,226)**	(648,202)
Income from Islamic Banking Business	**586,488**	487,171
Of which:		
Financing income earned on impaired financing and advances	**16,971**	21,715

30 OTHER OPERATING EXPENSES

	Group		Bank	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Personnel costs				
Salaries, allowances and bonuses	**995,748**	904,839	**902,374**	830,880
Contributions to Employees' Provident Fund	**154,558**	137,259	**138,483**	125,459
Other staff related costs	**91,663**	100,944	**85,525**	91,272
	1,241,969	1,143,042	**1,126,382**	1,047,611
Establishment costs				
Property, plant and equipment:				
- Depreciation	**82,518**	80,491	**75,244**	73,402
- Written off	**21**	2	**21**	2
Amortisation of computer software license	**34,240**	29,011	**33,218**	28,629
Rental of premises	**114,706**	105,381	**109,482**	102,075
Rental of equipment	**5,147**	5,831	**5,060**	5,576
Insurance	**23,612**	16,471	**20,624**	15,621
Water and electricity	**24,435**	23,029	**21,716**	20,941
Repair and maintenance	**25,139**	20,083	**21,513**	19,802
Security and escorting expenses	**52,035**	47,936	**47,298**	44,502
Information technology expenses	**121,478**	114,165	**110,531**	105,223
Others	**1,123**	3,143	**-**	-
	484,454	445,543	**444,707**	415,773
Marketing expenses				
Sales commission	**47,394**	35,011	**35,423**	27,321
Advertisement and publicity	**84,111**	79,791	**74,501**	73,312
Others	**63,117**	59,361	**57,341**	55,866
	194,622	174,163	**167,265**	156,499
Administration and general expenses				
Communication expenses	**103,718**	92,891	**93,442**	85,443
Auditors' remuneration (Note (i))	**4,440**	3,534	**3,687**	2,999
Legal and professional fee	**17,012**	23,018	**12,674**	21,120
Others	**74,240**	72,521	**22,908**	27,839
	199,410	191,964	**132,711**	137,401
	2,120,455	1,954,712	**1,871,065**	1,757,284

Included in the personnel costs of the Managing Directors' remuneration (excluding benefits-in-kind) totalling RM2,461,000 (2012: RM1,114,000) for the Group and the Bank, as disclosed in Note 31.

Included in administration and general expenses of the Group and the Bank are other directors' remuneration (excluding benefits-in-kind) totalling RM1,968,000 (2012: RM1,242,000) and RM1,797,000 (2012: RM1,108,000) respectively, as disclosed in Note 31.

30 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Bank	
	31.12.2013	Restated 31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
(i) Auditors' remuneration				
(a) Audit				
Statutory audit:				
- Malaysia	**1,550**	1,668	**1,273**	1,317
- Overseas	**882**	614	**737**	548
Limited review	**355**	350	**300**	300
Other audit related	**470**	165	**290**	110
	3,257	2,797	**2,600**	2,275
(b) Non-audit:				
- Malaysia	**1,183**	727	**1,087**	714
- Overseas	**-**	10	**-**	10
	1,183	737	**1,087**	724
	4,440	3,534	**3,687**	2,999

31 DIRECTORS' REMUNERATION

The remuneration of the Managing Director and Directors of the Group are as follows:

Group	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
31.12.2013				
Managing Director				
Dato' Khairussaleh Ramli (appointed on 13 December 2013)	**101**	**-**	**-**	**101**
Johari Abdul Muid (resigned on 18 July 2013)	**1,160**	**131**	**1,200**	**2,491**
	1,261	**131**	**1,200**	**2,592**
31.12.2012				
Johari Abdul Muid	1,114	35	-	1,149
	1,114	35	-	1,149

31 DIRECTORS' REMUNERATION (CONTINUED)

Group	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others* RM'000	Total RM'000
31.12.2013				
Non-executive Directors				
Tan Sri Azlan Zainol (Chairman)	**180**	**31**	**17**	**228**
Tuan Haji Khairuddin Ahmad	**171**	**-**	**138**	**309**
Ong Seng Pheow	**150**	**-**	**82**	**232**
Choong Tuck Oon	**200**	**-**	**136**	**336**
Dato' Mohd Ali Mohd Tahir	**180**	**-**	**90**	**270**
Abdul Aziz Peru Mohamed	**150**	**-**	**69**	**219**
Dato' Mohamed Khadar Merican	**150**	**-**	**84**	**234**
Tan Sri Ong Leong Huat @ Woong Joo Hwa	**150**	**-**	**21**	**171**
	1,331	**31**	**637**	**1,999**
31.12.2012				
Tan Sri Azlan Zainol (Chairman)	120	31	-	151
Tuan Haji Khairuddin Ahmad	112	-	107	219
Ong Seng Pheow	100	-	58	158
Choong Tuck Oon	123	-	102	225
Dato' Mohd Ali Mohd Tahir	110	-	73	183
Abdul Aziz Peru Mohamed	100	-	55	155
Dato' Mohamed Khadar Merican	100	-	68	168
Tan Sri Ong Leong Huat @ Woong Joo Hwa	11	-	3	14
	776	31	466	1,273

* Others comprise of committee members' allowance and attending allowance.

The remuneration of the Managing Director and Directors of the Bank are as follows:

Bank	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
31.12.2013				
Managing Director				
Dato' Khairussaleh Ramli (appointed on 13 December 2013)	**101**	**-**	**-**	**101**
Johari Abdul Muid (resigned on 18 July 2013)	**1,160**	**131**	**1,200**	**2,491**
	1,261	**131**	**1,200**	**2,592**
31.12.2012				
Johari Abdul Muid	1,114	35	-	1,149
	1,114	35	-	1,149

31 DIRECTORS' REMUNERATION (CONTINUED)

Bank	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others* RM'000	Total RM'000
31.12.2013				
Non-executive Directors				
Tan Sri Azlan Zainol (Chairman)	**180**	**31**	**17**	**228**
Tuan Haji Khairuddin Ahmad	**150**	**-**	**121**	**271**
Ong Seng Pheow	**150**	**-**	**82**	**232**
Choong Tuck Oon	**150**	**-**	**104**	**254**
Dato' Mohd Ali Mohd Tahir	**150**	**-**	**69**	**219**
Abdul Aziz Peru Mohamed	**150**	**-**	**69**	**219**
Dato' Mohamed Khadar Merican	**150**	**-**	**84**	**234**
Tan Sri Ong Leong Huat @ Woong Joo Hwa	**150**	**-**	**21**	**171**
	1,230	**31**	**567**	**1,828**
31.12.2012				
Tan Sri Azlan Zainol (Chairman)	120	31	-	151
Tuan Haji Khairuddin Ahmad	100	-	70	170
Ong Seng Pheow	100	-	58	158
Choong Tuck Oon	100	-	73	173
Dato' Mohd Ali Mohd Tahir	100	-	50	150
Abdul Aziz Peru Mohamed	100	-	55	155
Dato' Mohamed Khadar Merican	100	-	68	168
Tan Sri Ong Leong Huat @ Woong Joo Hwa	11	-	3	14
	731	31	377	1,139

* Others comprise of committee members' allowance and attending allowance.

32 ALLOWANCE FOR IMPAIRMENT ON LOANS AND FINANCING

	Group		Bank	
	31.12.2013	Restated 31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Allowance for impaired loans and financing:				
- Individual impairment allowance	**306,575**	267,932	**271,595**	171,471
- Collective impairment allowance	**190,415**	157,279	**184,603**	155,472
Impaired loans and financing recovered	**(330,573)**	(463,291)	**(292,181)**	(444,025)
Impaired loans written off	**256,163**	185,564	**219,003**	173,457
	422,580	147,484	**383,020**	56,375

33 IMPAIRMENT WRITE-BACK ON OTHER ASSETS

	Group			**Bank**
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Charged for the financial year:				
Financial investments:				
- available-for-sale	**9,883**	7,300	**9,182**	7,300
- held-to-maturity	**-**	5,333	**-**	5,333
Foreclosed properties	**275**	-	**275**	-
Reversal for the financial year:				
Financial investments:				
- available-for-sale	**(10,868)**	(7,275)	**(10,868)**	(7,275)
- held-to-maturity	**(11,299)**	(9,131)	**(11,299)**	(9,131)
Foreclosed properties	**(355)**	(21)	**(355)**	(21)
Others	**(379)**	(3,064)	**-**	(3,064)
	(12,743)	(6,858)	**(13,065)**	(6,858)

34 TAXATION

	Group			**Bank**
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Income tax based on profit for the financial year:				
- Malaysian income tax	**566,452**	680,973	**512,142**	622,699
- Overseas tax	**6,882**	1,430	**6,041**	995
Deferred tax (Note 11)	**(3,151)**	(62,631)	**(1,874)**	(60,520)
(Over)/Under provision in respect of prior financial years:				
- Malaysian income tax	**(1,482)**	(81,973)	**-**	(77,157)
- Overseas tax	**(748)**	841	**(748)**	841
Deferred tax (Note 11)	**7,514**	52,221	**(1,071)**	46,146
	575,467	590,861	**514,490**	533,004
Current tax				
Current financial year	**573,334**	682,403	**518,183**	623,694
Over provision in prior financial years	**(2,230)**	(81,132)	**(748)**	(76,316)
	571,104	601,271	**517,435**	547,378
Deferred tax				
Origination and reversal of temporary differences	**(3,151)**	(62,631)	**(1,874)**	(60,520)
Reversal of previously recognised deferred tax assets	**7,514**	52,221	**(1,071)**	46,146
	4,363	(10,410)	**(2,945)**	(14,374)
	575,467	590,861	**514,490**	533,004

34 TAXATION (CONTINUED)

The numerical reconciliation between the effective tax rate and the applicable statutory income tax rate are as follows:-

	Group		Bank	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	%	%	**%**	%
Tax at Malaysia statutory income tax rate	**25.0**	25.0	**25.0**	25.0
Tax effects in respect of:				
Non-allowable expenses	**0.7**	1.0	**0.5**	0.8
Non-taxable income	**(0.8)**	(0.1)	**(0.8)**	(0.2)
Effect of different tax rates in Labuan/other countries	**(0.3)**	(0.1)	**0.6**	0.6
Utilisation of unabsorbed business losses brought forward previously not recognised	**-**	(0.5)	**-**	(0.5)
Reversal of temporary differences recognised in prior years	**-**	2.5	**-**	2.5
Over provision in prior financial years	**(0.1)**	(3.2)	**-**	(3.6)
Effective tax rate	**24.5**	24.6	**25.3**	24.6
	RM '000	RM '000	**RM '000**	RM '000
Tax losses:				
Tax savings as a result of the utilisation of tax losses brought forward from previous financial year for which the related credit is recognised during the financial year	**5**	11,748	**5**	11,748

35 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

	Group	Group	Bank	Bank
	31.12.2013	Restated 31.12.2012	**31.12.2013**	31.12.2012
Net profit for the financial year (RM'000)	**1,764,013**	1,807,959	**1,522,682**	1,631,982
Weighted average number of ordinary shares in issue ('000)	**6,636,170**	6,636,170	**6,636,170**	6,636,170
Basic earnings per share (sen)	**26.58**	27.24	**22.95**	24.59

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2013 and 31 December 2012.

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

	Before tax	**Tax effects**	**31.12.2013 Net of tax amount**	Before tax	Tax effects	Restated 31.12.2012 Net of tax amount
	RM'000	**RM'000**	**RM'000**	RM'000	RM'000	RM'000
Group						
Financial investments available-for-sale:						
- net fair value gain and amount transfer to income statements	**(94,043)**	**23,618**	**(70,425)**	33,357	(8,538)	24,819
Bank						
Financial investments available-for-sale:						
- net fair value gain and amount transfer to income statements	**(50,419)**	**12,605**	**(37,814)**	38,635	(9,659)	28,976

37 ORDINARY DIVIDENDS

Dividend declared and proposed are as follows:

	31.12.2013		31.12.2012	
	Gross dividend per share	**Amount of dividends, net of tax**	Gross dividend per share	Amount of dividends, net of tax
	sen	**RM'000**	sen	RM'000
Ordinary shares:				
Interim dividend	**2.56**	**170,000**	3.42	170,000
Final dividend	**-**	**-**	3.87	238,000
	2.56	**170,000**	7.29	408,000

The directors do not recommend the payment of final dividend in respect of the financial year ended 31 December 2013 at the forthcoming Annual General Meeting.

Dividend recognised as distribution to ordinary equity holders of the Bank:

	31.12.2013		31.12.2012	
	Gross dividend per share	**Amount of dividends, net of tax**	Gross dividend per share	Amount of dividends, net of tax
	sen	**RM'000**	sen	RM'000
Ordinary shares:				
Interim dividend for 2013	**2.56**	**170,000**	-	-
Interim dividend for 2012	**-**	**-**	3.42	170,000
Final dividend for 2012	**3.87**	**238,000**	-	-
Final dividend for 2011	**-**	**-**	7.03	350,000
	6.43	**408,000**	10.45	520,000

38 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

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

Related parties	**Relationships**
RHB Capital Berhad	Ultimate holding company
Subsidiaries of RHB Capital Berhad as disclosed in its financial statements	Subsidiaries of the ultimate holding company
Employees' Provident Fund ('EPF')	Substantial shareholder, a fund body that is significantly influenced by government
Subsidiaries and associates of EPF as disclosed in its financial statements	Reporting entities that EPF has control or significant influence
Subsidiaries of the Bank as disclosed in Note 12	Subsidiaries
Key management personnel	The key management personnel of the Group and the Bank consists of: - all directors of the Bank, its key subsidiaries and RHB Capital Berhad - RHB Bank Berhad and its subsidiaries Management Committee members
Related parties of key management personnel (deemed as related to the Bank)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significantly influenced, by or for which significant voting power in such entity resides with, directly or indirectly key management personnel or its close family members

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related party balances and transactions

In addition to related party disclosures mentioned in Notes 8 and 18, set out below are other significant related party transactions and balances.

Transactions or balances with newly acquired subsidiaries during the financial year are reported as related party transactions or balances from the date the Group and the Bank are deemed to have control over the subsidiaries.

Other related parties of the Group and the Bank comprise of transactions and balances with the subsidiaries of RHB Capital Berhad.

Group	**Ultimate holding company RM'000**	**EPF and EPF Group of companies RM'000**	**Key management personnel RM'000**	**Other related companies RM'000**
31.12.2013				
Income				
Interest on deposits and placements with other financial institutions	-	-	-	748
Interest on loans, advances and financing	12,737	71,919	165	265
Other income	-	6	2	11,922
	12,737	71,925	167	12,935
Expenditure				
Interest on deposits and placements of banks and other financial institutions	-	-	-	16,946
Interest on deposits from customers	1,533	17,665	310	8,699
Rental of premises	-	-	-	13,603
Management fee	-	-	-	3,210
Other expenses	-	-	90	19,029
	1,533	17,665	400	61,487
Amounts due from				
Derivative assets	-	-	-	4,150
Loans, advances and financing	745,873	1,647,280	3,737	14,999
Other assets	2,781	-	-	21,249
	748,654	1,647,280	3,737	40,398
Amounts due to				
Deposits from customers	16,973	2,648,558	30,243	322,528
Deposits and placements of banks and other financial institutions	-	-	-	101,487
Derivative liabilities	-	-	-	3,629
Other liabilities	21,699	-	-	6,365
Hybrid Tier-I Capital Securities	-	-	-	5,014
	38,672	2,648,558	30,243	439,023

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group Restated 31.12.2012	Ultimate holding company RM'000	EPF and EPF Group of companies RM'000	Key management personnel RM'000	Other related companies RM'000
Income				
Interest on deposits and placements with other financial institutions	-	-	-	402
Interest on loans, advances and financing	12,187	51,035	99	(98)
Other income	-	7	-	9,504
	12,187	51,042	99	9,808
Expenditure				
Interest on deposits and placements of banks and other financial institutions	-	-	-	10,682
Interest on deposits from customers	2,090	87,471	155	5,364
Rental of premises	-	-	-	13,431
Management fee	-	-	-	4,371
Other expenses	-	-	-	39,536
	2,090	87,471	155	73,384
Amounts due from				
Derivative assets	-	-	-	2,285
Loans, advances and financing	285,449	1,316,840	3,548	-
Other assets	5,643	-	-	14,242
	291,092	1,316,840	3,548	16,527
Amounts due to				
Deposits from customers	36,238	3,101,821	19,758	267,004
Deposits and placements of banks and other financial institutions	-	-	-	1,162,434
Derivative liabilities	-	-	-	2,384
Bills and acceptances payable	-	-	-	95,181
Other liabilities	99	-	-	295,339
Hybrid Tier-I Capital Securities	-	-	-	5,014
Senior Debt Securities	-	-	-	27,646
	36,337	3,101,821	19,758	1,855,002

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank 31.12.2013	Ultimate holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
Income					
Interest on deposits and placements with other financial institutions	-	-	121,031	-	745
Interest on loans, advances and financing	12,737	42,519	807	47	265
Other income	-	6	8,220	-	11,701
	12,737	42,525	130,058	47	12,711
Expenditure					
Interest on deposits and placements of banks and other financial institutions	-	-	153	-	16,946
Interest on deposits from customers	1,533	17,283	1,963	204	5,368
Rental of premises	-	-	5,115	-	13,603
Management fee	-	-	-	-	3,210
Reimbursement of operating expense from a subsidiary	-	-	(85,364)	-	-
Other expenses	-	-	9	69	17,642
	1,533	17,283	(78,124)	273	56,769
Amounts due from					
Money at call and deposit placements	-	-	2,342	-	-
Deposits and placements with banks and other financial institutions	-	-	3,838,742	-	-
Derivative assets	-	-	7,240	-	4,150
Loans, advances and financing	745,873	1,032,255	141,803	1,531	14,999
Other assets	2,781	-	207,820	-	21,249
	748,654	1,032,255	4,197,947	1,531	40,398
Amounts due to					
Deposits from customers	16,973	2,592,280	138,845	21,714	304,196
Deposits and placements of banks and other financial institutions	-	-	192,125	-	101,487
Derivative liabilities	-	-	23,457	-	3,629
Other liabilities	-	-	25,331	-	5,940
Hybrid Tier-I Capital Securities	-	-	-	-	5,014
	16,973	2,592,280	379,758	21,714	420,266

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank 31.12.2012	Ultimate holding company RM'000	EPF and EPF Group of companies RM'000	Subsidiaries RM'000	Key management personnel RM'000	Other related companies RM'000
Income					
Interest on deposits and placements with other financial institutions	-	-	47,361	-	402
Interest on loans, advances and financing	12,187	36,560	796	31	-
Dividend income from subsidiaries	-	-	9,363	-	-
Other income	-	7	(8,371)	-	9,246
	12,187	36,567	49,149	31	9,648
Expenditure					
Interest on deposits and placements of banks and other financial institutions	-	-	349	-	9,612
Interest on deposits from customers	2,090	87,102	1,487	141	5,251
Rental of premises	-	-	5,012	-	13,431
Management fee	-	-	-	-	4,371
Reimbursement of operating expense from a subsidiary	-	-	(67,687)	-	-
Other expenses	-	-	9	-	38,753
	2,090	87,102	(60,830)	141	71,418
Amounts due from					
Money at call and deposit placements	-	-	66,949	-	-
Deposits and placements with banks and other financial institutions	-	-	3,092,243	-	-
Derivative assets	-	-	20,112	-	2,285
Loans, advances and financing	285,449	668,801	141,803	2,174	-
Other assets	5,643	-	384,913	-	14,242
	291,092	668,801	3,706,020	2,174	16,527
Amounts due to					
Deposits from customers	36,238	2,996,444	91,989	16,701	263,494
Deposits and placements of banks and other financial institutions	-	-	78,036	-	1,162,434
Derivative liabilities	-	-	2,278	-	2,384
Bills and acceptances payable	-	-	-	-	95,181
Other liabilities	-	-	26,025	-	5,996
Hybrid Tier-I Capital Securities	-	-	-	-	5,014
Senior Debt Securities	-	-	-	-	27,646
	36,238	2,996,444	198,328	16,701	1,562,149

38 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

		Group		Bank
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
The approved limit on loans, advances and financing for key management personnel	**21,340**	9,142	**13,941**	5,782

(c) Key management personnel

The remuneration of key management personnel are as follows:

		Group		Bank
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Short-term employee benefits				
- Fees	**1,331**	776	**1,230**	731
- Salary and other remuneration	**14,541**	14,553	**10,106**	10,679
- Contributions to EPF	**2,372**	2,396	**1,613**	1,731
- Benefits-in-kind	**56**	56	**53**	56
	18,300	17,781	**13,002**	13,197

(d) Credit exposures arising from transactions with connected parties

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

		Group		Bank
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
Outstanding credit exposure with connected parties (RM'000)	**9,360,286**	5,090,268	**8,319,658**	4,306,830
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	**6.54**	4.05	**7.07**	4.12
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	**0.07**	0.15	**0.08**	0.17

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

39 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.

Risk weighted exposures of the Group are as follows:

			31.12.2013			31.12.2012
	Principal amount	**Credit equivalent amount***	**Risk weighted amount**	Principal amount	Credit equivalent amount*	Risk weighted amount
	RM'000	**RM'000**	**RM'000**	RM'000	RM'000	RM'000
Direct credit substitutes#	**3,843,994**	**3,810,979**	**2,144,445**	2,180,636	2,143,725	1,425,061
Transaction-related contingent items#	**3,035,866**	**1,524,593**	**995,458**	2,495,813	1,224,748	881,556
Short-term self-liquidating trade-related contingencies	**1,567,318**	**311,555**	**175,489**	1,009,851	199,301	128,967
Obligations under underwriting agreements	**76,000**	**38,000**	**38,000**	90,000	45,000	45,000
Irrevocable commitments to extend credit:						
- maturity more than one year	**30,774,717**	**14,860,482**	**10,324,945**	24,625,669	11,615,012	7,819,086
- maturity less than one year	**10,797,853**	**6,154,992**	**4,584,569**	10,237,339	5,733,709	3,610,770
Foreign exchange related contracts@:						
- less than one year	**10,821,151**	**249,039**	**196,894**	9,575,927	162,659	108,731
- one year to less than five years	**7,267,793**	**1,114,996**	**436,998**	5,213,212	922,498	275,190
Interest rate related contracts@:						
- less than one year	**3,905,460**	**8,941**	**4,095**	7,823,637	22,654	8,926
- one year to less than five years	**21,929,189**	**664,292**	**271,961**	14,053,210	440,757	235,476
- more than five years	**1,475,893**	**103,342**	**38,207**	600,000	53,026	53,026
Total	**95,495,234**	**28,841,211**	**19,211,061**	77,905,294	22,563,089	14,591,789

@ These derivatives are revalued on gross position basis and the unrealised gains or losses are reflected in Note 9 Derivative Assets/(Liabilities).

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines. Foreign exchange, interest rate related and commodity contracts are subject to market risk and credit risk.

Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of RM3,139,158,000 and RM2,033,671,000 as at 31 December 2013 and 31 December 2012 respectively, of which fair value at the time of issuance is zero.

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).

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

39 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

Risk weighted exposures of the Bank are as follows:

			31.12.2013			31.12.2012
	Principal amount RM'000	**Credit equivalent amount* RM'000**	**Risk weighted amount RM'000**	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes#	**3,843,994**	**3,810,979**	**2,144,445**	2,123,886	2,086,975	1,425,061
Transaction-related contingent items#	**2,494,386**	**1,225,351**	**767,345**	2,128,836	1,041,259	735,019
Short-term self-liquidating trade-related contingencies	**1,464,026**	**290,896**	**155,017**	954,248	188,181	127,669
Irrevocable commitments to extend credit:						
- maturity more than one year	**27,375,316**	**13,135,644**	**8,856,786**	22,480,527	10,541,472	6,908,020
- maturity less than one year	**8,690,334**	**5,518,172**	**4,066,820**	8,395,198	5,210,759	3,235,038
Foreign exchange related contracts@:						
- less than one year	**10,327,094**	**248,520**	**195,807**	9,290,698	162,443	107,491
- one year to less than five years	**7,267,793**	**1,114,996**	**436,998**	5,213,212	922,498	275,190
Interest rate related contracts@:						
- less than one year	**4,505,460**	**12,036**	**4,714**	9,023,637	26,183	10,691
- one year to less than five years	**24,309,518**	**729,095**	**284,863**	16,134,862	502,857	266,525
- more than five years	**1,900,893**	**125,492**	**42,637**	600,000	53,026	53,026
Total	**92,178,814**	**26,211,181**	**16,955,432**	76,345,104	20,735,653	13,143,730

@ These derivatives are revalued on gross position basis and the unrealised gains or losses are reflected in Note 9 Derivative Assets/(Liabilities).

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines. Foreign exchange, interest rate related and commodity contracts are subject to market risk and credit risk.

Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of RM2,932,996,000 and RM1,922,203,000 as at 31 December 2013 and 31 December 2012 respectively, of which fair value at the time of issuance is zero.

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).

40 OPERATING LEASE COMMITMENTS

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

		Group		Bank
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Within one year	**50,133**	47,310	**55,059**	47,465
Between one and five years	**50,915**	34,077	**49,206**	34,232
More than five years	**916**	1,207	**916**	1,207
	101,964	82,594	**105,181**	82,904

41 CAPITAL COMMITMENTS

		Group		Bank
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Capital expenditure for property, plant and equipment:				
Authorised and contracted for	**51,278**	54,269	**51,278**	53,678
Authorised but not contracted for	**208,728**	174,364	**141,886**	123,600
	260,006	228,633	**193,164**	177,278
Proposed acquisition of Bank Mestika (refer to Note 47(a))	**538,620**	538,620	**538,620**	538,620
	798,626	767,253	**731,784**	715,898

42 FINANCIAL RISK MANAGEMENT

(a) Financial risk management objectives and policies

Overview and organisation

Risk is inherent in banking business and sound risk management is the cornerstone of prudent banking.

In compliance with best practices under the Malaysian Code of Corporate Governance, the Board of Directors ('Board') through the Group Risk Management Committee ('GRMC') and the Group Risk Management function ('GRM function') is responsible for identifying principal risks and ensuring that there is an on-going process to manage the Bank’s risks within tolerable ranges.

The GRMC provides oversight and management of all risks. The GRM function is independent of the origination and sales function, and assists the GRMC and Board in formulating risk related policies.

The GRMC comprises non-executive directors with at least five (5) members. Members of the GRMC are directors who are exclusively non-executive in all of their directorships within the Group.

Objectives of the GRMC:

(i) To provide oversight and governance of risks of the RHB Banking Group;

(ii) To oversee Senior Management's activities in managing credit, market, liquidity, operational, legal and other industry-specific risks to ensure that the risk management process of each entity in the RHB Banking Group is in place and functioning; and

(iii) To deliberate and make recommendations to the Board of each relevant entity within the RHB Banking Group in respect of risk management matters of the respective entities.

The primary responsibility for managing risks, however, rests with the business managers who are best equipped to ensure that risk management and control are focused on the way business is conducted. There is a continuous review of business activities and processes to identify significant risk areas and to ensure that control procedures are implemented in order to operate within established corporate policies and limits. Additionally, policies and procedures are in place to manage the risks that may arise in connection with the use of financial instruments.

Major areas of risk

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

(i) Market risk - the risk of potential loss resulting from adverse movements in the level of market prices, interest/profit rate and foreign currency exchange.

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

(iii) Credit risk - the risk of potential loss of revenue as a result of failure or inability by customers or counterparties to meet their contractual financial obligations with the Bank.

(iv) Operational risk - the risk of loss resulting from inadequate or failed internal processes, people, systems or external events as well as the risk of breach of applicable laws and regulatory requirements.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

To mitigate the various business risks of the Bank, GRMC has put in place the following:

Market risk

- A framework of risk policies, measurement methodologies and limits, as approved by the Board, which controls the Bank's financial market activities as well as to identify potential risk areas early in order to mitigate against any adverse effects arising from market volatility.

- The GRM function plays an independent role in the monitoring and assessing of risk exposures, and reports independently to the GRMC.

- Risk measurement techniques and stress testing are applied to the Bank's portfolio on a regular basis.

- For currency risk:

  - Approved overall position limits are applied for foreign exchange spot trading portfolio. Trading loss limits are imposed on each trading desk. The levels of these exposures (including off-balance sheet items), by overall total for both intra-day and overnight positions, are monitored daily for compliance with the approved limits. These limits are reviewed regularly and are in line with strategies set by the GRMC.

  - Foreign and overseas investments, which are funded by purchases with resultant open foreign exchange positions, are monitored and appropriate hedging strategies are undertaken in line with market trends.

- For interest/profit rate risk:

  - The Group Asset and Liability Committee ('Group ALCO') monitors the balance sheet position and assesses it for profit and loss impacts arising from sensitivity to interest/profit rate movements.

  - The Group ALCO also sets and reviews limits on the level of mismatch of interest /profit rate re-pricing that may be undertaken. Likewise, fixed rate assets, especially long term assets, are subject to various limit parameters.

Liquidity risk

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

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

- Defined liquidity management ratios are maintained and monitored.

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

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Credit risk

- The Bank abides to the Board approved credit policy which supports the development of a strong credit culture with the objective of maintaining a well diversified portfolio that addresses credit risk, and mitigates concern for unexpected losses. Market best practices are incorporated into this policy.

- The Bank also ensures that internal processes and credit underwriting standards are adhered to before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being evaluated by an independent credit evaluation and management function. The Central Credit Committee and the Group Credit Committee sanction credits beyond established threshold. The adherence to the discretionary powers sanctioned by the Board is monitored by the Central Compliance function.

- A risk rating system is used to categorize the risk of individual credits. Clients' accounts are reviewed at regular intervals and weakening credits are transferred to Loan Recovery for more effective management.

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

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

Operational risk

- The GRM function is responsible for the development of bank-wide operational risk policies, framework and methodologies, and providing inputs to the business units on operational risk areas. The respective business units are primarily responsible for managing operational risk on a day-to-day basis.

- The Bank uses an operational risk management system which has integrated applications supporting the entire operational risk management process. This system facilitates the Bank’s capabilities for the Advanced Measurement Approach of the Basel II Framework in the future.

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

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Capital planning and management

The Bank's capital management objective is to maintain a strong capital position consistent with the expectations of various stakeholders while delivering sustainable returns to shareholders. It also calls for the Bank to ensure that adequate capital resources are available to support business growth, investment opportunities as well as adverse situations, and to meet regulatory capital requirements.

The Bank's capital management objective is translated to capital targets that are consistent with the need to support business growth in line with its strategic plans and risk appetite. Through the Internal Capital Adequacy Assessment Process ('ICAAP'), the Bank assesses its forecast capital supply and demand which is determined by the following:

- Material risk types where capital is deemed to be an appropriate risk mitigation method;
- Capital targets; and
- The use of forward three-year planning.

In addition, capital stress tests are also conducted to evaluate the sensitivity of the key assumptions in the capital plan to the effects of plausible stress scenarios and to assess how the Bank can continue to maintain adequate capital under such scenarios.

The Bank manages its capital using a consistent capital management framework and process. The capital management framework guides the establishment of capital strategy for the Bank, as well as highlights the internal analytics capabilities required, and the functions that support the capital management framework within the Bank.

Supported by monitoring and reporting capabilities, the Board and Senior Management are kept informed and updated of the Bank's capital utilisation and capital position which is generated by the Bank's information system and processes.

Risk appetite

Capital risk appetite is set by the Board and reported through various metrics that enable the Bank to manage capital constraints and shareholders' expectations. The risk appetite is a key component of the management of risks and describes the types and level of risk that the Bank is prepared to accept in delivering our strategy. The Group ALCO reviews actual performance against risk appetite.

Basel II implementation

RHB Banking Group places great importance on Basel II and views it as a group-wide initiative in meeting international best practices in this area. A dedicated Basel II Steering Committee ('B2SC') was set up in October 2004 to oversee the implementation of Basel II initiatives throughout the Group and to ensure that it is on track in meeting regulatory requirements as outlined in the Capital Adequacy Framework issued by BNM. The B2SC has since been dissolved in November 2011, and the powers and responsibilities of the B2SC are now vested in the Group Capital and Strategic Risk Management Committee. Project and operational issues related to Basel II Implementation are deliberated at the Group Basel Working Committee meetings.

The Bank has adopted the Foundation Internal Ratings-Based ('F-IRB') approach for its non-retail exposures and the Advanced Internal Ratings-Based ('A-IRB') approach for most of its retail exposures. For Market and Operational risks, the Bank has adopted the Standardised Approach ('SA').

The RHB Banking Group has also implemented the Internal Capital Adequacy Assessment Process ('ICAAP'). An ICAAP framework has been formulated for implementation across the Group to ensure that all material risks are identified, measured and reported, and that adequate capital levels consistent with the risk profiles, including capital buffers, are maintained to support the current and projected demand for capital, under existing and stressed conditions.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial risk management objectives and policies (continued)

Basel III implementation

The implementation of Basel III by BNM in Malaysia has commenced with effect from 1 January 2013. Under the new Basel III rules, banking institutions are required to strengthen the quality of their capital by maintaining higher minimum capital requirement and holding capital buffers, namely the capital conservation buffer and the counter cyclical buffer. However, the requirements are subject to a series of transitional arrangements with a gradual phase beginning in 2003 and ending in 2019.

Apart from the above, the Bank has commenced the Basel III Observation period reporting to BNM on the two key liquidity ratios, namely the Liquidity Coverage Ratio ('LCR') and the Net Stable Funding Ration ('NSFR') since June 2012.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category

Group 31.12.2013 **Assets as per statements of financial position**	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
Cash and short-term funds	9,231,558	-	-	-	9,231,558
Securities purchased under resale agreements	184,560	-	-	-	184,560
Deposits and placements with banks and other financial institutions	2,517,976	-	-	-	2,517,976
Financial assets held-for-trading		2,367,098	-	-	2,367,098
Financial investments available-for-sale		-	13,258,584	-	13,258,584
Financial investments held-to-maturity		-	-	21,813,036	21,813,036
Loans, advances and financing	117,891,870	-	-	-	117,891,870
Other financial assets	419,529	-	-	-	419,529
Derivative assets		418,624	-	-	418,624
	130,245,493	2,785,722	13,258,584	21,813,036	168,102,835

Liabilities as per statements of financial position	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Deposits from customers	-	135,615,137	135,615,137
Deposits and placements of banks and other financial institutions	-	12,479,163	12,479,163
Obligations on securities sold under repurchase agreements	-	165,098	165,098
Bills and acceptances payable	-	2,076,481	2,076,481
Other financial liabilities	-	612,947	612,947
Derivative liabilities	270,024	-	270,024
Recourse obligation on loans sold to Cagamas Berhad	-	2,269,353	2,269,353
Borrowings	-	571,049	571,049
Subordinated obligations	-	4,021,868	4,021,868
Hybrid Tier-I Capital Securities	-	606,215	606,215
Senior Debt Securities	-	1,647,634	1,647,634
	270,024	160,064,945	160,334,969

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Group Restated 31.12.2012 Assets as per statements of financial position	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
Cash and short-term funds	22,679,853	-	-	-	22,679,853
Securities purchased under resale agreements	676,858	-	-	-	676,858
Deposits and placements with banks and other financial institutions	3,552,654	-	-	-	3,552,654
Financial assets held-for-trading	-	1,549,863	-	-	1,549,863
Financial investments available-for-sale	-	-	10,033,215	-	10,033,215
Financial investments held-to-maturity	-	-	-	17,801,251	17,801,251
Loans, advances and financing	107,831,404	-	-	-	107,831,404
Other financial assets	240,982	-	-	-	240,982
Derivative assets	-	250,917	-	-	250,917
	134,981,751	1,800,780	10,033,215	17,801,251	164,616,997

Liabilities as per statements of financial position	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Deposits from customers	-	131,541,921	131,541,921
Deposits and placements of banks and other financial institutions	-	12,005,569	12,005,569
Bills and acceptances payable	-	3,732,067	3,732,067
Other financial liabilities	-	720,160	720,160
Derivative liabilities	273,197	-	273,197
Recourse obligation on loans sold to Cagamas Berhad	-	2,445,361	2,445,361
Borrowings	-	709,534	709,534
Subordinated obligations	-	4,020,919	4,020,919
Hybrid Tier-I Capital Securities	-	606,086	606,086
Senior Debt Securities	-	1,536,674	1,536,674
	273,197	157,318,291	157,591,488

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank 31.12.2013 Assets as per statements of financial position	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
Cash and short-term funds	5,575,273	-	-	-	5,575,273
Securities purchased under resale agreements	184,560	-	-	-	184,560
Deposits and placements with banks and other financial institutions	5,056,311	-	-	-	5,056,311
Financial assets held-for-trading	-	1,573,539	-	-	1,573,539
Financial investments available-for-sale	-	-	10,802,836	-	10,802,836
Financial investments held-to-maturity	-	-	-	19,097,086	19,097,086
Loans, advances and financing	95,752,900	-	-	-	95,752,900
Other financial assets	569,298	-	-	-	569,298
Derivative assets	-	425,518	-	-	425,518
	107,138,342	1,999,057	10,802,836	19,097,086	139,037,321

Liabilities as per statements of financial position	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Deposits from customers	-	111,794,716	111,794,716
Deposits and placements of banks and other financial institutions	-	10,570,624	10,570,624
Obligations on securities sold under repurchase agreements	-	165,098	165,098
Bills and acceptances payable	-	2,061,391	2,061,391
Other financial liabilities	-	539,644	539,644
Derivative liabilities	291,922	-	291,922
Recourse obligation on loans sold to Cagamas Berhad	-	961,020	961,020
Borrowings	-	571,049	571,049
Subordinated obligations	-	4,021,868	4,021,868
Hybrid Tier-I Capital Securities	-	606,215	606,215
Senior Debt Securities	-	1,647,634	1,647,634
	291,922	132,939,259	133,231,181

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank 31.12.2012 Assets as per statements of financial position	Loans and receivables RM'000	Assets at fair value through the profit and loss RM'000	Available-for-sale RM'000	Held-to-maturity RM'000	Total RM'000
Cash and short-term funds	19,022,404	-	-	-	19,022,404
Securities purchased under resale agreements	676,858	-	-	-	676,858
Deposits and placements with banks and other financial institutions	3,780,228	-	-	-	3,780,228
Financial assets held-for-trading	-	1,110,482	-	-	1,110,482
Financial investments available-for-sale	-	-	8,456,556	-	8,456,556
Financial investments held-to-maturity	-	-	-	15,645,993	15,645,993
Loans, advances and financing	89,275,815	-	-	-	89,275,815
Other financial assets	562,725	-	-	-	562,725
Derivative assets	-	271,029	-	-	271,029
	113,318,030	1,381,511	8,456,556	15,645,993	138,802,090

Liabilities as per statements of financial position	Liabilities at fair value through the profit and loss RM'000	Other financial liabilities at amortised cost RM'000	Total RM'000
Deposits from customers	-	111,557,605	111,557,605
Deposits and placements of banks and other financial institutions	-	9,459,328	9,459,328
Bills and acceptances payable	-	3,710,455	3,710,455
Other financial liabilities	-	608,648	608,648
Derivative liabilities	273,559	-	273,559
Recourse obligation on loans sold to Cagamas Berhad	-	982,840	982,840
Borrowings	-	632,778	632,778
Subordinated obligations	-	4,020,919	4,020,919
Hybrid Tier-I Capital Securities	-	606,086	606,086
Senior Debt Securities	-	1,536,674	1,536,674
	273,559	133,115,333	133,388,892

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest/profit rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank as at 31 December 2013.

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

(i) Interest/profit rate sensitivity analysis

The following table shows the sensitivity of the Group's and the Bank's profit after tax and its equity to an immediate up and down +/-100 basis point ('bps') parallel shift in the interest/profit rate.

		Group		**Bank**
	Impact on profit after tax	**Impact on equity**	**Impact on profit after tax**	**Impact on equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**
31.12.2013				
+100 bps	**(17,095)**	**(374,520)**	**3,068**	**(296,002)**
-100 bps	**18,580**	**400,235**	**(1,762)**	**313,915**
31.12.2012				
+100 bps	43,357	(323,080)	70,233	(269,083)
-100 bps	(42,080)	345,633	(69,931)	285,998

The results above represent financial assets and liabilities that have been prepared on the following basis:

Impact on the profit after tax is the sum of valuation changes on fixed income instruments held in the trading portfolio and earnings movement for all short term interest/profit rate sensitive assets and liabilities (with maturity or re-pricing tenure of up to one year) that is not held in the trading portfolio. Earnings movement for the short term interest/profit rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 100 bps interest rate (100 bps for 2012) change impact. For assets and liabilities with non fixed maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of these interest/profit bearing assets and liabilities.

Impact on equity represents the changes in fair values of fixed income instruments held in the available-for-sale portfolio arising from the shift in the interest/profit rate.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the effect of the appreciation or depreciation of the foreign currency rates on the consolidated currency position, while other variables remain constant.

	Group Impact on profit after tax	Bank Impact on profit after tax
	RM'000	RM'000
31.12.2013		
+5%	**14,289**	**12,656**
-5%	**(14,289)**	**(12,656)**
Restated		
31.12.2012		
+5%	1,563	4,139
-5%	(1,563)	(4,139)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest/Profit rate risk

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

Group 31.12.2013	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS									
Cash and short-term funds	7,530,250	60,031	-	-	-	-	1,641,277	-	9,231,558
Securities purchased under resale agreements	184,544	-	-	-	-	-	16	-	184,560
Deposits and placements with banks and other financial institutions	-	1,508,070	364,517	87,934	195,885	356,370	5,200	-	2,517,976
Financial assets held-for-trading	-	-	-	-	-	-	-	2,367,098	2,367,098
Financial investments available-for-sale	1,165,964	1,952,809	1,681,008	106,902	979,327	6,974,807	397,767	-	13,258,584
Financial investments held-to-maturity	960,063	2,048,844	642,059	1,204,773	3,092,444	13,806,284	58,569 #	-	21,813,036
Loans, advances and financing:									
- performing	74,167,917	8,975,190	3,979,820	3,035,928	6,530,076	19,882,971	136,187	-	116,708,089
- impaired	-	-	-	-	-	-	1,183,781 *	-	1,183,781
Other assets	-	-	-	-	-	-	547,543	-	547,543
Derivative assets	-	-	-	-	-	-	-	418,624	418,624
Statutory deposits	-	-	-	-	-	-	3,954,819	-	3,954,819
Tax recoverable	-	-	-	-	-	-	26,155	-	26,155
Deferred tax assets	-	-	-	-	-	-	12,160	-	12,160
Property, plant and equipment	-	-	-	-	-	-	666,736	-	666,736
Goodwill and other intangible assets	-	-	-	-	-	-	1,267,142	-	1,267,142
TOTAL ASSETS	84,008,738	14,544,944	6,667,404	4,435,537	10,797,732	41,020,432	9,897,352	2,785,722	174,157,861

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest/Profit rate risk (continued)

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

	Non-trading book								
Group 31.12.2013	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 6 months RM'000**	**>6 - 12 months RM'000**	**>1 - 3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
LIABILITIES									
Deposits from customers	59,639,159	22,838,779	16,564,607	12,173,313	432,270	28,971	23,938,038	-	135,615,137
Deposits and placements of banks and other financial institutions	4,568,568	6,091,702	746,559	97,931	284,350	649,400	40,653	-	12,479,163
Obligations on securities sold under repurchase agreements	-	-	164,084	-	-	-	1,014	-	165,098
Bills and acceptances payable	773,800	860,008	145,376	-	-	-	297,297	-	2,076,481
Other liabilities	839	-	-	-	-	-	969,889	-	970,728
Derivative liabilities	-	-	155	804	1,960	69	-	267,036	270,024
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	500,000	457,678	1,301,664	10,011	-	2,269,353
Taxation liabilities	-	-	-	-	-	-	17,639	-	17,639
Deferred tax liabilities	-	-	-	-	-	-	35,376	-	35,376
Borrowings	-	344,242	225,397	-	-	-	1,410	-	571,049
Subordinated obligations	-	-	-	-	949,198	3,048,271	24,399	-	4,021,868
Hybrid Tier-I Capital Securities	-	-	-	-	-	598,035	8,180	-	606,215
Senior Debt Securities	-	-	-	-	-	1,640,235	7,399	-	1,647,634
TOTAL LIABILITIES	64,982,366	30,134,731	17,846,178	12,772,048	2,125,456	7,266,645	25,351,305	267,036	160,745,765
Total equity	-	-	-	-	-	-	13,412,096	-	13,412,096
TOTAL LIABILITIES AND EQUITY	64,982,366	30,134,731	17,846,178	12,772,048	2,125,456	7,266,645	38,763,401	267,036	174,157,861
On-balance sheet interest sensitivity gap	19,026,372	(15,589,787)	(11,178,774)	(8,336,511)	8,672,276	33,753,787			
Off-balance sheet interest sensitivity gap	(2,122,707)	(518,601)	(1,683,159)	750,577	1,510,583	2,087,409			
TOTAL INTEREST-SENSITIVITY GAP	16,903,665	(16,108,388)	(12,861,933)	(7,585,934)	10,182,859	35,841,196			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest/Profit rate risk (continued)

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

Group	Non-trading book								
Restated 31.12.2012	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	>1 - 3 years	Over 3 years	Non-interest sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS									
Cash and short-term funds	21,099,159	-	-	-	-	-	1,580,694	-	22,679,853
Securities purchased under resale agreements	676,858	-	-	-	-	-	-	-	676,858
Deposits and placements with banks and other financial institutions	-	2,565,594	275,220	82,168	196,492	417,494	15,686	-	3,552,654
Financial assets held-for-trading	-	-	-	-	-	-	-	1,549,863	1,549,863
Financial investments available-for-sale	814,264	1,237,463	1,295,703	31,278	780,881	5,426,255	447,371	-	10,033,215
Financial investments held-to-maturity	1,339,574	483,232	1,036,833	409,424	3,167,058	11,344,240	20,890 #	-	17,801,251
Loans, advances and financing:									
- performing	61,332,743	9,475,237	4,381,451	2,005,415	8,851,002	20,749,206	124,312	-	106,919,366
- impaired	-	-	-	-	-	-	912,038 *	-	912,038
Other assets	-	-	-	-	-	-	396,908	-	396,908
Derivative assets	-	-	-	-	-	-	-	250,917	250,917
Statutory deposits	-	-	-	-	-	-	3,637,205	-	3,637,205
Tax recoverable	-	-	-	-	-	-	38	-	38
Deferred tax assets	-	-	-	-	-	-	8,455	-	8,455
Property, plant and equipment	-	-	-	-	-	-	675,115	-	675,115
Goodwill and other intangible assets	-	-	-	-	-	-	1,241,814	-	1,241,814
TOTAL ASSETS	85,262,598	13,761,526	6,989,207	2,528,285	12,995,433	37,937,195	9,060,526	1,800,780	170,335,550

\# Consist of impairment loss.
* This represents outstanding impaired loans after deducting individual impairment allowance and collective impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest/Profit rate risk (continued)

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

Group Restated 31.12.2012	Non-trading book Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	57,363,072	22,330,642	12,831,222	16,241,383	837,740	37,257	21,900,605	-	131,541,921
Deposits and placements of banks and other financial institutions	5,854,744	3,424,679	1,204,236	262,921	561,683	643,382	53,924	-	12,005,569
Bills and acceptances payable	1,407,284	1,602,519	427,955	-	-	-	294,309	-	3,732,067
Other liabilities	-	-	-	-	-	-	1,250,367	-	1,250,367
Derivative liabilities	-	-	1,131	133	8,645	-	-	263,288	273,197
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	500,000	1,933,887	11,474	-	2,445,361
Taxation liabilities	-	-	-	-	-	-	125,648	-	125,648
Deferred tax liabilities	-	-	-	-	-	-	50,907	-	50,907
Borrowings	76,756	382,250	248,462	-	-	-	2,066	-	709,534
Subordinated obligations	-	-	-	-	700,000	3,296,782	24,137	-	4,020,919
Hybrid Tier-I Capital Securities	-	-	-	-	-	597,744	8,342	-	606,086
Senior Debt Securities	-	-	-	-	-	1,529,772	6,902	-	1,536,674
TOTAL LIABILITIES	64,701,856	27,740,090	14,713,006	16,504,437	2,608,068	8,038,824	23,728,681	263,288	158,298,250
Total equity	-	-	-	-	-	-	12,037,300	-	12,037,300
TOTAL LIABILITIES AND EQUITY	64,701,856	27,740,090	14,713,006	16,504,437	2,608,068	8,038,824	35,765,981	263,288	170,335,550
On-balance sheet interest sensitivity gap	20,560,742	(13,978,564)	(7,723,799)	(13,976,152)	10,387,365	29,898,371			
Off-balance sheet interest sensitivity gap	(987,649)	2,966,054	(1,849,373)	188,460	390,252	(681,016)			
TOTAL INTEREST-SENSITIVITY GAP	19,573,093	(11,012,510)	(9,573,172)	(13,787,692)	10,777,617	29,217,355			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk

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

	Non-trading book								
Bank 31.12.2013	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 6 months RM'000**	**>6 - 12 months RM'000**	**>1 - 3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
ASSETS									
Cash and short-term funds	4,109,319	-	-	-	-	-	1,465,954	-	5,575,273
Securities purchased under resale agreements	184,544	-	-	-	-	-	16	-	184,560
Deposits and placements with banks and other financial institutions	-	1,126,893	717,937	138,630	-	2,956,941	115,910	-	5,056,311
Financial assets held-for-trading	-	-	-	-	-	-	-	1,573,539	1,573,539
Financial investments available-for-sale	1,093,837	1,843,353	1,681,008	25,297	506,755	5,477,415	175,171	-	10,802,836
Financial investments held-to-maturity	851,872	1,257,875	403,932	1,129,662	2,546,773	12,868,852	38,120 #	-	19,097,086
Loans, advances and financing:									
- performing	64,932,515	7,441,875	3,814,190	1,550,117	5,501,502	11,385,571	87,686	-	94,713,456
- impaired	-	-	-	-	-	-	1,039,444 *	-	1,039,444
Other assets	-	-	-	-	-	-	696,129	-	696,129
Derivative assets	-	-	-	-	-	-	-	425,518	425,518
Statutory deposits	-	-	-	-	-	-	3,110,223	-	3,110,223
Tax recoverable	-	-	-	-	-	-	26,152	-	26,152
Investment in subsidiaries	-	-	-	-	-	-	1,740,314	-	1,740,314
Property, plant and equipment	-	-	-	-	-	-	492,464	-	492,464
Goodwill and other intangible assets	-	-	-	-	-	-	1,040,244	-	1,040,244
TOTAL ASSETS	71,172,087	11,669,996	6,617,067	2,843,706	8,555,030	32,688,779	10,027,827	1,999,057	145,573,549

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued)

	Non-trading book								
Bank 31.12.2013	**Up to 1 month RM'000**	**>1 - 3 months RM'000**	**>3 - 6 months RM'000**	**>6 - 12 months RM'000**	**>1 - 3 years RM'000**	**Over 3 years RM'000**	**Non-interest sensitive RM'000**	**Trading book RM'000**	**Total RM'000**
LIABILITIES									
Deposits from customers	45,761,695	18,498,732	14,129,834	10,515,667	422,099	20,045	22,446,644	-	111,794,716
Deposits and placements of banks and other financial institutions	3,929,100	5,651,384	531,437	36,200	88,465	293,030	41,008	-	10,570,624
Obligations on securities sold under repurchase agreements	-	-	164,084	-	-	-	1,014	-	165,098
Bills and acceptances payable	773,800	860,008	145,376	-	-	-	282,207	-	2,061,391
Other liabilities	-	-	-	-	-	-	770,474	-	770,474
Derivative liabilities	-	-	155	804	1,960	69	-	288,934	291,922
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	500,000	457,678	-	3,342	-	961,020
Deferred tax liabilities	-	-	-	-	-	-	35,372	-	35,372
Borrowings	-	344,242	225,397	-	-	-	1,410	-	571,049
Subordinated obligations	-	-	-	-	949,198	3,048,271	24,399	-	4,021,868
Hybrid Tier-I Capital Securities	-	-	-	-	-	598,035	8,180	-	606,215
Senior Debt Securities	-	-	-	-	-	1,640,235	7,399	-	1,647,634
TOTAL LIABILITIES	50,464,595	25,354,366	15,196,283	11,052,671	1,919,400	5,599,685	23,621,449	288,934	133,497,383
Total equity	-	-	-	-	-	-	12,076,166	-	12,076,166
TOTAL LIABILITIES AND EQUITY	50,464,595	25,354,366	15,196,283	11,052,671	1,919,400	5,599,685	35,697,615	288,934	145,573,549
On-balance sheet interest sensitivity gap	20,707,492	(13,684,370)	(8,579,216)	(8,208,965)	6,635,630	27,089,094			
Off-balance sheet interest sensitivity gap	(2,122,707)	(518,601)	(1,702,830)	750,577	1,530,254	2,087,409			
TOTAL INTEREST-SENSITIVITY GAP	18,584,785	(14,202,971)	(10,282,046)	(7,458,388)	8,165,884	29,176,503			

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued)

Bank	Non-trading book								
31.12.2012	Up to 1 month	>1 - 3 months	>3 - 6 months	>6 - 12 months	>1 - 3 years	Over 3 years	Non-interest sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS									
Cash and short-term funds	17,681,679	-	-	-	-	-	1,340,725	-	19,022,404
Securities purchased under resale agreements	676,858	-	-	-	-	-	-	-	676,858
Deposits and placements with banks and other financial institutions	-	733,355	611,600	-	124,231	2,291,191	19,851	-	3,780,228
Financial assets held-for-trading	-	-	-	-	-	-	-	1,110,482	1,110,482
Financial investments available-for-sale	814,264	1,237,463	1,295,703	31,278	334,687	4,322,196	420,965	-	8,456,556
Financial investments held-to-maturity	1,189,894	373,536	814,101	298,993	2,634,248	10,333,735	1,486 #	-	15,645,993
Loans, advances and financing:									
- performing	56,912,153	8,014,168	3,956,758	1,629,060	7,667,159	10,225,554	101,188	-	88,506,040
- impaired	-	-	-	-	-	-	769,775 *	-	769,775
Other assets	-	-	-	-	-	-	708,812	-	708,812
Derivative assets	-	-	940	304	15,034	2,897	-	251,854	271,029
Statutory deposits	-	-	-	-	-	-	2,916,509	-	2,916,509
Investment in subsidiaries	-	-	-	-	-	-	1,272,972	-	1,272,972
Property, plant and equipment	-	-	-	-	-	-	505,775	-	505,775
Goodwill and other intangible assets	-	-	-	-	-	-	1,017,722	-	1,017,722
TOTAL ASSETS	77,274,848	10,358,522	6,679,102	1,959,635	10,775,359	27,175,573	9,075,780	1,362,336	144,661,155

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued)

Bank	Non-trading book								
31.12.2012	Up to 1 month RM'000	>1 - 3 months RM'000	>3 - 6 months RM'000	>6 - 12 months RM'000	>1 - 3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	45,549,364	19,026,715	11,309,487	14,261,906	705,991	24,760	20,679,382	-	111,557,605
Deposits and placements of banks and other financial institutions	4,884,430	2,850,902	1,004,236	81,015	365,191	225,888	47,666	-	9,459,328
Bills and acceptances payable	1,407,285	1,602,519	427,955	-	-	-	272,696	-	3,710,455
Other liabilities	-	-	-	-	-	-	775,703	-	775,703
Derivative liabilities	-	-	1,131	133	8,465	2,278	-	261,552	273,559
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	500,000	479,375	3,465	-	982,840
Taxation liabilities	-	-	-	-	-	-	98,525	-	98,525
Deferred tax liabilities	-	-	-	-	-	-	50,903	-	50,903
Borrowings	-	382,250	248,462	-	-	-	2,066	-	632,778
Subordinated obligations	-	-	-	-	700,000	3,296,782	24,137	-	4,020,919
Hybrid Tier-I Capital Securities	-	-	-	-	-	597,744	8,342	-	606,086
Senior Debt Securities	-	-	-	-	-	1,529,772	6,902	-	1,536,674
TOTAL LIABILITIES	51,841,079	23,862,386	12,991,271	14,343,054	2,279,647	6,156,599	21,969,787	261,552	133,705,375
Total equity	-	-	-	-	-	-	10,955,780	-	10,955,780
TOTAL LIABILITIES AND EQUITY	51,841,079	23,862,386	12,991,271	14,343,054	2,279,647	6,156,599	32,925,567	261,552	144,661,155
On-balance sheet interest sensitivity gap	25,433,769	(13,503,864)	(6,312,169)	(12,383,419)	8,495,712	21,018,974			
Off-balance sheet interest sensitivity gap	(987,649)	2,965,821	(1,867,721)	188,460	408,600	(681,016)			
TOTAL INTEREST-SENSITIVITY GAP	24,446,120	(10,538,043)	(8,179,890)	(12,194,959)	8,904,312	20,337,958			

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Bank to meet its contractual or regulatory obligations when they come due without incurring substantial losses. Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. The Group and the Bank seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

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

Group 31.12.2013	**Up to 1 week**	**1 week to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**No specific maturity**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
ASSETS								
Cash and short-term funds	5,013,581	4,217,977	-	-	-	-	-	9,231,558
Securities purchased under resale agreements	184,560	-	-	-	-	-	-	184,560
Deposits and placements with banks and other financial institutions	-	-	1,512,228	365,410	88,082	552,256	-	2,517,976
Financial assets held-for-trading	-	37,486	1,159,805	631,834	-	537,973	-	2,367,098
Financial investments available-for-sale	1,488	117,002	356,455	115,777	513,712	11,395,583	758,567	13,258,584
Financial investments held-to-maturity	500,705	343,191	2,141,408	738,351	1,395,073	16,694,308	-	21,813,036
Loans, advances and financing	3,720,375	5,022,343	5,529,618	4,590,374	4,957,453	94,071,707	-	117,891,870
Other assets	47,825	3,750	22	20,153	-	76,803	398,990	547,543
Derivative assets	2,767	13,600	64,720	32,762	21,197	283,578	-	418,624
Statutory deposits	-	-	-	-	-	-	3,954,819	3,954,819
Tax recoverable	-	-	-	-	-	-	26,155	26,155
Deferred tax assets	-	-	-	-	-	-	12,160	12,160
Property, plant and equipment	-	-	-	-	-	-	666,736	666,736
Goodwill and other intangible assets	-	-	-	-	-	-	1,267,142	1,267,142
TOTAL ASSETS	9,471,301	9,755,349	10,764,256	6,494,661	6,975,517	123,612,208	7,084,569	174,157,861

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group 31.12.2013	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	50,813,315	32,507,905	22,868,970	16,495,731	12,466,076	463,140	-	135,615,137
Deposits and placements of banks and other financial institutions	742,716	3,601,054	6,110,751	747,943	98,061	1,178,638	-	12,479,163
Obligations on securities sold under repurchase agreements	-	-	-	165,098	-	-	-	165,098
Bills and acceptances payable	488,542	582,555	860,008	145,376	-	-	-	2,076,481
Other liabilities	81,219	214,860	92,018	6,532	123,618	154,303	298,178	970,728
Derivative liabilities	2,285	26,330	25,008	9,450	10,321	196,630	-	270,024
Recourse obligation on loans sold to Cagamas Berhad	-	561	2,782	-	500,000	1,766,010	-	2,269,353
Taxation liabilities	-	-	-	-	-	-	17,639	17,639
Deferred tax liabilities	-	-	-	-	-	-	35,376	35,376
Borrowings	-	-	33,589	21,097	53,276	463,087	-	571,049
Subordinated obligations	-	-	-	24,399	-	3,997,469	-	4,021,868
Hybrid Tier-I Capital Securities	-	-	7,542	638	-	598,035	-	606,215
Senior Debt Securities	-	-	-	7,399	-	1,640,235	-	1,647,634
TOTAL LIABILITIES	52,128,077	36,933,265	30,000,668	17,623,663	13,251,352	10,457,547	351,193	160,745,765
Total equity	-	-	-	-	-	-	13,412,096	13,412,096
TOTAL LIABILITIES AND EQUITY	52,128,077	36,933,265	30,000,668	17,623,663	13,251,352	10,457,547	13,763,289	174,157,861

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group Restated 31.12.2012	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	12,359,705	10,320,148	-	-	-	-	-	22,679,853
Securities purchased under resale agreements	676,858	-	-	-	-	-	-	676,858
Deposits and placements with banks and other financial institutions	-	-	2,571,416	275,599	82,874	622,765	-	3,552,654
Financial assets held-for-trading	14,427	-	543,167	396,084	49,055	547,130	-	1,549,863
Financial investments available-for-sale	1,288	21,259	51,685	128,334	69,111	9,398,361	363,177	10,033,215
Financial investments held-to-maturity	354,798	953,308	554,375	1,076,581	409,720	14,452,469	-	17,801,251
Loans, advances and financing	2,713,376	8,218,899	6,637,051	3,616,524	2,805,046	83,840,508	-	107,831,404
Other assets	66,360	3,480	32	16,171	-	47,245	263,620	396,908
Derivative assets	10,476	13,254	11,166	10,668	11,822	193,531	-	250,917
Statutory deposits	-	-	-	-	-	-	3,637,205	3,637,205
Tax recoverable	-	-	-	-	-	-	38	38
Deferred tax assets	-	-	-	-	-	-	8,455	8,455
Property, plant and equipment	-	-	-	-	-	-	675,115	675,115
Goodwill and other intangible assets	-	-	-	-	-	-	1,241,814	1,241,814
TOTAL ASSETS	16,197,288	19,530,348	10,368,892	5,519,961	3,427,628	109,102,009	6,189,424	170,335,550

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group Restated 31.12.2012	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES								
Deposits from customers	46,132,536	32,733,769	22,508,460	12,947,107	16,343,028	877,021	-	131,541,921
Deposits and placements of banks and other financial institutions	701,382	5,195,265	3,427,348	1,205,652	262,028	1,213,894	-	12,005,569
Bills and acceptances payable	540,739	1,160,854	1,602,519	427,955	-	-	-	3,732,067
Other liabilities	157,389	188,519	67,257	47,797	138,694	192,849	457,862	1,250,367
Derivative liabilities	4,170	18,701	23,585	27,699	9,673	189,369	-	273,197
Recourse obligation on loans sold to Cagamas Berhad	-	559	2,906	-	-	2,441,896	-	2,445,361
Taxation liabilities	-	-	-	-	-	-	125,648	125,648
Deferred tax liabilities	-	-	-	-	-	-	50,907	50,907
Borrowings	-	-	31,834	19,924	126,449	531,327	-	709,534
Subordinated obligations	-	-	-	24,138	-	3,996,781	-	4,020,919
Hybrid Tier-I Capital Securities	-	-	7,704	638	-	597,744	-	606,086
Senior Debt Securities	-	-	-	6,902	-	1,529,772	-	1,536,674
TOTAL LIABILITIES	47,536,216	39,297,667	27,671,613	14,707,812	16,879,872	11,570,653	634,417	158,298,250
Total equity	-	-	-	-	-	-	12,037,300	12,037,300
TOTAL LIABILITIES AND EQUITY	47,536,216	39,297,667	27,671,613	14,707,812	16,879,872	11,570,653	12,671,717	170,335,550

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank 31.12.2013	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	2,455,234	3,120,039	-	-	-	-	-	5,575,273
Securities purchased under resale agreements	184,560	-	-	-	-	-	-	184,560
Deposits and placements with banks and other financial institutions	-	-	1,129,146	720,542	138,977	3,067,646	-	5,056,311
Financial assets held-for-trading	-	37,486	464,275	582,183	-	489,595	-	1,573,539
Financial investments available-for-sale	895	111,195	241,773	110,764	432,107	9,352,475	553,627	10,802,836
Financial investments held-to-maturity	500,705	340,172	1,338,453	494,191	1,319,962	15,103,603	-	19,097,086
Loans, advances and financing	3,457,079	4,654,096	5,023,696	3,965,249	2,821,496	75,831,284	-	95,752,900
Other assets	5,665	162,948	-	20,154	44,228	76,803	386,331	696,129
Derivative assets	2,767	37,057	41,263	32,416	22,796	289,219	-	425,518
Statutory deposits	-	-	-	-	-	-	3,110,223	3,110,223
Tax recoverable	-	-	-	-	-	-	26,152	26,152
Investment in subsidiaries	-	-	-	-	-	-	1,740,314	1,740,314
Property, plant and equipment	-	-	-	-	-	-	492,464	492,464
Goodwill and other intangible assets	-	-	-	-	-	-	1,040,244	1,040,244
TOTAL ASSETS	6,606,905	8,462,993	8,238,606	5,925,499	4,779,566	104,210,625	7,349,355	145,573,549

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank 31.12.2013	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	43,029,277	24,957,335	18,510,712	14,050,147	10,801,276	445,969	-	111,794,716
Deposits and placements of banks and other financial institutions	579,312	3,124,555	5,670,790	533,254	36,330	626,383	-	10,570,624
Obligations on securities sold under repurchase agreements	-	-	-	165,098	-	-	-	165,098
Bills and acceptances payable	473,452	582,555	860,008	145,376	-	-	-	2,061,391
Other liabilities	78,065	201,503	50,843	21,986	97,946	148,567	171,564	770,474
Derivative liabilities	2,285	33,570	17,769	7,890	10,321	220,087	-	291,922
Recourse obligation on loans sold to Cagamas Berhad	-	561	2,782	-	500,000	457,677	-	961,020
Deferred tax liabilities	-	-	-	-	-	-	35,372	35,372
Borrowings	-	-	33,589	21,097	53,276	463,087	-	571,049
Subordinated obligations	-	-	-	24,399	-	3,997,469	-	4,021,868
Hybrid Tier-I Capital Securities	-	-	7,542	638	-	598,035	-	606,215
Senior Debt Securities	-	-	-	7,399	-	1,640,235	-	1,647,634
TOTAL LIABILITIES	44,162,391	28,900,079	25,154,035	14,977,284	11,499,149	8,597,509	206,936	133,497,383
Total equity	-	-	-	-	-	-	12,076,166	12,076,166
TOTAL LIABILITIES AND EQUITY	44,162,391	28,900,079	25,154,035	14,977,284	11,499,149	8,597,509	12,283,102	145,573,549

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank 31.12.2012	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	9,892,855	9,129,549	-	-	-	-	-	19,022,404
Securities purchased under resale agreements	676,858	-	-	-	-	-	-	676,858
Deposits and placements with banks and other financial institutions	-	-	733,858	613,931	-	2,432,439	-	3,780,228
Financial assets held-for-trading	14,288	-	442,155	395,373	29,051	229,615	-	1,110,482
Financial investments available-for-sale	203	17,547	46,755	122,437	69,111	7,847,456	353,047	8,456,556
Financial investments held-to-maturity	353,062	801,973	433,826	848,688	299,289	12,909,155	-	15,645,993
Loans, advances and financing	2,676,811	3,782,617	5,171,240	3,186,346	2,415,329	72,043,472	-	89,275,815
Other assets	9,042	332,801	-	16,166	52,466	47,245	251,092	708,812
Derivative assets	10,476	13,254	11,309	12,403	12,126	211,461	-	271,029
Statutory deposits	-	-	-	-	-	-	2,916,509	2,916,509
Investment in subsidiaries	-	-	-	-	-	-	1,272,972	1,272,972
Property, plant and equipment	-	-	-	-	-	-	505,775	505,775
Goodwill and other intangible assets	-	-	-	-	-	-	1,017,722	1,017,722
TOTAL ASSETS	13,633,595	14,077,741	6,839,143	5,195,344	2,877,372	95,720,843	6,317,117	144,661,155

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank 31.12.2012	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES								
Deposits from customers	40,335,645	25,513,945	19,194,246	11,421,035	14,358,179	734,555	-	111,557,605
Deposits and placements of banks and other financial institutions	517,220	4,407,982	2,854,411	1,007,504	81,015	591,196	-	9,459,328
Bills and acceptances payable	519,127	1,160,854	1,602,519	427,955	-	-	-	3,710,455
Other liabilities	99,875	177,083	59,173	56,682	117,433	192,491	72,966	775,703
Derivative liabilities	2,254	18,701	23,585	27,699	9,673	191,647	-	273,559
Recourse obligation on loans sold to Cagamas Berhad	-	559	2,906	-	-	979,375	-	982,840
Taxation liabilities	-	-	-	-	-	-	98,525	98,525
Deferred tax liabilities	-	-	-	-	-	-	50,903	50,903
Borrowings	-	-	31,834	19,924	49,693	531,327	-	632,778
Subordinated obligations	-	-	-	24,138	-	3,996,781	-	4,020,919
Hybrid Tier-I Capital Securities	-	-	7,704	638	-	597,744	-	606,086
Senior Debt Securities	-	-	-	6,902	-	1,529,772	-	1,536,674
TOTAL LIABILITIES	41,474,121	31,279,124	23,776,378	12,992,477	14,615,993	9,344,888	222,394	133,705,375
Total equity	-	-	-	-	-	-	10,955,780	10,955,780
TOTAL LIABILITIES AND EQUITY	41,474,121	31,279,124	23,776,378	12,992,477	14,615,993	9,344,888	11,178,174	144,661,155

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group 31.12.2013	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES							
Deposits from customers	83,151,020	39,876,226	12,768,532	450,166	34,733	-	136,280,677
Deposits and placements of banks and other financial institutions	4,540,686	6,893,504	105,088	317,019	717,687	-	12,573,984
Obligations on securities sold under repurchase agreements	-	165,903	-	-	-	-	165,903
Bills and acceptances payable	1,071,098	1,005,383	-	-	-	-	2,076,481
Other financial liabilities	263,323	127,697	61,190	133,481	13,744	13,512	612,947
Derivative liabilities:							
- gross settled derivatives:							
- inflow	(1,587,006)	(1,220,451)	(836,236)	(1,278,967)	(2,587,313)	-	(7,509,973)
- outflow	1,620,336	1,216,743	807,230	1,142,937	2,678,735	-	7,465,981
- net settled derivatives	5,696	11,085	16,893	16,542	(9,224)	1,624	42,616
Recourse obligation on loans sold to Cagamas Berhad	25,391	113,252	640,015	912,728	791,472	-	2,482,858
Borrowings	-	56,195	55,966	221,016	183,897	70,205	587,279
Subordinated obligations	-	95,188	95,188	1,063,250	3,278,687	342,000	4,874,313
Hybrid Tier-I Capital Securities	-	22,563	22,563	90,250	90,250	675,450	901,076
Senior Debt Securities	-	26,638	26,638	53,276	1,665,888	-	1,772,440
TOTAL FINANCIAL LIABILITIES	89,090,544	48,389,926	13,763,067	3,121,698	6,858,556	1,102,791	162,326,582

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group Restated 31.12.2012	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES							
Deposits from customers	78,902,038	35,757,520	16,743,035	873,068	44,350	-	132,320,011
Deposits and placements of banks and other financial institutions	6,117,808	4,589,479	267,318	448,169	720,621	-	12,143,395
Bills and acceptances payable	1,701,594	2,030,473	-	-	-	-	3,732,067
Other financial liabilities	316,234	112,888	60,536	192,967	14,317	23,218	720,160
Derivative liabilities:							
- gross settled derivatives:							
- inflow	(1,054,644)	(2,423,013)	(701,428)	(762,460)	(586,217)	-	(5,527,762)
- outflow	1,074,384	2,485,553	715,993	755,453	577,113	-	5,608,496
- net settled derivatives	6,373	18,203	18,511	55,108	(9,730)	(1,691)	86,774
Recourse obligation on loans sold to Cagamas Berhad	24,522	111,225	137,215	1,036,234	1,443,031	-	2,752,227
Borrowings	155	52,925	129,476	208,207	204,094	135,479	730,336
Subordinated obligations	-	95,188	95,188	1,063,250	3,278,688	342,000	4,874,314
Hybrid Tier-I Capital Securities	-	22,563	22,563	90,250	90,250	675,450	901,076
Senior Debt Securities	-	24,846	24,847	99,385	1,603,539	-	1,752,617
TOTAL FINANCIAL LIABILITIES	87,088,464	42,877,850	17,513,254	4,059,631	7,380,056	1,174,456	160,093,711

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank 31.12.2013	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES							
Deposits from customers	67,847,653	32,983,897	11,061,836	439,011	23,949	-	112,356,346
Deposits and placements of banks and other financial institutions	3,932,248	6,236,697	39,223	98,594	297,355	-	10,604,117
Obligations on securities sold under repurchase agreements	-	165,903	-	-	-	-	165,903
Bills and acceptances payable	1,056,008	1,005,383	-	-	-	-	2,061,391
Other financial liabilities	247,672	101,019	35,952	127,745	13,744	13,512	539,644
Derivative liabilities:							
- gross settled derivatives:							
- inflow	(1,587,006)	(1,220,451)	(836,236)	(1,278,967)	(2,587,313)	-	(7,509,973)
- outflow	1,620,336	1,216,743	807,230	1,142,937	2,678,735	-	7,465,981
- net settled derivatives	5,042	10,867	17,767	19,714	(15,556)	(420)	37,414
Recourse obligation on loans sold to Cagamas Berhad	1,896	30,641	532,578	470,845	-	-	1,035,960
Borrowings	-	56,195	55,966	221,016	183,897	70,205	587,279
Subordinated obligations	-	95,188	95,188	1,063,250	3,278,687	342,000	4,874,313
Hybrid Tier-I Capital Securities	-	22,563	22,563	90,250	90,250	675,450	901,076
Senior Debt Securities	-	26,638	26,638	53,276	1,665,888	-	1,772,440
TOTAL FINANCIAL LIABILITIES	73,123,849	40,731,283	11,858,705	2,447,671	5,629,636	1,100,747	134,891,891

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank 31.12.2012	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES							
Deposits from customers	65,872,944	30,858,887	14,703,018	732,920	29,268	-	112,197,037
Deposits and placements of banks and other financial institutions	5,076,335	3,887,428	84,287	233,622	230,548	-	9,512,220
Bills and acceptances payable	1,679,981	2,030,474	-	-	-	-	3,710,455
Other financial liabilities	247,141	113,689	39,274	171,009	14,317	23,218	608,648
Derivative liabilities:							
- gross settled derivatives:							
- inflow	(1,054,644)	(2,423,013)	(701,428)	(762,460)	(586,217)	-	(5,527,762)
- outflow	1,074,384	2,485,553	715,993	755,453	577,113	-	5,608,496
- net settled derivatives	6,373	17,741	18,050	53,641	(9,856)	(1,691)	84,258
Recourse obligation on loans sold to Cagamas Berhad	1,896	30,559	32,495	607,656	428,304	-	1,100,910
Borrowings	-	52,925	52,720	208,207	204,094	135,479	653,425
Subordinated obligations	-	95,188	95,188	1,063,250	3,278,688	342,000	4,874,314
Hybrid Tier-I Capital Securities	-	22,563	22,563	90,250	90,250	675,450	901,076
Senior Debt Securities	-	24,846	24,847	99,385	1,603,539	-	1,752,617
TOTAL FINANCIAL LIABILITIES	72,904,410	37,196,840	15,087,007	3,252,933	5,860,048	1,174,456	135,475,694

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's commitments and contingencies:

Group	Less than 1 year	Over 1 year	Total
	RM'000	RM'000	RM'000
31.12.2013			
Direct credit substitutes	**1,858,684**	**1,985,310**	**3,843,994**
Transaction-related contingent items	**456,457**	**2,579,409**	**3,035,866**
Short-term self-liquidating trade-related contingencies	**1,256,615**	**310,703**	**1,567,318**
Obligations under underwriting agreements	**76,000**	**-**	**76,000**
Irrevocable commitments to extend credit	**10,797,853**	**30,774,717**	**41,572,570**
TOTAL COMMITMENTS AND CONTINGENCIES	**14,445,609**	**35,650,139**	**50,095,748**
31.12.2012			
Direct credit substitutes	413,164	1,767,472	2,180,636
Transaction-related contingent items	300,742	2,195,071	2,495,813
Short-term self-liquidating trade-related contingencies	698,696	311,155	1,009,851
Obligations under underwriting agreements	90,000	-	90,000
Irrevocable commitments to extend credit	10,237,339	24,625,669	34,863,008
TOTAL COMMITMENTS AND CONTINGENCIES	11,739,941	28,899,367	40,639,308

The following table presents the contractual expiry by maturity of the Bank's commitments and contingencies:

Bank	Less than 1 year	Over 1 year	Total
	RM'000	RM'000	RM'000
31.12.2013			
Direct credit substitutes	**1,858,684**	**1,985,310**	**3,843,994**
Transaction-related contingent items	**340,801**	**2,153,585**	**2,494,386**
Short-term self-liquidating trade-related contingencies	**1,153,323**	**310,703**	**1,464,026**
Irrevocable commitments to extend credit	**8,690,334**	**27,375,316**	**36,065,650**
TOTAL COMMITMENTS AND CONTINGENCIES	**12,043,142**	**31,824,914**	**43,868,056**
31.12.2012			
Direct credit substitutes	413,164	1,710,722	2,123,886
Transaction-related contingent items	194,638	1,934,198	2,128,836
Short-term self-liquidating trade-related contingencies	643,093	311,155	954,248
Irrevocable commitments to extend credit	8,395,198	22,480,527	30,875,725
TOTAL COMMITMENTS AND CONTINGENCIES	9,646,093	26,436,602	36,082,695

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk

(i) Maximum exposure to credit risk

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

	Group		Bank	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Credit risk exposure:				
Short-term funds (exclude cash in hand)	**8,307,584**	21,776,905	**4,672,289**	18,118,704
Securities purchased under resale agreements	**184,560**	676,858	**184,560**	676,858
Deposits and placements with banks and other financial institutions	**2,517,976**	3,552,654	**5,056,311**	3,780,228
Financial assets and investments portfolios (exclude shares and perpetual notes/sukuk):				
- held-for-trading	**2,367,098**	1,549,863	**1,573,539**	1,110,482
- available-for-sale	**12,500,017**	9,670,038	**10,249,209**	8,103,509
- held-to-maturity	**21,813,036**	17,801,251	**19,097,086**	15,645,993
Loans, advances and financing	**117,891,870**	107,831,404	**95,752,900**	89,275,815
Other financial assets	**419,529**	240,982	**569,298**	562,725
Derivative assets	**418,624**	250,917	**425,518**	271,029
	166,420,294	163,350,872	**137,580,710**	137,545,343
Commitments and contingencies	**50,095,748**	40,639,308	**43,868,056**	36,082,695
Total maximum credit risk exposure	**216,516,042**	203,990,180	**181,448,766**	173,628,038

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(ii) Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:

(a) Fixed deposits/Commodity Murabahah deposits, Mudharabah General Investment Account, negotiable instrument of deposits and cash deposits/margins
(b) Land/Land and buildings
(c) Vessels and automobiles
(d) Quoted shares, unit trusts, government bonds and securities and private debt securities
(e) Endowment life policies with cash surrender value
(f) Other tangible business assets, such as inventory and equipment

The Group and the Bank also accepts non-tangible securities as support, such as guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract proceeds, which are subject to internal guidelines on eligibility.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing as at 31 December 2013 for the Group and the Bank are 71.7% (2012: 56.8%) and 73.9% (2012: 57.8%) respectively. The financial effect of collateral held for the other financial assets is not significant.

(iii) Credit quality

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

Internal ratings	Description
Investment grade	Strong(est) credit quality which are associated with general standards of investment grade as defined by international rating agencies such as Standard and Poor's ('S&P'), Moody's Investors Service ('Moody's'), Fitch Ratings ('Fitch') and Rating Agency Malaysia ('RAM').
Lower investment grade	Lower credit quality which are associated with general standards of investments grade as defined by international rating agencies such as S&P, Moody's, Fitch and RAM.
Non-investment grade	Weaker credit quality which are associated with general standards of non-investment grade as defined by international rating agencies such as S&P, Moody's, Fitch and RAM.

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

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

	Group	Group	Bank	Bank
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Neither past due nor impaired	**110,692,347**	100,690,979	**89,231,052**	82,804,030
Past due but not impaired	**6,015,742**	6,228,387	**5,482,404**	5,702,010
Individually impaired	**3,347,712**	3,090,090	**2,850,589**	2,600,833
Gross loans, advances and financing	**120,055,801**	110,009,456	**97,564,045**	91,106,873
Less: Individual impairment allowance	**(891,294)**	(780,081)	**(723,024)**	(648,256)
Collective impairment allowance	**(1,272,637)**	(1,397,971)	**(1,088,121)**	(1,182,802)
Net loans, advances and financing	**117,891,870**	107,831,404	**95,752,900**	89,275,815

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

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

	Group	Group	Bank	Bank
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Investment grade	**67,485,348**	64,315,349	**57,245,564**	55,687,196
Lower investment grade	**6,379,114**	6,199,835	**6,256,891**	5,683,132
Non-investment grade	**1,247,188**	1,471,088	**1,139,858**	1,354,624
Non-rated	**35,580,697**	28,704,707	**24,588,739**	20,079,078
	110,692,347	100,690,979	**89,231,052**	82,804,030

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans, advances and financing (continued)

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

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

	Group		**Bank**	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Past due up to 30 days	**2,061,945**	2,133,755	**2,032,902**	2,057,378
Past due 31 to 60 days	**2,734,381**	2,791,493	**2,360,194**	2,453,457
Past due 61 to 90 days	**1,219,416**	1,303,139	**1,089,308**	1,191,175
Past due but not impaired	**6,015,742**	6,228,387	**5,482,404**	5,702,010

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

	Group		**Bank**	
		Restated		
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Individually impaired	**3,347,712**	3,090,090	**2,850,589**	2,600,833

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

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

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
31.12.2013							
Neither past due nor impaired	**10,825,560**	**184,560**	**2,367,098**	**12,411,868**	**21,805,895**	**419,529**	**418,624**
Impaired	**-**	**-**	**-**	**372,280**	**115,365**	**-**	**-**
Less: Impairment losses	**-**	**-**	**-**	**(284,131)**	**(108,224)**	**-**	**-**
	10,825,560	**184,560**	**2,367,098**	**12,500,017**	**21,813,036**	**419,529**	**418,624**
Restated							
31.12.2012							
Neither past due nor impaired	25,329,559	676,858	1,549,863	9,531,006	17,785,321	240,982	250,917
Impaired	-	-	-	499,506	134,994	-	-
Less: Impairment losses	-	-	-	(360,474)	(119,064)	-	-
	25,329,559	676,858	1,549,863	9,670,038	17,801,251	240,982	250,917

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets are analysed as follows: (continued)

Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
31.12.2013							
Neither past due nor impaired	**9,728,600**	**184,560**	**1,573,539**	**10,161,060**	**19,089,945**	**569,298**	**425,518**
Impaired	**-**	**-**	**-**	**372,280**	**115,365**	**-**	**-**
Less: Impairment losses	**-**	**-**	**-**	**(284,131)**	**(108,224)**	**-**	**-**
	9,728,600	**184,560**	**1,573,539**	**10,249,209**	**19,097,086**	**569,298**	**425,518**
31.12.2012							
Neither past due nor impaired	21,898,932	676,858	1,110,482	7,964,477	15,630,063	562,725	271,029
Impaired	-	-	-	499,506	134,994	-	-
Less: Impairment losses	-	-	-	(360,474)	(119,064)	-	-
	21,898,932	676,858	1,110,482	8,103,509	15,645,993	562,725	271,029

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

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

Group 31.12.2013	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	1,248,487	184,560	491,882	5,509,624	5,012,595	-	179,490
A1 to A3	773,090	-	-	1,539,731	329,566	-	92,636
Baa1 to Baa3	466,161	-	6,372	666,399	312,840	-	1,967
P1 to P3	4,116,177	-	-	-	-	-	348
Non-rated includings:	4,221,645	-	1,868,844	4,696,114	16,150,894	419,529	144,183
- Bank Negara Malaysia	3,417,735	-	1,151,172	-	-	-	-
- Malaysian Government Securities	-	-	370,838	644,380	2,618,574	-	-
- Malaysian Government Investment Issues	-	-	145,440	1,557,301	6,325,725	-	-
- Private debt securities	-	-	2,708	2,129,518	4,200,140	-	-
- Bankers' acceptances	-	-	-	-	33,634	-	-
- Khazanah bonds	-	-	-	15,929	69,288	-	-
- Negotiable instruments of deposits	-	-	198,686	99,488	2,449,025	-	-
- Others	803,910	-	-	249,498	454,508	419,529	144,183
	10,825,560	184,560	2,367,098	12,411,868	21,805,895	419,529	418,624

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

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

Group Restated 31.12.2012	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	1,173,102	676,858	508,289	3,801,033	3,549,481	-	106,329
A1 to A3	268,391	-	16,847	1,402,367	333,139	-	40,674
Baa1 to Baa3	520,483	-	-	338,944	282,436	-	32,578
P1 to P3	5,861,162	-	-	-	-	-	-
Non-rated includings:	17,506,421	-	1,024,727	3,988,662	13,620,265	240,982	71,336
- Bank Negara Malaysia	16,772,813	-	598,073	-	-	-	1,738
- Malaysian Government Securities	-	-	222,202	459,574	2,415,844	-	-
- Malaysian Government Treasury Bills	-	-	52,869	-	-	-	-
- Malaysian Government Investment Issues	-	-	151,583	1,896,122	5,499,829	-	-
- Private debt securities	-	-	-	1,495,587	2,882,151	-	-
- Bankers' acceptances	-	-	-	-	339,215	-	-
- Khazanah bonds	-	-	-	36,016	66,290	-	-
- Negotiable instruments of deposits	-	-	-	-	2,126,329	-	-
- Others	733,608	-	-	101,363	290,607	240,982	69,598
	25,329,559	676,858	1,549,863	9,531,006	17,785,321	240,982	250,917

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

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

Bank 31.12.2013	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	4,036,548	184,560	466,438	4,423,128	4,663,718	-	210,187
A1 to A3	652,324	-	-	1,511,572	329,566	-	92,636
Baa1 to Baa3	466,161	-	6,372	666,399	293,053	-	1,967
P1 to P3	3,423,927	-	-	-	-	-	2
Non-rated includings:	1,149,640	-	1,100,729	3,559,961	13,803,608	569,298	120,726
- Bank Negara Malaysia	850,071	-	604,821	-	-	-	-
- Malaysian Government Securities	-	-	370,838	644,380	2,618,574	-	-
- Malaysian Government Investment Issues	-	-	122,362	1,033,134	5,481,811	-	-
- Private debt securities	-	-	2,708	1,834,847	3,699,584	-	-
- Khazanah bonds	-	-	-	-	60,307	-	-
- Negotiable instruments of deposits	-	-	-	-	1,803,165	-	-
- Others	299,569	-	-	47,600	140,167	569,298	120,726
	9,728,600	184,560	1,573,539	10,161,060	19,089,945	569,298	425,518

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

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

Bank 31.12.2012	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	3,245,212	676,858	227,634	3,004,764	3,201,185	-	126,441
A1 to A3	167,836	-	9,704	1,385,497	312,816	-	40,674
Baa1 to Baa3	520,483	-	-	338,944	264,011	-	32,578
P1 to P3	4,333,892	-	-	-	-	-	-
Non-rated includings:	13,631,509	-	873,144	3,235,272	11,852,051	562,725	71,336
- Bank Negara Malaysia	13,339,250	-	598,073	-	-	-	1,738
- Malaysian Government Securities	-	-	222,202	459,574	2,415,844	-	-
- Malaysian Government Treasury Bills	-	-	52,869	-	-	-	-
- Malaysian Government Investment Issues	-	-	-	1,409,751	4,756,426	-	-
- Private debt securities	-	-	-	1,264,584	2,521,096	-	-
- Bankers' acceptances	-	-	-	-	339,215	-	-
- Khazanah bonds	-	-	-	-	57,632	-	-
- Negotiable instruments of deposits	-	-	-	-	1,704,244	-	-
- Others	292,259	-	-	101,363	57,594	562,725	69,598
	21,898,932	676,858	1,110,482	7,964,477	15,630,063	562,725	271,029

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Repossessed properties

The carrying amount of assets held by the Group and the Bank as a result of taking possession of collaterals held as securities is as follows:

	Group and Bank	
	31.12.2013	31.12.2012
	RM'000	RM'000
Residential properties	**-**	2,167

Repossessed properties are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group and the Bank generally do not occupy the premises repossessed for its business use.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

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

Group 31.12.2013	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale @ RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing # RM'000	Other financial assets * RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	-	-	-	1,328,850	282,893	4,253,145	81,224	1,403,503	7,349,615
Mining and quarrying	-	-	-	-	-	623,822	-	1,196,307	1,820,129
Manufacturing	-	-	-	145,517	62,052	8,704,843	1,090	8,809,614	17,723,116
Electricity, gas and water	-	-	-	943,047	1,155,272	2,805,843	9,668	693,414	5,607,244
Construction	-	-	-	157,535	822,406	4,398,959	-	5,618,940	10,997,840
Real estate	-	-	-	242,660	241,110	2,473,855	-	953,738	3,911,363
Purchase of landed property	-	-	-	-	-	5,798,104	-	10,772,837	16,570,941
General commerce	-	-	-	58,858	405,650	7,901,484	-	5,713,783	14,079,775
Transport, storage and communication	-	-	-	738,318	615,920	5,045,650	1,000	1,718,654	8,119,542
Finance, insurance and business services	6,814,920	-	770,822	4,848,527	4,442,182	12,384,230	104,456	3,908,515	33,273,652
Government and government agencies	4,010,640	184,560	1,570,832	3,787,495	13,473,306	8,283,937	-	-	31,310,770
Purchase of securities	-	-	-	-	-	-	-	1,843,527	1,843,527
Purchase of transport vehicles	-	-	-	-	-	44	-	742,059	742,103
Consumption credit	-	-	-	-	-	1,993,864	-	4,721,158	6,715,022
Others	-	-	25,444	249,210	312,245	54,496,727	640,715	1,999,699	57,724,040
	10,825,560	184,560	2,367,098	12,500,017	21,813,036	119,164,507	838,153	50,095,748	217,788,679

Excludes collective impairment allowance amounting to RM1,272,637,000.
@ Excludes equity instrument amounting to RM758,567,000.
* Other financial assets include other assets amounting to RM419,529,000 and derivative assets amounting to RM418,624,000.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

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

Group Restated 31.12.2012	Short-term funds and deposits and placements with banks and other financial institutions	Securities purchased under resale agreements	Financial assets held-for-trading	Financial investments available-for-sale @	Financial investments held-to-maturity	Loans, advances and financing #	Other financial assets *	Commitments and contingencies	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	939,895	-	4,279,975	50,475	1,003,478	6,273,823
Mining and quarrying	-	-	-	-	-	728,740	-	871,422	1,600,162
Manufacturing	-	-	-	100,089	15,930	9,359,174	5,562	8,987,147	18,467,902
Electricity, gas and water	-	-	-	524,727	822,192	2,575,350	8,828	655,396	4,586,493
Construction	-	-	-	229,861	-	4,310,477	-	5,267,114	9,807,452
Real estate	-	-	5,094	288,623	227,637	2,346,287	-	1,089,154	3,956,795
Purchase of landed property	-	-	-	-	-	26,785,889	-	4,563,722	31,349,611
General commerce	-	-	-	-	405,810	7,379,767	-	4,886,444	12,672,021
Transport, storage and communication	-	-	25,236	613,694	322,179	4,736,132	934	905,170	6,603,345
Finance, insurance and business services	8,556,744	676,858	9,703	3,456,579	3,857,666	9,880,351	127,950	1,644,243	28,210,094
Government and government agencies	16,772,815	-	1,509,830	3,516,570	12,092,243	11,860,306	1,738	152,900	45,906,402
Purchase of securities	-	-	-	-	57,594	8,734,077	-	1,745,307	10,536,978
Purchase of transport vehicles	-	-	-	-	-	6,696,796	-	627,340	7,324,136
Consumption credit	-	-	-	-	-	2,209,361	-	4,506,527	6,715,888
Others	-	-	-	-	-	7,346,693	296,412	3,733,944	11,377,049
	25,329,559	676,858	1,549,863	9,670,038	17,801,251	109,229,375	491,899	40,639,308	205,388,151

Excludes collective impairment allowance amounting to RM1,397,971,000.

@ Excludes equity instrument amounting to RM363,177,000.

* Other financial assets include other assets amounting to RM240,982,000 and derivative assets amounting to RM250,917,000.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

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

Bank 31.12.2013	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale @ RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing # RM'000	Other financial assets * RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	-	-	-	1,214,553	282,893	3,894,079	81,224	1,071,009	6,543,758
Mining and quarrying	-	-	-	-	-	485,806	-	1,132,704	1,618,510
Manufacturing	-	-	-	145,517	62,052	7,268,388	1,090	8,171,676	15,648,723
Electricity, gas and water	-	-	-	661,768	1,011,754	2,382,424	9,668	628,542	4,694,156
Construction	-	-	-	157,535	822,406	4,184,176	-	5,307,465	10,471,582
Real estate	-	-	-	118,564	52,077	2,292,053	-	953,643	3,416,337
Purchase of landed property	-	-	-	-	-	1,212,514	-	9,000,846	10,213,360
General commerce	-	-	-	58,858	405,650	7,019,445	-	5,182,034	12,665,987
Transport, storage and communication	-	-	-	459,126	553,702	3,613,520	1,000	1,567,295	6,194,643
Finance, insurance and business services	8,913,630	-	2,707	4,417,220	4,204,901	9,536,861	134,808	3,446,047	30,656,174
Government and government agencies	814,970	184,560	1,570,832	3,016,068	11,701,651	4,988,007	-	-	22,276,088
Purchase of securities	-	-	-	-	-	-	-	1,843,527	1,843,527
Purchase of transport vehicles	-	-	-	-	-	44	-	337,805	337,849
Consumption credit	-	-	-	-	-	1,993,864	-	4,314,819	6,308,683
Others	-	-	-	-	-	47,969,840	767,026	910,644	49,647,510
	9,728,600	184,560	1,573,539	10,249,209	19,097,086	96,841,021	994,816	43,868,056	182,536,887

Excludes collective impairment allowance amounting to RM1,088,121,000.
@ Excludes equity instrument amounting to RM553,627,000.
* Other financial assets include other assets amounting to RM569,298,000 and derivative assets amounting to RM425,518,000.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

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

Bank 31.12.2012	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale @ RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing # RM'000	Other financial assets * RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	-	-	-	909,442	-	3,731,870	50,475	893,044	5,584,831
Mining and quarrying	-	-	-	-	-	547,838	-	871,422	1,419,260
Manufacturing	-	-	-	100,089	15,930	8,007,984	5,562	8,542,745	16,672,310
Electricity, gas and water	-	-	-	410,215	756,293	2,140,978	8,828	649,110	3,965,424
Construction	-	-	-	208,943	-	3,439,426	-	5,022,194	8,670,563
Real estate	-	-	-	96,591	50,292	2,150,450	-	1,079,154	3,376,487
Purchase of landed property	-	-	-	-	-	23,430,005	-	3,559,666	26,989,671
General commerce	-	-	-	-	405,810	6,545,185	-	4,479,369	11,430,364
Transport, storage and communication	-	-	-	461,410	306,947	3,660,500	934	759,257	5,189,048
Finance, insurance and business services	8,559,680	676,858	9,703	3,251,656	3,730,327	8,338,280	149,195	1,393,407	26,109,106
Government and government agencies	13,339,252	-	1,100,779	2,665,163	10,322,800	7,606,524	1,738	-	35,036,256
Purchase of securities	-	-	-	-	57,594	8,734,077	-	1,745,307	10,536,978
Purchase of transport vehicles	-	-	-	-	-	6,696,796	-	314,981	7,011,777
Consumption credit	-	-	-	-	-	2,209,361	-	4,186,039	6,395,400
Others	-	-	-	-	-	3,219,343	617,022	2,587,000	6,423,365
	21,898,932	676,858	1,110,482	8,103,509	15,645,993	90,458,617	833,754	36,082,695	174,810,840

Excludes collective impairment allowance amounting to RM1,182,802,000.
@ Excludes equity instrument amounting to RM353,047,000.
* Other financial assets include other assets amounting to RM562,725,000 and derivative assets amounting to RM271,029,000.

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value of measurement

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 (recurring measurement) analysed by level within the fair value hierarchy:

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2013				
Financial assets				
Financial assets held-for-trading:	**2,708**	**2,364,390**	**-**	**2,367,098**
- money market instruments	**-**	**2,338,946**	**-**	**2,338,946**
- quoted securities	**2,708**	**-**	**-**	**2,708**
- unquoted securities	**-**	**25,444**	**-**	**25,444**
Financial investments available-for-sale:	**12,322**	**12,338,866**	**907,396**	**13,258,584**
- money market instruments	**-**	**3,426,115**	**-**	**3,426,115**
- quoted securities	**12,322**	**-**	**-**	**12,322**
- unquoted securities	**-**	**8,912,751**	**907,396**	**9,820,147**
Derivative assets:				
- money market instruments	**-**	**418,624**	**-**	**418,624**
	15,030	**15,121,880**	**907,396**	**16,044,306**
Financial liabilities				
Derivative liabilities:				
- money market instruments	**-**	**270,024**	**-**	**270,024**
Restated				
31.12.2012				
Financial assets				
Financial assets held-for-trading:	-	1,549,863	-	1,549,863
- money market instruments	-	1,509,829	-	1,509,829
- unquoted securities	-	40,034	-	40,034
Financial investments available-for-sale:	10,522	9,469,611	553,082	10,033,215
- money market instruments	-	3,223,828	-	3,223,828
- quoted securities	10,522	6,817	-	17,339
- unquoted securities	-	6,238,966	553,082	6,792,048
Derivative assets:				
- money market instruments	-	250,917	-	250,917
	10,522	11,270,391	553,082	11,833,995
Financial liabilities				
Derivative liabilities:				
- money market instruments	-	273,197	-	273,197

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value of measurement (continued)

The table below analyses financial instruments carried at fair value (recurring measurement) 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**
31.12.2013				
Financial assets				
Financial assets held-for-trading:	**2,708**	**1,570,831**	**-**	**1,573,539**
- money market instruments	**-**	**1,570,831**	**-**	**1,570,831**
- quoted securities	**2,708**	**-**	**-**	**2,708**
Financial investments available-for-sale:	**8,713**	**10,161,060**	**633,063**	**10,802,836**
- money market instruments	**-**	**2,698,413**	**-**	**2,698,413**
- quoted securities	**8,713**	**-**	**-**	**8,713**
- unquoted securities	**-**	**7,462,647**	**633,063**	**8,095,710**
Derivative assets:				
- money market instruments	**-**	**425,518**	**-**	**425,518**
	11,421	**12,157,409**	**633,063**	**12,801,893**
Financial liabilities				
Derivative liabilities:				
- money market instruments	**-**	**291,922**	**-**	**291,922**
31.12.2012				
Financial assets				
Financial assets held-for-trading:	-	1,110,482	-	1,110,482
- money market instruments	-	1,100,778	-	1,100,778
- unquoted securities	-	9,704	-	9,704
Financial investments available-for-sale:	7,871	7,964,356	484,329	8,456,556
- money market instruments	-	2,634,238	-	2,634,238
- quoted securities	7,871	-	-	7,871
- unquoted securities	-	5,330,118	484,329	5,814,447
Derivative assets:				
- money market instruments	-	271,029	-	271,029
	7,871	9,345,867	484,329	9,838,067
Financial liabilities				
Derivative liabilities:				
- money market instruments	-	273,559	-	273,559

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

42 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value of measurement (continued)

(i) Valuation techniques and sensitivity analysis

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

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

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

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

The following represents the changes in Level 3 instruments for the financial year ended 31 December 2013 and 31 December 2012 for the Group and the Bank.

Financial investments available-for-sale

		Group		Bank	
			Restated		
	Note	**31.12.2013**	31.12.2012	**31.12.2013**	31.12.2012
		RM'000	RM'000	**RM'000**	RM'000
Balance as at the beginning of the financial year		**553,082**	497,428	**484,329**	496,853
Amount arising from acquisition of subsidiaries:					
- effects of predecessor accounting	46	**-**	87	**-**	-
Total gains/(losses) recognised in other comprehensive income		**106,355**	(32,202)	**106,355**	(32,202)
Sales		**-**	(3,086)	**-**	(3,086)
Purchase		**289,899**	68,946	**85,530**	855
Settlements		**(44,696)**	(49,039)	**(40,992)**	(49,039)
Impairment losses		**(2,159)**	(6,783)	**(2,159)**	(6,783)
Transfer in		**-**	77,754	**-**	77,754
Exchange differences		**4,915**	(23)	**-**	(23)
Balance as at the end of the financial year		**907,396**	553,082	**633,063**	484,329

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

The fair value of each financial assets and liabilities presented on the statements of financial position of the Group and the Bank approximates the carrying amount as at the reporting date, except for the followings:

		Group		Bank
	Carrying value	**Fair value**	**Carrying value**	**Fair value**
31.12.2013	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Deposits and placements with banks and other financial institutions	**2,517,976**	**2,517,976**	**5,056,311**	**5,030,716**
Financial investments held-to-maturity	**21,813,036**	**21,663,216**	**19,097,086**	**18,971,132**
Loans, advances and financing	**117,891,870**	**118,344,468**	**95,752,900**	**95,917,084**
Financial liabilities				
Deposits from customers	**135,615,137**	**135,635,992**	**111,794,716**	**111,815,303**
Deposits and placements of banks and other financial institutions	**12,479,163**	**12,460,888**	**10,570,624**	**10,540,944**
Recourse obligation on loans sold to Cagamas Berhad	**2,269,353**	**2,231,757**	**961,020**	**966,900**
Subordinated obligations	**4,021,868**	**4,067,753**	**4,021,868**	**4,067,753**
Hybrid Tier-I Capital Securities	**606,215**	**684,754**	**606,215**	**684,754**
Senior Debt Securities	**1,647,634**	**1,666,240**	**1,647,634**	**1,666,240**
Restated				
31.12.2012				
Financial assets				
Deposits and placements with banks and other financial institutions	3,552,654	3,552,654	3,780,228	3,819,917
Financial investments held-to-maturity	17,801,251	17,992,056	15,645,993	15,830,733
Loans, advances and financing	107,831,404	108,788,276	89,275,815	89,807,925
Financial liabilities				
Deposits from customers	131,541,921	131,666,355	111,557,605	111,676,241
Deposits and placements of banks and other financial institutions	12,005,569	11,997,181	9,459,328	9,435,884
Recourse obligation on loans sold to Cagamas Berhad	2,445,361	2,410,223	982,840	999,937
Subordinated obligations	4,020,919	4,092,454	4,020,919	4,092,454
Hybrid Tier-I Capital Securities	606,086	708,405	606,086	708,405
Senior Debt Securities	1,536,674	1,575,816	1,536,674	1,575,816

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The following table analyses within the fair value hierarchy the Group's and the Bank's assets and liabilities not measured at fair value at 31 December 2013 but for which fair value is disclosed.

	Level 1	Level 2	Level 3	Total
Group	**RM'000**	**RM'000**	**RM'000**	**RM'000**
31.12.2013				
Financial assets				
Deposits and placements with banks and other financial institutions	-	2,517,976	-	2,517,976
Financial investments held-to-maturity	-	20,582,796	1,080,420	21,663,216
Loans, advances and financing	-	118,344,468	-	118,344,468
Financial liabilities				
Deposits from customers	-	135,635,992	-	135,635,992
Deposits and placements of banks and other financial institutions	-	12,460,888	-	12,460,888
Recourse obligation on loans sold to Cagamas Berhad	-	2,231,757	-	2,231,757
Subordinated obligations	-	4,067,753	-	4,067,753
Hybrid Tier-I Capital Securities	-	684,754	-	684,754
Senior Debt Securities	-	1,666,240	-	1,666,240
Bank				
31.12.2013				
Financial assets				
Deposits and placements with banks and other financial institutions	-	5,030,716	-	5,030,716
Financial investments held-to-maturity	-	18,304,624	666,508	18,971,132
Loans, advances and financing	-	95,917,084	-	95,917,084
Financial liabilities				
Deposits from customers	-	111,815,303	-	111,815,303
Deposits and placements of banks and other financial institutions	-	10,540,944	-	10,540,944
Recourse obligation on loans sold to Cagamas Berhad	-	966,900	-	966,900
Subordinated obligations	-	4,067,753	-	4,067,753
Hybrid Tier-I Capital Securities	-	684,754	-	684,754
Senior Debt Securities	-	1,666,240	-	1,666,240

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The fair values are based on the following methodologies and assumptions:

(i) Cash and short-term funds and deposits and placements with financial institutions

For cash and short-term funds and deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(ii) Securities purchased under resale agreements

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

(iii) Financial assets held-for-trading, financial investments held-to-maturity and financial investments available-for-sale.

The estimated fair value for financial assets held-for-trading, financial investments held-to-maturity and financial investments available-for-sale is based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been assessed by reference to market indicate yield or net tangible asset backing of the investee. Where discounted cash flow technique is used, the estimated future cash flows are discounted using the prevailing market rates for similar instrument at the date of statements of financial position.

(iv) Loans, advances and financing

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

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

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

(v) Other assets and liabilities

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

(vi) Deposits from customers

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

(vii) Deposits and placements of banks and other financial institutions, bills and acceptances payable

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

(viii) Recourse obligation on loans sold to Cagamas Berhad

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

43 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(ix) Borrowings

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

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

(x) Subordinated obligations

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

(xi) Hybrid Tier-I Capital Securities

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

(xii) Senior Debt Securities

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

(xiii) Credit related commitments and contingencies

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

(xiv) Foreign exchange and interest rate related contracts

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

44 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.

Effective 1 January 2013, the capital ratios of the Group and the Bank have been computed based on BNM's Capital Adequacy Framework (Capital Components) issued on 28 November 2012. Correspondingly, the comparative disclosures for the year ended 31 December 2012 have been restated accordingly.

Effective 1 January 2013, the capital ratios of RHB Islamic Bank Berhad ('RHB Islamic Bank') have been computed based on BNM's Capital Adequacy Framework for Islamic Banks (Capital Components) issued on 28 November 2012. Correspondingly, the comparative disclosures for the financial year ended 31 December 2012 have been restated accordingly.

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

		RHB Bank *		**RHB Islamic Bank**
		Restated		Restated
	31.12.2013	31.12.2012	**31.12.2013**	31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Tier-I Capital				
Paid-up ordinary share capital	**3,318,085**	3,318,085	**1,173,424**	973,424
Share premium	**8,563**	8,563	**-**	-
Retained profits	**5,424,998**	4,238,287	**441,401**	358,151
Other reserves	**3,492,002**	3,447,064	**441,609**	358,359
AFS reserves	**179,873**	219,015	**(29,302)**	3,740
	12,423,521	11,231,014	**2,027,132**	1,693,674
Less: Goodwill	**(905,519)**	(905,519)	**-**	-
Net deferred tax assets	**-**	-	**(17,281)**	(5,265)
Other intangible assets (include associated deferred tax liability)	**(109,845)**	(112,409)	**(5,580)**	(3,585)
55% of cumulative gains of AFS financing instruments	**(98,930)**	(120,458)	**-**	(2,057)
Shortfall of eligible provisions to expected losses under the IRB approach	**(280,768)**	(372,855)	**-**	-
Other deduction#	**(17,374)**	(5,701)	**(92)**	(5,091)
Common Equity Tier-I capital ('CET-I capital')	**11,011,085**	9,714,072	**2,004,179**	1,677,676
Hybrid Tier-I Capital Securities**	**540,000**	597,744	**-**	-
Total Tier-I capital	**11,551,085**	10,311,816	**2,004,179**	1,677,676
Tier-II Capital				
Subordinated obligations@	**3,600,000**	3,996,781	**-**	-
Collective impairment allowance^	**269,973**	279,362	**81,059**	87,435
	3,869,973	4,276,143	**81,059**	87,435
Less: Investments in subsidiaries	**(1,539,997)**	(1,072,656)	**-**	-
Total Tier-II capital	**2,329,976**	3,203,487	**81,059**	87,435
Total capital	**13,881,061**	13,515,303	**2,085,238**	1,765,111

44 CAPITAL ADEQUACY (CONTINUED)

	RHB Bank *		RHB Islamic Bank	
	31.12.2013	Restated 31.12.2012	**31.12.2013**	Restated 31.12.2012
Capital ratios (before proposed dividend)				
CET-I capital ratio	**11.103%**	11.039%	**13.864%**	13.971%
Tier-I capital ratio	**11.647%**	11.718%	**13.864%**	13.971%
Total capital ratio	**13.997%**	15.359%	**14.424%**	14.699%
Capital ratios (after proposed dividend)				
CET-I capital ratio	**11.103%**	10.768%	**13.864%**	13.971%
Tier-I capital ratio	**11.647%**	11.448%	**13.864%**	13.971%
Total capital ratio	**13.997%**	15.088%	**14.424%**	14.699%

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

	RHB Bank *		RHB Islamic Bank	
	31.12.2013	Restated 31.12.2012	**31.12.2013**	Restated 31.12.2012
	RM'000	RM'000	**RM'000**	RM'000
Credit risk	**88,598,853**	78,034,944	**13,511,201**	11,053,722
Market risk	**2,899,375**	2,676,807	**160,838**	265,386
Operational risk	**7,670,991**	7,283,570	**783,884**	689,105
Total risk-weighted assets	**99,169,219**	87,995,321	**14,455,923**	12,008,213

* 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".

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

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

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

44 CAPITAL ADEQUACY (CONTINUED)

	Group	
		Restated
	31.12.2013	31.12.2012
	RM'000	RM'000
Tier-I Capital		
Paid-up ordinary share capital	**3,318,085**	3,318,085
Share premium	**8,563**	8,563
Retained profits	**5,995,662**	4,722,899
Other reserves	**3,939,215**	3,766,757
AFS reserves	**150,571**	220,996
	13,412,096	12,037,300
Less: Goodwill	**(1,120,318)**	(1,120,318)
Net deferred tax assets	**(7,286)**	-
Other intangible assets (include associated deferred tax liability)	**(116,322)**	(121,496)
55% of cumulative gains of AFS financing instruments	**(82,814)**	(121,548)
Shortfall of eligible provisions to expected losses under the IRB approach	**(336,828)**	(424,863)
Other deduction[#]	**(17,467)**	(10,792)
Common Equity Tier-I capital	**11,731,061**	10,238,283
Hybrid Tier-I Capital Securities**	**540,000**	597,744
Total Tier-I capital	**12,271,061**	10,836,027
Tier-II Capital		
Subordinated obligations[@]	**3,600,000**	3,996,781
Collective impairment allowance^	**417,143**	424,802
Total Tier-II capital	**4,017,143**	4,421,583
Total capital	**16,288,204**	15,257,610
<u>Capital ratios (before proposed dividend)</u>		
CET-I capital ratio	**10.329%**	10.400%
Tier-I capital ratio	**10.805%**	11.007%
Total capital ratio	**14.342%**	15.499%
<u>Capital ratios (after proposed dividend)</u>		
CET-I capital ratio	**10.329%**	10.158%
Tier-I capital ratio	**10.805%**	10.765%
Total capital ratio	**14.342%**	15.257%

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

Credit risk	**102,147,842**	87,876,352
Market risk	**2,923,183**	2,565,380
Operational risk	**8,493,418**	7,999,184
Total risk-weighted assets	**113,564,443**	98,440,916

44 CAPITAL ADEQUACY (CONTINUED)

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

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

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

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

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

	31.12.2013	31.12.2012
Before deducting proposed dividends:		
Core capital ratio	**#**	#
Solvency ratio	**18.987%**	31.164%
After deducting proposed dividends:		
Core capital ratio	**#**	#
Solvency ratio	**18.987%**	31.164%

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.

45 SEGMENT REPORTING

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

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

(a) Corporate Banking

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

(b) Retail Banking

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

(c) Business Banking

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

(d) Treasury and Money Market

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

(e) Islamic Banking business

Islamic Banking business focuses on providing a full range of commercial banking products and services in accordance with the principles of Shariah to individual customers, corporate clients, government and state owned entities as well as small and medium sized enterprises.

(f) Global Financial Banking

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

(g) Others

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

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

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

45 SEGMENT REPORTING (CONTINUED)

Group 31.12.2013	**Corporate Banking RM'000**	**Retail Banking RM'000**	**Business Banking RM'000**	**Treasury and Money Market RM'000**	**Islamic Banking Business RM'000**	**Global Financial Banking RM'000**	**Others RM'000**	**Elimination RM'000**	**Total RM'000**
External revenue	778,436	2,167,552	708,677	313,474	548,620	325,242	27,771	-	4,869,772
Inter-segment revenue	(20,240)	-	-	128,599	(107,202)	3,607	820	(5,584)	-
Segment revenue	758,196	2,167,552	708,677	442,073	441,418	328,849	28,591	(5,584)	4,869,772
Overhead expenses includings:	(137,975)	(1,073,058)	(345,955)	(91,197)	(204,178)	(242,948)	(30,728)	5,584	(2,120,455)
Depreciation of property, plant and equipment	(2,122)	(61,122)	(6,140)	(2,063)	(3,904)	(6,970)	(197)	-	(82,518)
Amortisation of computer software license	(1,838)	(18,795)	(8,253)	(3,009)	(523)	(1,822)	-	-	(34,240)
Allowance for impairment on loans and financing	(133,628)	(173,696)	(14,381)	-	(32,089)	(18,262)	(50,524)	-	(422,580)
Impairment write-back on other assets	19,158	80	727	(6,900)	(701)	379	-	-	12,743
Profit before taxation	505,751	920,878	349,068	343,976	204,450	68,018	(52,661)	-	2,339,480
Taxation									(575,467)
Net profit for the financial year									1,764,013

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

45 SEGMENT REPORTING (CONTINUED)

Group Restated 31.12.2012	Corporate Banking	Retail Banking	Business Banking	Treasury and Money Market	Islamic Banking Business	Global Financial Banking	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	706,725	2,006,895	704,996	443,590	409,976	267,372	(45,396)	-	4,494,158
Inter-segment revenue	(7,497)	-	-	38,138	(29,509)	3,517	821	(5,470)	-
Segment revenue	699,228	2,006,895	704,996	481,728	380,467	270,889	(44,575)	(5,470)	4,494,158
Overhead expenses includings:	(127,250)	(1,015,763)	(322,714)	(96,839)	(165,317)	(203,914)	(28,385)	5,470	(1,954,712)
Depreciation of property, plant and equipment	(2,295)	(59,243)	(7,223)	(2,129)	(5,855)	(3,552)	(194)	-	(80,491)
Amortisation of computer software license	(1,974)	(14,899)	(7,240)	(2,674)	(230)	(1,994)	-	-	(29,011)
Allowance for impairment on loans and financing	137,183	(160,146)	(54,015)	-	(78,202)	(1,807)	9,503	-	(147,484)
Impairment write-back on other assets	10,572	22	119	(4,288)	-	433	-		6,858
Profit before taxation	719,733	831,008	328,386	380,601	136,948	65,601	(63,457)	-	2,398,820
Taxation									(590,861)
Net profit for the financial year									1,807,959

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

45 SEGMENT REPORTING (CONTINUED)

Group 31.12.2013	Corporate Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Treasury and Money Market RM'000	Islamic Banking Business RM'000	Global Financial Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
Segment assets	35,666,076	48,724,747	13,065,439	44,086,221	19,405,384	15,741,073	216,290	(4,219,268)	172,685,962
Deferred tax assets									12,160
Tax recoverable									26,155
Unallocated assets									1,433,584
Total assets									174,157,861
Segment liabilities	24,419,186	37,077,982	9,196,654	55,673,833	11,915,037	12,704,096	12,395,057	(4,553,736)	158,828,109
Deferred tax liabilities									35,376
Taxation liabilities									17,639
Unallocated liabilities									1,864,641
Total liabilities									160,745,765
Other segment items									
Capital expenditure	4,908	77,095	13,346	10,758	8,110	13,095	-	-	127,312

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013 (CONTINUED)

45 SEGMENT REPORTING (CONTINUED)

Group Restated 31.12.2012	Corporate Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Treasury and Money Market RM'000	Islamic Banking Business RM'000	Global Financial Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
Segment assets	36,628,684	43,370,241	11,700,066	51,579,432	16,379,292	12,584,422	318,285	(3,375,132)	169,185,290
Deferred tax assets									8,455
Tax recoverable									38
Unallocated assets									1,141,767
Total assets									170,335,550
Segment liabilities	25,852,142	34,247,828	8,058,227	54,844,816	10,402,188	9,887,236	16,670,641	(3,876,869)	156,086,209
Deferred tax liabilities									50,907
Taxation liabilities									125,648
Unallocated liabilities									2,035,486
									158,298,250
Other segment items									
Capital expenditure	4,665	60,526	21,814	5,761	5,976	11,505	-	-	110,247

45 SEGMENT REPORTING (CONTINUED)

The geographical information is prepared based on the location of the assets.

	Group	
		Restated
	31.12.2013	31.12.2012
	RM'000	RM'000
Segment revenue		
Malaysia	**4,544,530**	4,226,786
Outside Malaysia	**325,242**	267,372
Total	**4,869,772**	4,494,158
Segment assets		
Malaysia	**158,376,774**	157,682,465
Outside Malaysia	**15,781,087**	12,653,085
Total	**174,157,861**	170,335,550
Capital expenditure		
Malaysia	**114,217**	98,742
Outside Malaysia	**13,095**	11,505
Total	**127,312**	110,247

46 ACQUISITION OF SUBSIDIARIES

On 9 November 2012, RHB Capital Berhad, the ultimate holding company of the Bank, has completed the acquisition of 100% equity interest in OSK Investment Bank Berhad and OSK Investment Bank Labuan ('OSKL') from OSK Holdings Berhad. As a result, RHB Indochina Bank Limited ('RHBIBL') (formerly known as OSK Indochina Bank Limited), a subsidiary of OSK Investment Bank Berhad, then became a wholly owned subsidiary of RHB Capital Berhad. As part of the Group's internal reorganisation, the following common controls transactions have taken place during the financial year.

(a) On 9 April 2013, RHBIBL became a wholly owned subsidiary of the Bank, upon acquisition of 100%, equity interest of RHBIBL for a cash consideration of RM267,342,000.

(b) On 30 December 2013, OSKL transferred assets and liabilities over to RHB Bank (L) Ltd, a subsidiary of the Bank, for a cash consideration of RM21,600,000.

The acquisitions were accounted for using predecessor basis of accounting.

Certain comparatives were restated to reflect the effects of acquisitions of RHBIBL and OSKL by applying predecessor accounting as disclosed in accounting policy Note 2(a) to the financial statements.

The effects of predecessor accounting on the financial statements of the Group and the Bank are set out belows.

(a) Impact on the Group's statements of financial position:

Group

As at 31.12.2012	**As previously reported**	**Effects of predecessor accounting Acquisition of RHBIBL**	**OSKL**	**As restated**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Assets				
Cash and short-term funds	22,557,727	120,175	1,951	22,679,853
Deposits and placements with banks and other financial institutions	3,549,648	3,006	-	3,552,654
Financial investments available-for-sale	10,026,311	87	6,817	10,033,215
Loans, advances and financing:	107,465,886	272,048	93,470	107,831,404
- Gross loans, advances and financing	109,641,183	274,803	93,470	110,009,456
- Individual impairment allowance	(780,069)	(12)	-	(780,081)
- Collective impairment allowances	(1,395,228)	(2,743)	-	(1,397,971)
Other assets	391,400	5,477	31	396,908
Statutory deposits	3,589,364	47,841	-	3,637,205
Tax recoverable	14	24	-	38
Property, plant and equipment	663,044	12,043	28	675,115
Goodwill and other intangible assets	1,124,349	117,465	-	1,241,814
Liabilities and equity				
Deposits from customers	131,309,626	232,672	(377)	131,541,921
Deposits and placements of banks and other financial institutions	11,935,887	69,682	-	12,005,569
Other liabilities	953,404	275,092	21,871	1,250,367
Borrowings	632,778	-	76,756	709,534
Translation reserves	(71,684)	87	1,858	(69,739)
Retained profits	4,719,036	633	3,230	4,722,899
Total equity	12,032,518	720	4,062	12,037,300

46 ACQUISITION OF SUBSIDIARIES (CONTINUED)

(b) Impact on the Group's income statements/statements of comprehensive income:

Group **For the financial year ended 31 December 2012**	**As previously reported**	**Effects of predecessor accounting Acquisition of RHBIBL**	**OSKL**	**As restated**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Interest income	5,988,376	4,166	951	5,993,493
Interest expense	(2,930,362)	(1,494)	(253)	(2,932,109)
Other operating income	943,948	567	1,088	945,603
Other operating expenses	(1,952,194)	(2,322)	(196)	(1,954,712)
Allowance for impairment on loans and financing	(147,249)	(235)	-	(147,484)
Profit before taxation	2,396,548	682	1,590	2,398,820
Taxation	(590,813)	(49)	1	(590,861)
Net profit for the financial year	1,805,735	633	1,591	1,807,959
Earnings per share (sen) - basic	27.21	0.01	0.02	27.24

(c) Impact on the Group's cash flows:

	As previously reported	**Effects of predecessor accounting Acquisition of RHBIBL**	**OSKL**	**As restated**
	RM'000	**RM'000**	**RM'000**	**RM'000**
Net cash generated from operating activities	7,913,642	250,136	6,338	8,170,116
Net cash used in investing activities	(5,359,620)	(130,040)	(6,250)	(5,495,910)
Net increase in cash and cash equivalents	4,217,756	120,094	90	4,337,940
Effects of exchange rate differences	(52,215)	81	1,861	(50,273)
Cash and cash equivalents carried forward	22,557,727	120,175	1,951	22,679,853

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Proposed acquisition of the issued and paid-up share capital in Bank Mestika

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

(i) proposed acquisition of 80% of the issued and paid up share capital in Bank Mestika for a total cash consideration of Indonesian Rupiah ('RP') 3,118,300 million (or equivalent to approximately RM1,163 million) ('Proposed Acquisition');

(ii) proposed put and call option for 9% of the issued and paid-up share capital in Bank Mestika ('Proposed Options');

(iii) proposed renounceable rights issue of new ordinary shares of RM1.00 each in RHB Capital ('Shares') to raise gross proceeds of approximately RM1.3 billion ('Proposed Rights Issue'); and

(iv) proposed increase in the authorised share capital of the RHB Capital from RM2,500,000,000 comprising 2,500,000,000 RHB Capital shares to RM5,000,000,000 comprising 5,000,000,000 RHB Capital shares ('Proposed Increase In Authorised Share Capital').

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

(i) the conditional sale and purchase agreement dated 19 October 2009 with PT Mestika Benua Mas ('Vendor') ('CSPA') in relation to the Proposed Acquisition;

(ii) the escrow agreement dated 19 October 2009 with the Vendor and The Hongkong and Shanghai Banking Corporation Limited (Jakarta Office), acting as the escrow agent, to facilitate the deposit of an amount equal to 10% of the purchase consideration for the Proposed Acquisition by the Company; and

(iii) the agreement dated 19 October 2009 with the Vendor in relation to the Proposed Options.

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

(i) RHB Capital is to obtain written confirmation from its auditors on the compliance with Financial Reporting Standards in arriving at the impairment methodology adopted and in respect of any change in equity interest in Bank Mestika; and

(ii) the sources of funding and funding cost for the additional capital required by Bank Mestika post-acquisition should not exert pressure on the Company and its subsidiaries' capital and financial soundness.

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

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(a) Proposed acquisition of the issued and paid-up share capital in Bank Mestika (continued)

As announced on 22 April 2010, Bursa Malaysia Securities Bhd ('Bursa Securities') had, vide its letter dated 20 April 2010, approved the listing and quotation of new ordinary shares of RM1.00 each in RHB Capital, up to the gross proceeds of approximately RM1.3 billion, to be issued pursuant to the Proposed Rights Issue subject to the condition as stated therein. Bursa Securities had further, on 9 May 2011, granted RHB Capital an extension of time until 19 October 2011 to complete the implementation of the Proposed Rights Issue. Bursa Securities had on 21 October 2011, granted RHB Capital a further extension of time of six (6) months from 20 October 2011 until 19 April 2012 to complete the implementation of the Proposed Rights Issue. As at 19 April 2012, the necessary regulatory approvals for the Proposed Acquisition are still pending and hence, given that the Proposed Rights Issue is conditional upon the Proposed Acquisition, RHB Capital has not been able to implement the Proposed Rights Issue. Bursa Securities' approval for the extension of time of up to 19 April 2012 to complete the implementation of the Proposed Rights Issue thus lapsed on the same day. RHB Capital will, amongst others, resubmit an application to Bursa Securities for the implementation of the Proposed Rights Issue upon obtaining the necessary regulatory approvals for the Proposed Acquisition.

The shareholders of the RHB Capital had also, at the Extraordinary General Meeting of the Company held on 19 May 2010, approved the Proposed Rights Issue and the Proposed Increase In Authorised Share Capital.

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

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

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

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

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

On 26 June 2013, RHB Investment Bank, on behalf of RHB Capital, announced that RHB Bank and the Vendor had an even date, by way of an exchange of letters, mutually agreed to extend the period to satisfy or waive the conditions precedent of the Amended CSPA to 30 September 2013. in furtherance thereto, on 27 September 2013, RHB Bank and the Vendor had mutually agreed to extend such period to 30 June 2014.

None of the Directors, major shareholders and/or persons connected with them have any interest, direct or indirect, in the Proposed 40% Acquisition.

The Proposed 40% Acquisition and Proposed Rights Issue did not have any material effect on the earnings of the Group for the financial year ended 31 December 2013. The Proposed 40% Acquisition is expected to contribute positively to the future revenue and earnings of the Group.

47 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(b) Establishment of RHB Bank (Lao) Limited

RHB Capital announced on 14 November 2013 that the Group has obtained temporary approval from the Governor of the Bank of Lao People's Democratic Republic ('Lao PDR') on 29 October 2013 for the establishment of RHB Bank (Lao) Limited ('RHB Bank Lao'). The incorporation of RHB Bank Lao shall commence in due course to fulfill its performance obligations (including the applications to the relevant regulators in Lao PDR) within 6 months from the date of the temporary approval for a consideration of a permanent approval to operate in Laos. The temporary approval is valid until 28 April 2014.

(c) Proposed Multi-Currency Medium Term Note Programme ('MCMTN Programme') for the issuance of up to RM5.0 billion (or its equivalent in other currencies) in nominal value of Senior Notes and/or Subordinated Notes

The Bank has obtained approval and authorisation from Securities Commission vide its letter dated 4 February 2014 for the MCMTN Programme. The Subordinated Notes to be issued under the MCMTN Programme are Basel III compliant.

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

The proceeds raised from the MCMTN Programme will be utilised for the Bank's general working capital and other corporate purposes, including but not limited to provision of advances to any of the Bank's subsidiaries and repayment of borrowings and the subordinated debts (if any).

48 COMPARATIVES

Certain comparatives were restated to reflect the effects of acquisitions of RHBIBL and OSKL (Note 46).

49 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 6 March 2014.

RHB BANK BERHAD (6171-M)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, Tan Sri Azlan Zainol and Dato' Khairussaleh Ramli, being two of the directors of RHB Bank Berhad state that, in the opinion of the directors, the financial statements set out on pages 6 to 147 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2013 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

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

TAN SRI AZLAN ZAINOL	**DATO' KHAIRUSSALEH RAMLI**
CHAIRMAN	**MANAGING DIRECTOR**

Kuala Lumpur
6 March 2014

STATUTORY DECLARATION PURSUANT TO SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, Yap Choi Foong, the officer primarily responsible for the financial management of RHB Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 6 to 147 are, in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

YAP CHOI FOONG

Subscribed and solemnly declared by the abovenamed Yap Choi Foong, at Kuala Lumpur in Wilayah Persekutuan on 6 March 2014.

before me:
COMMISSIONER FOR OATHS
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF RHB BANK BERHAD
(Incorporated in Malaysia)
(Company No. 6171-M)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Bank Berhad on pages 6 to 147, which comprise the statements of financial position as at 31 December 2013 of the Group and the Bank, and the income statements, statements of comprehensive income, changes in equity and cash flows of the Group and the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on notes 1 to 49.

Directors' Responsibility for the Financial Statements

The Directors of the Bank are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF RHB BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 6171-M)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Bank as of 31 December 2013 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.

(b) We have considered the financial statements and the auditors' reports of all the subsidiaries of which we have not acted as auditors, which are indicated in note 12 to the financial statements.

(c) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(d) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF RHB BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 6171-M)

OTHER MATTER

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS (No. AF: 1146) Chartered Accountants	NG YEE LING (No. 3032/01/15 (J)) Chartered Accountant

Kuala Lumpur
6 March 2014

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

DIRECTORS' REPORT

The directors submit herewith their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic Banking business, leasing, offshore banking, offshore trust services, nominee services and property investment.

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

FINANCIAL RESULTS

	Group	Bank
	RM'000	**RM'000**
Profit before taxation	**2,396,548**	**2,164,986**
Taxation	**(590,813)**	**(533,004)**
Net profit for the financial year	**1,805,735**	**1,631,982**

DIVIDENDS

The dividends paid by the Bank since 31 December 2011 were as follows:

	RM'000
In respect of the financial year ended 31 December 2011:	
Final dividend of 7.03 sen less 25% tax paid on 7 June 2012	**350,000**
In respect of the financial year ended 31 December 2012:	
Interim dividend of 3.42 sen less 25% tax paid on 14 September 2012	**170,000**

At the forthcoming Annual General Meeting, a final gross dividend of 1.13 sen per share less 25% tax amounting to RM56,400,000 and single-tiered dividend of 2.74 sen per share amounting to RM181,600,000 in respect of the current financial year will be proposed for shareholder's approval. These financial statements do not reflect this final dividend which will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2013 when approved by the shareholder.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

ISSUE OF SHARES

There were no issue of shares in the Bank during the financial year.

BAD AND DOUBTFUL DEBTS AND FINANCING

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

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

DIRECTORS' REPORT (CONTINUED)

CURRENT ASSETS

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

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

VALUATION METHOD

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

CONTINGENT AND OTHER LIABILITIES

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

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

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

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

DIRECTORS' REPORT (CONTINUED)

CHANGE OF CIRCUMSTANCES

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

ITEMS OF AN UNUSUAL NATURE

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

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

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 46 to the financial statements.

DIRECTORS OF THE BANK

The directors of the Bank in office since the date of the last report are:

Tan Sri Azlan Zainol
Haji Khairuddin Ahmad
Ong Seng Pheow
Choong Tuck Oon
Dato' Mohd Ali Mohd Tahir
Abdul Aziz Peru Mohamed
Dato' Mohamed Khadar Merican
Tan Sri Ong Leong Huat @ Wong Joo Hwa (appointed on 20 November 2012)
Johari Abdul Muid

In accordance with Article 100 of the Bank's Articles of Association, Tan Sri Azlan Zainol, Abdul Aziz Peru Mohamed and Ong Seng Pheow retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Article 104 of the Bank's Articles of Association, Tan Sri Ong Leong Huat @ Wong Joo Hwa retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

Pursuant to Section 129 of the Companies Act, 1965, Haji Khairuddin Ahmad will retire at the forthcoming Annual General Meeting and does not wish to offer himself for re-election.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS IN SECURITIES

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

	Number of ordinary shares of RM1.00 each			
	As at 1.1.2012/date of appointment	Bought	Sold	As at 31.12.2012
Holding Company				
RHB Capital Berhad				
Haji Khairuddin Ahmad				
- Indirect	18,552*	1,695#	-	20,247
Choong Tuck Oon				
- Direct	1,030	31#	-	1,061
Dato' Mohamed Khadar Merican				
- Direct	61,503	1,257#	-	62,760
Tan Sri Ong Leong Huat @ Wong Joo Hwa				
- Indirect	1,100* 245,000,000^	-	-	245,001,100

Note:
The shares were acquired pursuant to the Dividend Reinvestment Plan.
* The interest is held through family member.
^ Deemed interested pursuant to Section 6A of the Companies Act, 1965 by virtue of his substantial shareholdings in OSK Holdings Berhad.

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Bank has received or become entitled to receive any benefit (other than directors' remuneration and benefits-in-kind as disclosed in Note 29 to the financial statements) by reason of a contract made by the Bank or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest.

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

RESPONSIBILITY STATEMENT BY THE BOARD OF DIRECTORS

In the course of preparing the annual financial statements of the Group and of the Bank, the directors are collectively responsible in ensuring that these financial statements are drawn up in accordance with Malaysian Financial Reporting Standards, International Financing Reporting Standards and the provisions of the Companies Act, 1965.

It is the responsibility of the directors to ensure that the financial reporting of the Group and of the Bank present a true and fair view of the state of affairs of the Group and of the Bank as at 31 December 2012 and of the financial results and cash flows of the Group and of the Bank for the financial year ended 31 December 2012.

The financial statements are prepared on the going concern basis and the directors have ensured that proper accounting records are kept, applied the appropriate accounting policies on a consistent basis and made accounting estimates that are reasonable and fair so as to enable the preparation of the financial statements of the Group and of the Bank with reasonable accuracy.

The directors have also taken the necessary steps to ensure that appropriate systems are in place for the assets of the Group and of the Bank to be properly safeguarded for the prevention and detection of fraud and other irregularities. The systems, by their nature, can only provide reasonable and not absolute assurance against material misstatements, whether due to fraud or error.

The Statement by Directors pursuant to Section 169 of the Companies Act, 1965 is set out in page 182 of the financial statements.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT

Introduction

The Board of Directors ('Board') of RHB Bank Berhad ('RHB Bank' or 'the Bank') continuously supports the institution of relevant framework and designs in upholding the principles and best practices of corporate governance.

We set out below the abridged Corporate Governance Statement as required under Bank Negara Malaysia's ('BNM') requirements. The full version of the Corporate Governance Statement will be included in the Annual Report.

(A) BOARD OF DIRECTORS

Composition of the Board

The Board currently has nine (9) members, comprising a Non-Independent Non-Executive Chairman, a Non-Independent Non-Executive Director, six (6) Independent Non-Executive Directors and the Managing Director, details of which are as follows:

Name of Directors	**Designation**
Tan Sri Azlan Zainol	Non-Independent Non-Executive Chairman
Haji Khairuddin Ahmad	Senior Independent Non-Executive Director
Ong Seng Pheow	Independent Non-Executive Director
Choong Tuck Oon	Independent Non-Executive Director
Dato' Mohd Ali Mohd Tahir	Independent Non-Executive Director
Abdul Aziz Peru Mohamed	Independent Non-Executive Director
Dato' Mohamed Khadar Merican	Independent Non-Executive Director
Tan Sri Ong Leong Huat @ Wong Joo Hwa	Non-Independent Non-Executive Director
Johari Abdul Muid	Managing Director

Tan Sri Ong Leong Huat @ Wong Joo Hwa was appointed as the Non-Independent Non-Executive Director on 20 November 2012.

Duties and responsibilities of the Board

The Board is responsible for governing the business and affairs of the Bank and for exercising all such powers pursuant to the Articles of Association of the Bank. While carrying out their duties and responsibilities, the Board is committed to ensuring that the highest corporate governance standards are adhered to. The overall principle responsibilities of Board are as follows:

- providing strategic leadership to the Bank and the Group;
- reviewing, approving and monitoring the implementation of the Bank's and Group's strategic business plans and policies;
- ensuring the Bank and Group maintain an effective system of internal controls and is able to identify and manage principal risks resulting in efficiency in operations and a stable financial environment;
- acting as a guardian of the Bank's and Group's corporate values and ethical principles in parallel with the goal to enhance shareholders' value;
- monitoring as well as evaluating the performance of the Management to ensure that the performance criteria remains dynamic; and
- ensuring the formulation of a succession plan for the Bank and Group for long-term business continuity.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Duties and responsibilities of the Board (continued)

The Chairman presides over Board and General Meetings of the Bank. He ensures that the Board is well informed and effective; that Members, individually and as a group, have the opportunity to air differences, explore ideas and generate the collective views and wisdom necessary for the proper decision making of the Board and the Bank. Additionally, the Chairman has to ensure that General Meetings are conducted efficiently and in accordance with the requirement of the Companies Act 1965, and that shareholder has adequate opportunity to air its views and obtain answers to its queries.

The Managing Director ('MD') is responsible for the day-to-day management of the business and operations of the Bank and in ensuring the successful implementation of policies and directions as formulated by the Board. The distinct and separate duties and responsibilities of the MD and the Chairman ensure the balance of power and authority in relation to the establishment of a fully effective Board.

The MD's integral role is to implement the policies and decisions of the Board, oversee the operations as well as coordinate the development and implementation of business and corporate strategies. In addition thereto, he is also responsible for the following tasks:

- manage the business and operations and to put in place the policies and strategies adopted by the Board;
- ensuring that the financial results are accurate and not misleading as well as ensuring that the financial management practices of the Bank and the Group are carried out with the highest standards of integrity and transparency for the benefit of all stakeholders;
- ensuring that the business and affairs of the Bank and the Group are carried out in an ethical manner and in full compliance with the relevant laws and regulations;
- overseeing the internal control systems and the risk management processes and ensuring these are appropriate and effective;
- ensuring succession planning and talent management programs are in place in the interest of human capital development;
- maintaining effective relationship between the Management, the Board and other stakeholders; and
- developing and maintaining strong communication programmes and dialogue with the stakeholders.

In carrying out his tasks, the MD is supported by a Management Committee ('Manco') which comprises the MD as the Chairman and other Senior Management of the Bank. The Manco is governed by its terms of reference and has several objectives, among others to monitor and review the Bank's performance and formulate as well as discuss policies, strategies and activities of the Bank and in relevant circumstances, for recommendation to the Board of the Bank.

Board Meetings

The Board meets on a monthly basis to discuss business strategy, financial performance, potential strategic acquisitions and alliances, matters pertaining to compliance and governance as well as reports on matters deliberated by Board Committees and their recommendations thereto. The Board also reviews regular management reports and information on corporate and business issues to assess performance against business targets and objectives. Special meetings are held where any direction or decisions are required expeditiously from the Board between the scheduled meetings. Scheduled Board meetings are structured with a pre-set agenda.

As part of the integrated risk management initiatives, the Board is informed of the decisions and salient issues deliberated by the Board Committees and main Management Committees through minutes of these Committees. At each Meeting, the Board also receives updates from the respective Chairmen/representatives of the Group Audit Committee and Group Risk Management Committee on matters that have been deliberated at both Committees' Meetings, as well as on matters that require attention. This practice also applies for the rest of the entities of the Group.

To facilitate productive and meaningful deliberations, the proceedings of the Board Meetings are conducted in accordance to a structured agenda. The structured agenda together with comprehensive management reports are furnished to the Directors at least 7 days prior to the scheduled Board Meeting date. This is to allow the Members of the Board to digest the issues at hand, seek clarification from the Management or the Company Secretary, if required and formulate opinions on matters to be deliberated at the meetings. Confidential papers or urgent proposals are presented and tabled at the Board Meetings under other business of the Agenda, upon consent of the Chairman being obtained.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

Board Meetings (continued)

The Directors have a duty to declare immediately to the Board should they be interested in any transaction to be entered into directly and indirectly by the Bank and Group. An interested Director is required to abstain from deliberations and decisions of the Board on the transaction.

Each Member of the Board is required to apply independent judgement to decision making in their capacity as a Director. Where urgency prevails and if appropriate, decisions are also taken by way of a Directors' Circular Resolution in accordance with the Bank's Articles of Association.

The Board is able to seek clarifications and advice as well as request for information on matters pertaining to the Bank and Group from the Senior Management and the Company Secretary. Should the need arise, the Directors may also seek independent professional advice, at the Bank's expense, when deemed necessary for the proper discharge of their duties.

The Group has in place a "Standard Procedures for Directors to Have Access to Independent Advice" which lays down the procedures for Directors to seek internal and/or external professional independent advice. The objectives of these guidelines among others are as follows:

- to ensure consistency throughout the RHB Banking Group on the procedures for Directors of the Group to have access to independent professional advice; and
- to enable Directors to have an enhanced perception of issues within the Group by allowing them to obtain independent opinion/advice/consultation from leading professionals in the relevant areas.

The adoption of the above guidelines is in line with the various regulatory requirements and best practices.

The Board convened fourteen (14) meetings for financial year ended 31 December 2012. The attendance of each Director in office at the end of the financial year at the aforesaid Board meetings is set out below:

Name of Directors	Total Meetings Attended	Percentage of Attendance (%)
Tan Sri Azlan Zainol	14/14	100
Haji Khairuddin Ahmad	14/14	100
Ong Seng Pheow	13/14	93
Choong Tuck Oon	14/14	100
Dato' Mohd Ali Mohd Tahir	12/14	86
Abdul Aziz Peru Mohamed	14/14	100
Dato' Mohamed Khadar Merican	14/14	100
Tan Sri Ong Leong Huat @ Wong Joo Hwa (appointed on 20 November 2012)	2/2	100
Johari Abdul Muid	14/14	100

Pursuant to the BNM's Corporate Governance Guidelines, individual directors must attend at least 75% of the board meetings held in each financial year. For the financial year under review, all Directors complied with the attendance requirement as stipulated by BNM.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

BOARD COMMITTEES

Group Audit Committee

The Group Audit Committee (‘Group AC’) comprises five (5) Independent Non-Executive Directors of whom one (1) is the Chairman. During the financial year ended 31 December 2012, a total of twenty (20) meetings were held and the details of attendance of each member at the Group AC Meetings held during the financial year ended 31 December 2012 are as follows:

Name of Directors	Total Meetings Attended	Percentage of Attendance (%)
Ong Seng Pheow (Chairman)	20/20	100
Dato' Othman Jusoh	20/20	100
Dato’ Mohd Ali Mohd Tahir	19/20	95
Haji Md Ja'far Abdul Carrim	20/20	100
Dato' Saw Choo Boon	19/20	95

The Group AC meets regularly to provide independent oversight over the management of the financial reporting and internal control system and ensure checks and balances for the relevant entities within RHB Banking Group. The Management, respective entities Head of Finance, group internal auditors as well as the external auditors are invited to these meetings as and when necessary.

To ensure the independence and objectivity of the external auditors, the Group AC meets with the external auditors without the presence of the Management at least twice a year.

Group Nominating and Human Resource Committee

The Group Nominating Committee ('Group NC') and Group Remuneration and Human Resource Committee ('Group RHRC') were consolidated into one (1) committee known as Group Nominating and Remuneration Committee (‘Group NRC’) with effect from 30 August 2012 in line with the Group's continuous effort to improve business efficacy and work efficiency. The Committee's name was further changed to Group Nominating and Human Resource Committee ('Group NHRC') in December 2012.

The GNHRC comprises six (6) Independent Non-Executive Directors of whom one (1) is the Chairman. From 30 August 2012 until 31 December 2012, a total of four (4) meetings were held and the details of attendance of each member at the Group NHRC Meetings held since 30 August 2012 are as follows:

Name of Directors	Total Meetings Attended	Percentage of Attendance (%)
Datuk Haji Faisal Siraj (Chairman)	4/4	100
Dato’ Mohamed Khadar Merican	4/4	100
Dato’ Saw Choo Boon	3/4	75
Dato’ Teo Chiang Liang	3/4	75
Choong Tuck Oon	4/4	100
Haji Md Ja’far Abdul Carrim	4/4	100

Prior to the consolidation of Group NC and Group RHRC, separate meetings were held for both Committees. The details of attendance of each member at each of the Committee Meetings held up to 30 August 2012 are as follows:

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

BOARD COMMITTEES (CONTINUED)

Group NC

Name of Directors	Total Meetings Attended	Percentage of Attendance (%)
Datuk Haji Faisal Siraj (Chairman)	7/7	100
Dato' Mohamed Khadar Merican	6/7	86
Dato' Saw Choo Boon	7/7	100
Dato' Teo Chiang Liang	6/7	86
Choong Tuck Oon	6/7	86
Haji Md Ja'far Abdul Carrim	7/7	100

Group RHRC

Name of Directors	Total Meetings Attended	Percentage of Attendance (%)
Datuk Haji Faisal Siraj (Chairman)	8/8	100
Dato' Mohamed Khadar Merican	7/8	88
Dato' Saw Choo Boon	8/8	100
Dato' Teo Chiang Liang	7/8	88
Choong Tuck Oon	7/8	88
Haji Md Ja'far Abdul Carrim	8/8	100

The Group NHRC combines both the Group NC and Group RHRC's roles and responsibilities in providing the Boards in the selection and assessment, and recommending to the Boards for approval, the appointment of directors, board committee members, Group Shariah Committee and key senior management officers (which entails Group Managing Director ('Group MD'), Chief Executive Officer ('CEO')/Managing Director ('MD'), and Direct Reports of the Group MD and CEO/MD in major entities (save for Chief Internal Auditor) and any persons as may be decided by the Committee, and in providing oversight and direction on Human Resource (HR) matters and operations and to recommend to the Boards for approval, the remuneration and human resource strategies, policies and frameworks.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(A) BOARD OF DIRECTORS (CONTINUED)

BOARD COMMITTEES (CONTINUED)

Group Risk Management Committee

The Group Risk Management Committee ('Group RMC') presently comprises five (5) Independent Non-Executive Directors of whom one (1) is the Chairman. During the financial year ended 31 December 2012, a total of eighteen (18) meetings were held and the details of attendance of each member at the Group RMC Meetings held during the financial year ended 31 December 2012 are as follows:

Name of Directors	Total Meetings Attended	Percentage of Attendance (%)
Haji Khairuddin Ahmad (Chairman)	18/18	100
Patrick Chin Yoke Chung	16/18	89
Haji Md Ja'far Abdul Carrim	18/18	100
Choong Tuck Oon	16/18	89
Dato' Saw Choo Boon	15/18	83

The Group RMC provides overall governance of risks for each of the key operating subsidiaries as formerly discharged by the individual RMCs i.e. RHB Capital Berhad, RHB Bank Berhad, RHB Investment Bank Berhad, RHB Islamic Bank Berhad and RHB Insurance Berhad.

Group Credit Committee

The Group Credit Committee ('GCC') comprises four (4) Independent Non-Executive Directors of whom one (1) is the Chairman. During the financial year ended 31 December 2012, a total of thirty nine (39) meetings were held and the details of attendance of each member at the GCC Meetings held during the financial year ended 31 December 2012 are as follows:

Name of Directors	Total Meetings Attended	Percentage of Attendance (%)
Dato' Mohamed Khadar Merican (Chairman)	34/39	87
Haji Khairuddin Ahmad	38/39	97
Abdul Aziz Peru Mohamed	38/39	97
Patrick Chin Yoke Chung	32/39	82

The GCC's main functions are affirming, imposing additional covenants or vetoing credits of RHB Banking Group which were duly approved by the Central Credit Committee as well as overseeing the management of impaired loans/assets and monitor the recovery of impaired loans/assets to enhance the Committee's oversight of the loan/asset recovery functions.

Group IT & Transformation Strategy Committee

The Group IT & Transformation Strategy Committee ('GI&TSC') comprises three (3) Independent Non-Executive Directors of whom one (1) is the Chairman, the Group Managing Director and the Managing Director of RHB Bank. During the financial year ended 31 December 2012, a total of eleven (11) meetings were held and the details of attendance of each member at the GI&TSC Meetings held during the financial year ended 31 December 2012 are as follows:

Name of Directors	Total Meetings Attended	Percentage of Attendance (%)
Choong Tuck Oon (Chairman)	11/11	100
Ong Seng Pheow	11/11	100
Dato' Mohd Ali Mohd Tahir	11/11	100
Johari Abdul Muid	8/11	73
Kellee Kam Chee Khiong	7/11	64

The principal responsibility of the GI&TSC is to provide guidance on the Group's planning and/or execution of programmes and initiatives within the realm of information technology and transformation management.

(B) RISK MANAGEMENT FRAMEWORK

The RHB Banking Group has put in place a Group Risk Management Framework which governs the management of various types of risks in the banking group. The Framework operates on two interlocking layers. Firstly, it provides a holistic overview of the risk and control environment with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and balances in the organisation, as well as deficiencies in risk management culture. Secondly, it sets out the strategic progression of risk management towards becoming a value creation enterprise. This is effected through building up capabilities and infrastructure in risk management sophistication, and using the improvement in risk quantification to optimise risk-adjusted (or economic) returns.

The Framework enshrines five fundamental principles that drive the philosophy of risk management. They are:

- Risk governance from the Board of Directors;
- Clear understanding of risk management ownership;
- Institutionalisation of a risk focused organisation;
- Alignment of risk management to business strategies; and
- Optimisation of risk adjusted economic and financial returns

The Board of Directors ensures that an effective risk management strategy is in place and uniformly understood across the Bank. The structured framework supports the Board's oversight responsibilities. Risk management is a collective responsibility and cooperation of business and functional units, risk management functions, top management and the Board is an integral part of the risk management process.

The business and functional units have a clear segregation of duties with sufficient check and balance to ensure that business processes are functioning effectively. There is accountability delegated to the appropriate authority to enable them to execute their respective authorities in meeting the business strategies without compromising the established risk management framework.

The Banking Group's Assets and Liabilities Committee ('ALCO') performs a critical role in the management of assets and liabilities. The ALCO meets regularly and is the forum where strategic and tactical decisions are made. Global and domestic economic data, market and related information and events are considered at the ALCO which enables the Banking Group to determine its course of actions.

For effective control of operations, defined management action triggers and risk limits are established and actively monitored. Breaches of limits are not allowed. Should exposures or transactions set off pre-established triggers, management will deliberate and determine on the course of actions required (whether remedial or otherwise) on a timely basis. Triggers and limits are based on the Bank's risk appetite and is determined by the appropriate risk measures and attendant stress testing exercises.

The financial risk management objectives and policies of the Bank are set out in Note 40 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

CORPORATE GOVERNANCE STATEMENT (CONTINUED)

(C) INTERNAL AUDIT AND INTERNAL CONTROL ACTIVITIES

The Group has an in-house group internal audit function which is guided by its Group Audit Charter and reports to the Group Audit Committee of RHB Bank Berhad. Its primary role is to assist the Group Audit Committee in the discharge of their duties and responsibilities by independently reviewing and reporting on the adequacy and effectiveness of the Group's risk management, internal control and governance processes.

The Group Internal Auditors perform regular reviews of the Bank's operational processes and system of internal controls. Auditable units of priority and frequency of review are determined by adopting a risk-based approach, and the annual internal audit plan is reviewed and approved by the Group Audit Committee. Results of the audits conducted by the Group Internal Auditors are reported to the Group Audit Committee while management follow-up and review of the status of actions taken on the auditors' recommendations are carried out via the Management Audit Committee which comprises senior management. The minutes of the Management Audit Committee meetings are tabled to the Group Audit Committee for notation.

The Group Audit Committee holds regular meetings to deliberate on findings and recommendations for improvement highlighted by both the internal and external auditors as well as regulatory authorities on the state of the Bank's internal control system. The minutes of the Group Audit Committee meetings are subsequently tabled to the Board for notation.

In addition to audit assignments, the Group Internal Audit is invited to participate, on a consultative basis, in the development of new products and systems, and information technology related initiatives as well as in the review of operational manuals and guidelines.

(D) MANAGEMENT REPORTS

Annual business plans and financial budgets are prepared by the Bank's strategic business groups and operating subsidiaries and are reviewed and approved by the Board. The performance of business groups and operating subsidiaries are assessed and monitored against the approved budget and any significant variances are explained to the Board.

The Board also receives and reviews monthly financial accounts, financial information reports and monthly progress reports from management on a regular basis. In addition, matters such as key business strategies and business plans, major capital expenditure, material contracts, new operational guidelines and new policies and guidelines are approved by the Board prior to it being implemented. Furthermore, minutes of meeting of various Board Committees of the Bank and changes on regulatory requirements, are also tabled for the Board's notation.

ULTIMATE HOLDING COMPANY

The directors regard RHB Capital Berhad, a company incorporated in Malaysia as the ultimate holding company.

DIRECTORS' REPORT (CONTINUED)

BUSINESS REVIEW 2012

The year 2012 remained a challenging year for the banking sector as the global economy experienced slow growth and uncertainties during most part of the year. Despite the weaker global trade that affected the country's export; the Malaysian economy is expected to register a relatively robust Gross Domestic Product ('GDP') growth of about 5% for 2012, largely supported by domestic demand as well as infrastructure and investment projects under the Economic Transformation Programme ('ETP'). Bank Negara Malaysia's stance on monetary policy continues to be accommodative and supportive of the economy. The Overnight Policy Rate ('OPR') has been maintained at 3% throughout the year.

The Group continued to enhance its franchise as well as to accelerate growth in the markets it serves. To this end, the Group has focused on product development & innovation, strengthening and re-alignment of the sales & distribution channels, technological platforms improvements, building a robust risk management infrastructure & operating model, improving interactions at customer touch-points and key talent management.

The Bank launched its innovative brand "EASY by RHB" in 2009 which remains a focus area for growth in the retail space. Easy has increased to 245 outlets with commendable assets growth as well as advancing its personal financing and ASB financing market share from 24.3% to 27.5% and 23.8% to 25.6% (as at November 2012) respectively. The Group has also gained international recognition through 'Easy by RHB' which was awarded "Model Bank of the Year for 2012" by Celent, a research and consulting firm based in the US, for its unique and innovative elements that are aimed at delivering the brand's promise of simplified banking.

Since its rebranding in April 2011, "RHB Now", the fully integrated internet and mobile banking platform has further enhanced customer experience and provided convenient banking services to our customers. The business has shown growth in terms of the number of users and volume of transactions.

RHB had rolled-out another innovative initiative in 2012 branded as Bank@Work. This new initiative brings payroll account opening to a new level, where payroll employees can have their Current/Savings account with RHB Bank opened 'on-site, real-time' at their place of work via RHB's Straight-Through-Processing (STP). Bank@Work was presented with SGAM (Share/Guide Association Malaysia) ICT Achievement Award 2012 for its innovative offering.

On the international business, RHB Singapore achieved many "firsts" or milestones in 2012. Following the launch of RHB Internet Banking in Singapore in early-2012, RHB Bank Berhad Singapore (RHBSG) became the first bank in Singapore to join the national two-factor authentication system to enhance the security of online transactions, in addition to the current SMS password system. The branch formed a dedicated Business Banking Department to better fulfill the needs of our growing base of SME clients and launched the BizPower suite of products catering especially for smaller SMEs.

With the recent merger with OSK, RHBSG has capitalised on new synergies by combining the expertise of the two teams in debt capital market and financial advisory services and completed 6 deals in 2012.

In line with the rapid growth of Islamic finance in the domestic market, RHB Islamic Bank continued to focus on improving its leadership position in selected markets and product segments, and further enhancing the relationship with existing customers while developing new ones, as well as leveraging on the Group's infrastructure and distribution network. During the year under review, an additional RM200 million capital was injected, strengthening the Bank's capital position for further business expansion opportunities. RHB Islamic's total assets expanded by 13% to RM25.6 billion and achieved a pre-tax profit of RM208.6 million.

On 30 January 2013, RHB Bank had entered into an amended agreement with the Vendor to revise the proposed acquisition of PT Bank Mestika Dharma from up to 89% of the issued and paid-up share capital in Bank Mestika to 40%.

DIRECTORS' REPORT (CONTINUED)

BUSINESS STRATEGY AND PROSPECT 2013

The Malaysia's economy is expected to continue to perform well in 2013 with Gross Domestic Product (GDP) projected to grow at 5.6%. This expectation is premised on an improving exports and strong domestic demand on the back of improving global growth together with the impact of the various projects under the Economic Transformation Programme (ETP). The Malaysian banking sector is expected to remain resilient, in line with the country's economic growth trajectory.

The completion of the acquisition of OSK Investment Bank Group has enhanced the Group's geographical footprint and capabilities with presence in seven countries across the Asean region and Hong Kong.

The Group continues to strengthen its leadership positions in targeted markets and product segments, building strong customer relationships as well as leveraging on the Group's infrastructure and multiple distribution networks for business growth.

Although the Group foresees a continued competitive operating environment in 2013, we are still well-positioned to drive our targeted business segments and geographies to becoming a leading multinational financial services group. Barring any unforeseen circumstances, the Group expects satisfactory results for the financial year 2013.

RATINGS BY RATING AGENCIES

During the financial year, the Bank was rated by the following external rating agencies:

Agencies	**Date Accorded**	**Ratings**
RAM Rating Services Berhad ('RAM')	November 2012	Long Term Financial Institution Rating – AA2 Short Term Financial Institution Rating – P1
Standard & Poor's	December 2012	Long Term Counterparty Credit Rating – BBB+ Short Term Counterparty Credit Rating – A-2 ASEAN-scale Long Term Rating – axA+ ASEAN-scale Short Term Rating – axA-1
Moody's Investors Service	May 2012	Long Term Bank Deposits Rating – A3 Short Term Bank Deposits Rating – P-2 Bank Financial Strength Rating – D

DIRECTORS' REPORT (CONTINUED)

DESCRIPTION OF THE RATINGS ACCORDED

RAM Rating Services Berhad

Long term financial institution rating

AA A financial institution rated ‘AA’ has a strong capacity to meet its financial obligations. The financial institution is resilient against adverse changes in circumstances, economic conditions and/or operating environments.

A A financial institution rated 'A' has an adequate capacity to meet its financial obligations. The financial institution is more susceptible to adverse changes in circumstances, economic conditions and/or operating environments than those in higher-rated categories.

For long term ratings, RAM applies subscripts 1, 2 or 3 in each rating category from 'AA' to 'C'. The subscript 1 indicates that the issue ranks at the higher end of its generic rating category; the subscript 2 indicates a mid-ranking; and the subscript 3 indicates that the issue ranks at the lower end of its generic rating category.

Short term financial institution rating

P1 A financial institution rated ‘P1’ has a strong capacity to meet its short term financial obligations. This is the highest short term financial institution rating assigned by RAM Ratings.

Standard and Poor’s

Long term counterparty credit rating

BBB An obligation rated 'BBB' has adequate capacity to meet its financial commitments. However, adverse economic conditions or changing circumstances are more likely to lead to a weakened capacity of the obligor to meet its financial commitments.

The ratings from ‘AA’ to ‘CCC’ may be modified by the addition of a plus (+) or minus (-) sign to show the relative standing within the major rating categories.

Short term counterparty credit rating

A-2 An obligor rated ‘A-2’ has satisfactory capacity to meet its financial commitments. However, it is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than obligors in the highest rating category.

ASEAN-scale Long Term Rating

axA An obligor rated ‘axA’ is somewhat more susceptible to the adverse effects of changes in circumstances and economic conditions than higher-rated obligors. Still, the obligor has a moderately strong capacity to meet its financial commitments relative to that of other ASEAN (The Association of South-East Asian Nations) obligors.

The ratings from ‘axAA’ to ‘axCCC’ may be modified by the addition of a plus (+) or minus (-) sign to show relative strength within the rating category.

ASEAN-scale Short Term Rating

axA-1 A short term obligation rated in the highest category on Standard & Poor’s ASEAN regional scale. The obligor’s capacity to meet its commitments on the obligation, relative to other ASEAN obligors, is strong.

The rating may be modified by the addition of a plus (+) or minus (-) sign to show relative strength within the rating category.

DIRECTORS' REPORT (CONTINUED)

DESCRIPTION OF THE RATINGS ACCORDED (CONTINUED)

Moody's Investors Service

Long term bank deposits rating

A Obligations rated 'A' are considered upper-medium grade and are subject to low credit risk.

Moody's appends numerical modifiers 1, 2 and 3 to each generic rating classification from 'Aa' through the modifier 1 indicates that the obligation ranks in the higher end of its generic rating category; the modifier 2 indicates a mid-range ranking; and the modifier 3 indicates a ranking in the lower end of that generic rating category.

Short term bank deposits rating

P-2 Issuers (or supporting institutions) rated Prime-2 have a strong ability to repay short term debt obligations.

Bank financial strength rating

D Banks rated 'D' display modest intrinsic financial strength, potentially requiring some outside support at times. Such institutions may be limited by one or more of the following factors: a weak business franchise, financial fundamentals that are deficient in one or more respects; or an unpredictable and unstable operating environment.

Where appropriate, a '+' modifier will be appended to ratings below the 'A' category and a '-' modifier will be appended to ratings above the 'E' category to distinguish those banks that fall in the higher and lower ends, respectively, of the generic rating category.

AUDITORS

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

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

TAN SRI AZLAN ZAINOL
CHAIRMAN

JOHARI ABDUL MUID
MANAGING DIRECTOR

Kuala Lumpur
28 February 2013

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012

	Note			Group			Bank
		31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
		RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
ASSETS							
Cash and short-term funds	2	**22,557,727**	18,392,186	12,981,081	**19,022,404**	12,344,141	11,093,561
Securities purchased under resale agreements		**676,858**	142,291	276,407	**676,858**	142,291	276,407
Deposits and placements with banks and other financial institutions	3	**3,549,648**	937,828	824,071	**3,780,228**	2,200,238	1,539,648
Financial assets held-for-trading	4	**1,549,863**	1,303,419	348,511	**1,110,482**	869,888	129,583
Financial investments available-for-sale	5	**10,026,311**	8,015,085	9,933,578	**8,456,556**	6,339,146	8,143,221
Financial investments held-to-maturity	6	**17,801,251**	13,475,167	10,674,245	**15,645,993**	12,021,999	9,558,312
Loans, advances and financing	7	**107,465,886**	95,317,875	81,515,787	**89,275,815**	80,593,659	71,169,425
Other assets	8	**391,400**	306,546	195,687	**708,812**	676,671	204,452
Derivative assets	9	**250,917**	226,980	298,389	**271,029**	263,605	298,148
Statutory deposits	10	**3,589,364**	3,168,309	426,304	**2,916,509**	2,561,754	321,064
Tax recoverable		**14**	127,265	27	**-**	114,013	-
Deferred tax assets	11	**8,455**	11,298	264,629	**-**	-	209,502
Investment in subsidiaries	12	**-**	-	-	**1,272,972**	1,072,972	822,972
Property, plant and equipment	13	**663,044**	675,989	598,057	**505,775**	521,449	443,258
Goodwill and other intangible assets	14	**1,124,349**	1,115,893	1,107,118	**1,017,722**	1,009,637	1,002,744
TOTAL ASSETS		**169,655,087**	143,216,131	119,443,891	**144,661,155**	120,731,463	105,212,297

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

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

STATEMENTS OF FINANCIAL POSITION
AS AT 31 DECEMBER 2012 (CONTINUED)

		Group			Bank		
	Note	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000	31.12.2012 RM'000	31.12.2011 RM'000	1.1.2011 RM'000
LIABILITIES AND EQUITY							
Deposits from customers	15	**131,309,626**	113,638,280	92,402,813	**111,557,605**	94,349,181	80,567,577
Deposits and placements of banks and other financial institutions	16	**11,935,887**	7,996,621	7,680,309	**9,459,328**	5,809,666	6,158,453
Bills and acceptances payable		**3,732,067**	3,764,155	3,536,140	**3,710,455**	3,750,382	3,524,016
Other liabilities	17	**953,404**	993,207	1,003,049	**775,703**	925,776	868,827
Derivative liabilities	9	**273,197**	237,004	240,161	**273,559**	234,522	238,984
Recourse obligation on loans sold to Cagamas Berhad		**2,445,361**	1,161,814	818,503	**982,840**	1,161,814	818,503
Taxation		**125,663**	3,704	167,338	**98,525**	-	163,133
Deferred tax liabilities	11	**50,907**	55,845	6	**50,903**	55,841	-
Long term borrowings	18	**632,778**	759,020	819,362	**632,778**	759,020	819,362
Subordinated obligations	19	**4,020,919**	3,269,678	3,018,157	**4,020,919**	3,269,678	3,018,157
Hybrid Tier-I Capital Securities	20	**606,086**	605,570	605,407	**606,086**	605,570	605,407
Senior Debt Securities	21	**1,536,674**	-	-	**1,536,674**	-	-
TOTAL LIABILITIES		**157,622,569**	132,484,898	110,291,245	**133,705,375**	110,921,450	96,782,419
Share capital	22	**3,318,085**	3,318,085	3,318,085	**3,318,085**	3,318,085	3,318,085
Reserves	23	**8,714,433**	7,413,148	5,834,561	**7,637,695**	6,491,928	5,111,793
TOTAL EQUITY		**12,032,518**	10,731,233	9,152,646	**10,955,780**	9,810,013	8,429,878
TOTAL LIABILITIES AND EQUITY		**169,655,087**	143,216,131	119,443,891	**144,661,155**	120,731,463	105,212,297
COMMITMENTS AND CONTINGENCIES	37	**77,905,294**	73,107,365	69,101,806	**76,345,104**	70,878,993	66,370,586

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

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

INCOME STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Group		Bank	
	Note	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
		RM'000	RM'000	**RM'000**	RM'000
Interest income	24	**5,988,376**	5,461,506	**5,956,963**	5,424,180
Interest expense	25	**(2,930,362)**	(2,494,277)	**(2,918,059)**	(2,482,111)
Net interest income		**3,058,014**	2,967,229	**3,038,904**	2,942,069
Other operating income	26	**943,948**	795,928	**932,883**	854,521
		4,001,962	3,763,157	**3,971,787**	3,796,590
Net income from Islamic Banking business	27	**487,171**	438,756	**-**	-
		4,489,133	4,201,913	**3,971,787**	3,796,590
Other operating expenses	28	**(1,952,194)**	(1,701,038)	**(1,757,284)**	(1,541,472)
Operating profit before allowances		**2,536,939**	2,500,875	**2,214,503**	2,255,118
Allowance for impairment on loans, advances and financing	30	**(147,249)**	(143,015)	**(56,375)**	(140,562)
Impairment write-back/(losses) on other assets	31	**6,858**	(48,000)	**6,858**	(48,000)
Profit before taxation		**2,396,548**	2,309,860	**2,164,986**	2,066,556
Taxation	32	**(590,813)**	(564,798)	**(533,004)**	(509,294)
Net profit for the financial year		**1,805,735**	1,745,062	**1,631,982**	1,557,262
Earnings per share (sen)					
- Basic/diluted	33	**27.21**	26.30	**24.59**	23.47

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

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

STATEMENTS OF COMPREHENSIVE INCOME
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Group		Bank	
	Note	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
		RM'000	RM'000	**RM'000**	RM'000
Net profit for the financial year		**1,805,735**	1,745,062	**1,631,982**	1,557,262
Other comprehensive income/(loss):					
Currency translation differences		**(10,295)**	18,457	**4,809**	6,818
Financial investments available-for-sale:					
- Unrealised net gain on revaluation		**107,645**	134,170	**90,390**	115,739
- Net transfer to income statements on disposal or impairment		**(73,262)**	(63,256)	**(51,755)**	(43,789)
Income tax relating to components of other comprehensive income	**34**	**(8,538)**	(17,939)	**(9,659)**	(17,988)
Other comprehensive income for the financial year, net of tax		**15,550**	71,432	**33,785**	60,780
Total comprehensive income for the financial year		**1,821,285**	1,816,494	**1,665,767**	1,618,042

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

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Attributable to equity holders of the Bank						
Group	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserves RM'000**	**Translation reserves RM'000**	**AFS reserves RM'000**	**Retained profits RM'000**	**Total RM'000**
Balance as at 1 January 2012								
- As previously reported		3,318,085	8,563	3,358,704	(61,408)	196,177	3,736,207	10,556,328
- Effect on full adoption of MFRS 139	45	-	-	-	19	-	174,886	174,905
- As restated		3,318,085	8,563	3,358,704	(61,389)	196,177	3,911,093	10,731,233
Net profit for the financial year		-	-	-	-	-	1,805,735	1,805,735
Other comprehensive (loss)/income for the financial year:								
Currency translation differences		-	-	-	(10,295)	-	-	(10,295)
Financial investments available-for-sale ('AFS'):								
- Unrealised net gain on revaluation		-	-	-	-	107,645	-	107,645
- Net transfer to income statements on disposal or impairment		-	-	-	-	(73,262)	-	(73,262)
Income tax relating to components of other comprehensive income	34	-	-	-	-	(8,538)	-	(8,538)
Total comprehensive (loss)/income for the financial year		-	-	-	(10,295)	25,845	1,805,735	1,821,285
Ordinary dividends	35	-	-	-	-	-	(520,000)	(520,000)
Transfer to statutory reserves		-	-	477,792	-	-	(477,792)	-
Balance as at 31 December 2012		3,318,085	8,563	3,836,496	(71,684)	222,022	4,719,036	12,032,518

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

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

		Attributable to equity holders of the Bank						
	Note	Share capital	Share premium	Statutory reserves	Translation reserves	AFS reserves	Retained profits	Total
Group		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2011								
- As previously reported		3,318,085	8,563	2,946,064	(79,815)	143,202	2,827,885	9,163,984
- Effect on full adoption of MFRS 139	45	-	-	-	(31)	-	(11,307)	(11,338)
- As restated		3,318,085	8,563	2,946,064	(79,846)	143,202	2,816,578	9,152,646
Net profit for the financial year		-	-	-	-	-	1,745,062	1,745,062
Other comprehensive income/(loss) for the financial year:								
Currency translation differences		-	-	-	18,457	-	-	18,457
Financial investments AFS:								
- Unrealised net gain on revaluation		-	-	-	-	134,170	-	134,170
- Net transfer to income statements on disposal or impairment		-	-	-	-	(63,256)	-	(63,256)
Income tax relating to components of other comprehensive income	34	-	-	-	-	(17,939)	-	(17,939)
Total comprehensive income for the financial year		-	-	-	18,457	52,975	1,745,062	1,816,494
Ordinary dividends	35	-	-	-	-	-	(237,907)	(237,907)
Transfer to statutory reserves		-	-	412,640	-	-	(412,640)	-
Balance as at 31 December 2011		3,318,085	8,563	3,358,704	(61,389)	196,177	3,911,093	10,731,233

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

		Non-distributable					Distributable	
Bank	**Note**	**Share capital RM'000**	**Share premium RM'000**	**Statutory reserves RM'000**	**Translation reserves RM'000**	**AFS reserves RM'000**	**Retained profits RM'000**	**Total RM'000**
Balance as at 1 January 2012								
- As previously reported		3,318,085	8,563	3,070,142	7,214	188,957	3,049,635	9,642,596
- Effect on full adoption of MFRS 139	45	-	-	-	-	-	167,417	167,417
- As restated		3,318,085	8,563	3,070,142	7,214	188,957	3,217,052	9,810,013
Net profit for the financial year		-	-	-	-	-	1,631,982	1,631,982
Other comprehensive income/(loss) for the financial year:								
Currency translation differences		-	-	-	4,809	-	-	4,809
Financial investments AFS:								
- Unrealised net gain on revaluation		-	-	-	-	90,390	-	90,390
- Net transfer to income statements on disposal or impairment		-	-	-	-	(51,755)	-	(51,755)
Income tax relating to components of other comprehensive income	34	-	-	-	-	(9,659)	-	(9,659)
Total comprehensive income for the financial year		-	-	-	4,809	28,976	1,631,982	1,665,767
Ordinary dividends	35	-	-	-	-	-	(520,000)	(520,000)
Transfer to statutory reserves		-	-	407,996	-	-	(407,996)	-
Balance as at 31 December 2012		3,318,085	8,563	3,478,138	12,023	217,933	3,921,038	10,955,780

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

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

		Non-distributable					Distributable	
Bank	Note	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	Translation reserves RM'000	AFS reserves RM'000	Retained profits RM'000	Total RM'000
Balance as at 1 January 2011								
- As previously reported		3,318,085	8,563	2,714,580	396	134,995	2,220,855	8,397,474
- Effect on full adoption of MFRS 139	45	-	-	-	-	-	32,404	32,404
- As restated		3,318,085	8,563	2,714,580	396	134,995	2,253,259	8,429,878
Net profit for the financial year		-	-	-	-	-	1,557,262	1,557,262
Other comprehensive income/(loss) for the financial year:								
Currency translation differences		-	-	-	6,818	-	-	6,818
Financial investments AFS:								
- Unrealised net gain on revaluation		-	-	-	-	115,739	-	115,739
- Net transfer to income statements on disposal or impairment		-	-	-	-	(43,789)	-	(43,789)
Income tax relating to components of other comprehensive income	34	-	-	-	-	(17,988)	-	(17,988)
Total comprehensive income for the financial year		-	-	-	6,818	53,962	1,557,262	1,618,042
Ordinary dividends	35	-	-	-	-	-	(237,907)	(237,907)
Transfer to statutory reserves		-	-	355,562	-	-	(355,562)	-
Balance as at 31 December 2011		3,318,085	8,563	3,070,142	7,214	188,957	3,217,052	9,810,013

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

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

		Group
	31.12.2012	31.12.2011
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**2,396,548**	2,309,860
Adjustments for:		
Property, plant and equipment:		
- depreciation	**80,122**	56,134
- gain on disposal	**(1,004)**	(4,826)
- written off	**2**	27
Amortisation of computer software license	**28,949**	32,412
Allowance for impairment loss - foreclosed properties	**-**	19
Write-back of allowance for impairment loss - foreclosed properties	**(21)**	(153)
Write-back of allowance for impairment loss - sundry debtors	**(3,064)**	-
Financial investments AFS:		
- net gain on sale	**(73,263)**	(63,256)
- interest income	**(260,345)**	(296,527)
- investment income	**(68,304)**	(75,265)
- dividend income	**(5,527)**	(11,190)
- allowance for impairment loss	**7,300**	50,113
- write-back of allowance for impairment loss	**(7,275)**	(2,863)
Financial investments held-to-maturity:		
- net gain from early redemption	**(3,308)**	(214)
- interest income	**(509,947)**	(435,426)
- investment income	**(63,750)**	(48,201)
- allowance for impairment loss	**5,333**	5,484
- write-back of allowance for impairment loss	**(9,131)**	(4,600)
Allowance for losses on loans and financing	**387,399**	254,029
Amortisation of premium/(accretion of discount)	**29,089**	18,117
Amortisation of discount for Hybrid Tier-I Capital Securities	**269**	247
Amortisation/accretion of discounts for borrowings and subordinated obligation	**888**	-
Unrealised (gain)/loss on revaluation of derivatives	**(21,615)**	65,903
Net gain on fair value hegdes	**(11,003)**	-
Unrealised exchange loss/(gain)	**12,741**	(10,997)
Operating profit before working capital changes	**1,911,083**	1,838,827
(Increase)/decrease in operating assets:		
Securities purchased under resale agreements	**(530,823)**	140,182
Deposits and placements with banks and other financial institutions	**(2,611,813)**	(113,752)
Financial assets held-for-trading	**(239,194)**	(952,468)
Loans, advances and financing	**(12,421,445)**	(13,992,897)
Other assets	**(81,089)**	(96,687)
Statutory deposits	**(416,593)**	(2,738,973)
	(16,300,957)	(17,754,595)
Increase/(decrease) in operating liabilities:		
Deposits from customers	**17,521,232**	21,135,798
Deposits and placements of banks and other financial institutions	**3,925,901**	289,872
Bills and acceptances payable	**(32,373)**	227,748
Other liabilities	**(42,769)**	(14,046)
Recourse obligation on loans sold to Cagamas Berhad	**1,283,547**	343,311
	22,655,538	21,982,683
Cash generated from operations	**8,265,664**	6,066,915
Taxation paid	**(352,022)**	(564,106)
Net cash generated from operating activities	**7,913,642**	5,502,809

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

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(71,431)**	(129,339)
Purchase of computer software license		**(38,741)**	(43,211)
Proceeds from disposal of property, plant and equipment		**10,428**	5,182
Financial investments AFS:			
- net (purchase)/sale		**(1,859,617)**	1,941,364
- interest received		**247,418**	332,351
- investment income received		**68,952**	73,895
- dividend income		**5,509**	11,172
Financial investments held-to-maturity:			
- net purchase		**(4,268,897)**	(2,714,230)
- interest received		**486,469**	412,900
- investment income received		**60,290**	44,878
Net cash used in investing activities		**(5,359,620)**	(65,038)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of RM subordinated obligations		**2,047,706**	250,000
Proceeds from issuance of USD senior debt securities		**1,535,591**	-
Repayment from issuance of RM subordinated obligations		**(1,300,000)**	-
Repayment of long term borrowings		**(99,563)**	(79,891)
Dividends paid to shareholder		**(520,000)**	(237,907)
Net cash generated from/(used in) financing activities		**1,663,734**	(67,798)
Net increase in cash and cash equivalents		**4,217,756**	5,369,973
Effects of exchange rate differences		**(52,215)**	41,132
Cash and cash equivalents brought forward		**18,392,186**	12,981,081
Cash and cash equivalents carried forward		**22,557,727**	18,392,186
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and short-term funds	2	**22,557,727**	18,392,186

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

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

		Bank
	31.12.2012	31.12.2011
	RM'000	RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	**2,164,986**	2,066,556
Adjustments for:		
Property, plant and equipment:		
- depreciation	**73,402**	51,020
- gain on disposal	**(997)**	(4,826)
- written off	**2**	27
Amortisation of computer software license	**28,629**	32,335
Allowance for impairment loss - foreclosed properties	**-**	19
Write-back of allowance for impairment loss - foreclosed properties	**(21)**	(153)
Write-back of allowance for impairment loss - sundry debtors	**(3,064)**	-
Financial investments AFS:		
- net gain on sale	**(51,755)**	(43,789)
- interest income	**(258,559)**	(296,527)
- dividend income	**(5,525)**	(11,186)
- allowance for impairment loss	**7,300**	50,113
- write-back of allowance for impairment loss	**(7,275)**	(2,863)
Financial investments held-to-maturity:		
- net gain from early redemption	**(1,823)**	(214)
- interest income	**(505,294)**	(432,704)
- allowance for impairment loss	**5,333**	5,484
- write-back of allowance for impairment loss	**(9,131)**	(4,600)
Allowance for losses on loans and financing	**289,365**	262,545
Amortisation of premium/(accretion of discount)	**33,458**	27,546
Amortisation of discount for Hybrid Tier-I Capital Securities	**269**	247
Amortisation/accretion of discounts for borrowings and subordinated obligation	**888**	-
Dividend income from subsidiary companies	**(9,363)**	-
Unrealised (gain)/loss on revaluation of derivatives	**(6,623)**	18,542
Net gain on fair value hegdes	**(3,498)**	-
Unrealised exchange loss/(gain)	**12,741**	(10,997)
Operating profit before working capital changes	**1,753,445**	1,706,575
(Increase)/decrease in operating assets:		
Securities purchased under resale agreements	**(530,823)**	140,182
Deposits and placements with banks and other financial institutions	**(1,579,990)**	(660,590)
Financial assets held-for-trading	**(233,344)**	(737,865)
Loans, advances and financing	**(8,860,697)**	(9,623,557)
Other assets	**(28,379)**	(448,873)
Statutory deposits	**(350,293)**	(2,237,658)
	(11,583,526)	(13,568,361)
Increase/(decrease) in operating liabilities:		
Deposits from customers	**17,058,310**	13,681,935
Deposits and placements of banks and other financial institutions	**3,636,297**	(375,227)
Bills and acceptances payable	**(40,212)**	226,099
Other liabilities	**(152,659)**	53,059
Recourse obligation on loans sold to Cagamas Berhad	**(178,974)**	343,311
	20,322,762	13,929,177
Cash generated from operations	**10,492,681**	2,067,391
Taxation paid	**(334,833)**	(538,746)
Net cash generated from operating activities	**10,157,848**	1,528,645

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

RHB BANK BERHAD (6171-M)
Incorporated in Malaysia

STATEMENTS OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

	Note		Bank
		31.12.2012	31.12.2011
		RM'000	RM'000
CASH FLOWS FROM INVESTING ACTIVITIES			
Purchase of property, plant and equipment		**(65,282)**	(127,219)
Purchase of computer software license		**(38,040)**	(41,262)
Proceeds from disposal of property, plant and equipment		**10,421**	5,182
Financial investments AFS:			
- net sale/(purchase)		**(1,980,354)**	1,811,254
- interest received		**246,447**	332,351
- dividend income		**5,507**	11,168
Financial investments held-to-maturity:			
- net purchase		**(3,580,367)**	(2,393,858)
- interest received		**483,191**	410,178
Dividend income from subsidiary companies		**9,363**	-
Purchase of additional shares in a subsidiary		**(200,000)**	(250,000)
Net cash used in investing activities		**(5,109,114)**	(242,206)
CASH FLOWS FROM FINANCING ACTIVITIES			
Proceeds from issuance of RM subordinated obligations		**2,047,706**	250,000
Proceeds from issuance of USD senior debt securities		**1,535,591**	-
Repayment from issuance of RM subordinated obliigations		**(1,300,000)**	-
Repayment of long term borrowings		**(99,563)**	(79,891)
Dividends paid to shareholder		**(520,000)**	(237,907)
Net cash generated from/(used in) financing activities		**1,663,734**	(67,798)
Net increase in cash and cash equivalents		**6,712,468**	1,218,641
Effects of exchange rate differences		**(34,205)**	31,939
Cash and cash equivalents brought forward		**12,344,141**	11,093,561
Cash and cash equivalents carried forward		**19,022,404**	12,344,141
ANALYSIS OF CASH AND CASH EQUIVALENTS:			
Cash and short-term funds	2	**19,022,404**	12,344,141

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

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These accounting policies have been consistently applied to all the financial years presented, unless otherwise stated.

1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND TRANSITION FROM FINANCIAL REPORTING STANDARDS TO MALAYSIAN FINANCIAL REPORTING STANDARDS

The Malaysian Accounting Standards Board ('MASB') announced on 19 November 2011 that Malaysian reporting entities are required to comply with the new International Financial Reporting Standards ('IFRS') compliant framework, Malaysian Financial Reporting Standards ('MFRS') for financial year commencing on or after 1 January 2012.

The financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and comply with the provisions of the Companies Act, 1965.

The financial statements of the Group and the Bank for the financial year ended 31 December 2012 are the first set of financial statements prepared in accordance with the MFRS, including MFRS 1 'First-time adoption of MFRS'.

Subject to certain transition elections disclosed in Note 44 to the financial statements, the Group and the Bank have consistently applied the same accounting policies in its opening MFRS statement of financial position at 1 January 2011 (transition date) and throughout all years presented, as if these policies had always been in effect. Comparative figures for 2011 in these financial statements have been restated to give effect to these changes. Note 44 discloses the impact of the transition to MFRS on the Group and the Bank's reported financial position, financial performance and cash flows.

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

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

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

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

The relevant new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and the Bank's financial year beginning on or after 1 January 2012 are as follows:

- MFRS 1 — "First-time adoption of MFRS"
- MFRS 139 — "Financial instruments: Recognition and measurement"
- Revised MFRS 124 — "Related party disclosures"
- Amendment to MFRS 112 — "Income taxes"
- Amendment to MFRS 1 — "First time adoption on fixed dates and hyperinflation"
- Amendment to MFRS 7 — "Financial instruments: Disclosures on transfers of financial assets"
- Amendment to MFRS 101 — "Presentation of items of other comprehensive income"
- IC Interpretation 19 — "Extinguishing financial liabilities with equity instruments"

The adoption of the above accounting standards, amendments to published accounting standards and interpretations to existing accounting standards does not give rise to any material financial impact to the Group and the Bank, except for the adoption of MFRS 139 as set out in Note 45.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND TRANSITION FROM FINANCIAL REPORTING STANDARDS TO MALAYSIAN FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective.

The Group and the Bank will apply the new standards, amendments to standards and interpretations to existing standards in the following period:

(i) Financial year beginning on/after 1 January 2013

MFRS 10 "Consolidated financial statements" (effective from 1 January 2013) changes the definition of control. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. It establishes control as the basis for determining which entities are consolidated in the consolidated financial statements and sets out the accounting requirements for the preparation of consolidated financial statements. It replaces all the guidance on control and consolidation in MFRS 127 "Consolidated and separate financial statements" and IC Interpretation 112 "Consolidation – special purpose entities".

MFRS 12 "Disclosures of interests in other entities" (effective from 1 January 2013) sets out the required disclosures for entities reporting under the two new standards, MFRS 10 and MFRS 11, and replaces the disclosure requirements currently found in MFRS 128 "Investments in associates". It requires entities to disclose information that helps financial statement readers to evaluate the nature, risks and financial effects associated with the entity's interests in subsidiaries, associates, joint arrangements and unconsolidated structured entities.

MFRS 13 "Fair value measurement" (effective from 1 January 2013) aims to improve consistency and reduce complexity by providing a precise definition of fair value and a single source of fair value measurement and disclosure requirements for use across MFRSs. The requirements do not extend the use of fair value accounting but provide guidance on how it should be applied where its use is already required or permitted by other standards. The enhanced disclosure requirements are similar to those in MFRS 7 "Financial instruments: Disclosures", but apply to all assets and liabilities measured at fair value, not just financial ones.

The revised MFRS 127 "Separate financial statements" (effective from 1 January 2013) includes the provisions on separate financial statements that are left after the control provisions of MFRS 127 have been included in the new MFRS 10.

Amendment to MFRS 101 "Presentation of items of other comprehensive income" (effective from 1 July 2012) requires entities to separate items presented in 'other comprehensive income' (OCI) in the statements of comprehensive income into two groups, based on whether or not they may be recycled to profit or loss in the future. The amendments do not address which items are presented in OCI.

Amendment to MFRS 7 "Financial instruments: Disclosures" (effective from 1 January 2013) requires more extensive disclosures focusing on quantitative information about recognised financial instruments that are offset in the statements of financial position and those that are subject to master netting or similar arrangements irrespective of whether they are offset.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS AND TRANSITION FROM FINANCIAL REPORTING STANDARDS TO MALAYSIAN FINANCIAL REPORTING STANDARDS (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective. (continued)

The Group and the Bank will apply the new standards, amendments to standards and interpretations to existing standards in the following period: (continued)

(ii) Financial year beginning on/after 1 January 2014

Amendment to MFRS 132 "Financial instruments: Presentation" (effective from 1 January 2014) does not change the current offsetting model in MFRS 132. It clarifies the meaning of 'currently has a legally enforceable right of set-off' that the right of set-off must be available today (not contingent on a future event) and legally enforceable for all counterparties in the normal course of business. It clarifies that some gross settlement mechanisms with features that are effectively equivalent to net settlement will satisfy the MFRS 132 offsetting criteria.

(iii) Financial year beginning on/after 1 January 2015

MFRS 9 "Financial instruments - classification and measurement of financial assets and financial liabilities" (effective from 1 January 2015) replaces the multiple classification and measurement models in MFRS 139 with a single model that has only two classification categories: amortised cost and fair value. The basis of classification depends on the entity's business model for managing the financial assets and the contractual cash flow characteristics of the financial asset.

The accounting and presentation for financial liabilities and for de-recognising financial instruments has been relocated from MFRS 139, without change, except for financial liabilities that are designated at fair value through profit or loss ("FVTPL"). Entities with financial liabilities designated at FVTPL recognise changes in the fair value due to changes in the liability's credit risk directly in 'other comprehensive income' (OCI). There is no subsequent recycling of the amounts in OCI to profit or loss, but accumulated gains or losses may be transferred within equity.

The guidance in MFRS 139 on impairment of financial assets and hedge accounting continues to apply.

MFRS 7 requires disclosures on transition from MFRS 139 to MFRS 9.

The adoption of the new standards, amendments to published standards are not expected to have a material impact on the financial results of the Group and the Bank except that the Group and the Bank are in the process of reviewing the requirements of MFRS 9 and expects this process to be completed prior to the effective date on 1 January 2015.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) BASIS OF CONSOLIDATION

(a) Subsidiaries

Subsidiaries are those corporations or other entities in which the Bank has the power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

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

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

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

Acquisition-related costs are expensed as incurred.

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

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

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the gain is recognised in profit or loss. Refer to accounting policy Note 4 on goodwill.

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

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

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

The acquired entity's results, assets and liabilities are consolidated from the date on which the business combination between entities under common control occurred. Consequently, the consolidated financial statements do not reflect the results of the acquired entity for the financial period before the transaction occurred. The corresponding amounts for the previous financial year are not restated.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

2) BASIS OF CONSOLIDATION (CONTINUED)

(b) Transaction with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests, where such transaction occurred after control has already been obtained and they do not result in loss of control, as transactions with equity owners of the Group. For purchases from non-controlling interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to non-controlling interests, the differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

(c) Changes in ownership interests

When the Group ceases to have control, joint control or significant influence, any retained interest in the entity is re-measured to its fair value at the date control, joint control or significant influence ceased, with the change in carrying amount recognised in profit or loss.

This fair value is the initial carrying amount for the purpose of subsequently accounting for the retained interest as an associate, joint venture or financial assets. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

3) INVESTMENT IN SUBSIDIARIES

In the Bank's separate financial statements, investment in subsidiaries are stated at cost less accumulated impairment losses. At the end each reporting period, the Group assesses whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note 21 on impairment of non-financial assets.

On disposal of investment in subsidiaries, the difference between disposal proceeds and the carrying amount of the investments are recognised in profit or loss.

4) GOODWILL AND OTHER INTANGIBLE ASSETS

(a) Goodwill

Goodwill arising on consolidation represents the excess of the cost of acquisition over the Group's share of the net fair value of the identifiable net assets at the date of acquisition.

Goodwill is stated at cost less accumulated impairment loss and is tested at least annually for impairment. Impairment loss on goodwill (inclusive of impairment losses recognised in a previous interim period) is not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold. Refer to accounting policy Note 21 on impairment of non-financial assets.

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

4) GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(b) Other intangibles assets - Computer software licences

Acquired computer software licences are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software licences are subsequently carried at cost less accumulated amortisation and impairment losses. These costs are amortised over the estimated useful lives of 5 years to 10 years.

At the end of the reporting period, the Group and the Bank assess whether there is any indication of impairment on computer software licences. Where an indication of impairment exists, the carrying amount of the assets is written down to its recoverable amount.

Refer to accounting policy Note 21 on impairment of non-financial assets. Gain and losses arising from derecognition of computer software licences assets are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in profit or loss when the asset is de-recognised.

5) FINANCIAL ASSETS

(a) Classification

The Group and the Bank classify their financial assets in the following categories: at fair value through profit or loss, loans and receivables, available-for-sale and held-to-maturity. The classification depends on the purpose for which the financial assets were required. Management determines the classification at initial recognition.

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

Financial assets at fair value through profit or loss are financial assets held-for-trading. A financial asset is classified in this category if it is acquired or incurred principally for the purpose of selling or repurchasing in the near term. Derivatives are also categorised as held-for-trading unless they are designated as hedges (Refer to accounting policy Note 8).

(ii) Loan and receivables

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

(iii) Financial investments held-to-maturity

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

(iv) Financial investments available-for-sale

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5) FINANCIAL ASSETS (CONTINUED)

(b) Recognition and initial measurement

Regular purchases and sales of financial assets are recognised on the settlement date, the date that an asset is delivered to or by the Group and the Bank.

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

(c) Subsequent measurement – gains and losses

Financial investments available-for-sale and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables and financial investments held-to-maturity are subsequently carried at amortised cost using the effective interest method.

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

Changes in the fair value of financial investments available-for-sale are recognised in other comprehensive income, except for impairment losses (refer to accounting policy Note 19) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on financial investments available-for-sale are recognised separately in profit or loss. Interest on financial investments available-for-sale calculated using the effective interest method is recognised in profit or loss. Dividend income on available-for-sale equity instruments is recognised in non-interest income in profit or loss when the Group's right to receive payments is established.

(d) De-recognition

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

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

When financial investments available-for-sale are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

(e) Offsetting financial instruments

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

5) FINANCIAL ASSETS (CONTINUED)

(f) Determination on fair value

The fair value of financial instruments traded in active markets are based on quoted market prices at the end of the reporting date. The quoted market prices used for financial assets held by the Group are the current bid prices. If the market for a financial assets is not active, the Group establishes fair value by using valuation techniques. These include the use of recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, net book value, option pricing models refined to reflect the issuer's specific circumstances.

6) REPURCHASE AGREEMENTS

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

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

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

7) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

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

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

Leasehold land	Amortised over the period of the lease*
Buildings	2% to 3 $^{1/3}$%
Renovations	7.5% to 10%
Office equipment and furniture	7.5% to 20%
Computer equipment and software	14% to 33 $^{1/3}$%
Motor vehicles	20% to 25%

* The remaining period of the lease ranges from 7 to 881 years.

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

Gains or losses on disposals are determined by comparing proceeds with carrying amount and are included in non-interest income in the profit or loss.

At the end of the reporting period, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount. Refer to accounting policy Note 21 on impairment of non-financial assets.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

8) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

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

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

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

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

(a) Fair value hedge

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

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

(b) Cash flow hedge

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

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

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

(c) Derivatives that do not qualify for hedge accounting

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

9) FINANCIAL LIABILITIES

The Group's and the Bank's holding in financial liabilities is in financial liabilities at fair value through profit or loss (including financial liabilities held-for-trading and those that are designated at fair value) and financial liabilities at amortised cost. All financial liabilities are de-recognised when extinguished.

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

Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in profit or loss and are subsequently re-measured at their fair values. Changes in fair values of financial liabilities at fair value through profit or loss are recognised in profit and loss in the period in which the changes arise.

Financial liabilities at fair value through profit or loss are financial liabilities held-for-trading. A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short-term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges (Refer to accounting policy Note 8).

(b) Other liabilities measured at amortised cost

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

Other financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, bills and acceptances payable, recourse obligation on loans sold to Cagamas Berhad and other financial liabilities.

(c) Borrowings measured at amortised cost

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

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Borrowings measured at amortised cost are long terms and short terms borrowings from financial institution, subordinated obligations, senior debt securities and Hybrid Tier-I capital securities.

10) RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD ('CAGAMAS')

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

11) LEASES – WHERE THE GROUP IS LESSEE

(a) Operating lease

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

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

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

(b) Finance lease

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

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

12) LEASES – WHERE THE GROUP IS LESSOR

(a) Operating lease

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

(b) Finance lease

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

13) PROVISIONS

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

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

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

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

14) FINANCIAL GUARANTEE CONTRACTS

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

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

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

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

15) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

16) SHARE CAPITAL

(a) Classification

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

(b) Share issue cost

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

(c) Dividend distribution

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

17) CASH AND CASH EQUIVALENTS

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

18) REVENUE RECOGNITION

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

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

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

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

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

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

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19) IMPAIRMENT OF FINANCIAL ASSETS

(a) Assets carried at amortised cost

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

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

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

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

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

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

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

(i) <u>Individually impairment allowance</u>

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(a) Assets carried at amortised cost (continued)

(ii) Collective impairment allowance

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

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

Change in accounting policy

Previously, the Group and the Bank applied the Amendment to FRS 139 'Financial Instruments: Recognition and Measurement', which included an additional transitional arrangement for financial sectors, whereby Bank Negara Malaysia ('BNM') prescribed the use of an alternative basis for collective assessment of impairments on loans, advances and financing. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

With effect from 1 January 2012, BNM removed the transitional provision for banking institutions on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

Previously, when a collectively assessed loan, advance and financing is deemed impaired, the Group and the Bank have reversed out the interest income recognised in profit or loss and set off against the interest receivable in the statement of financial position.

Upon the adoption of MFRS 139, with effect from 1 January 2012, once a collectively assessed loan, advance and financing has been written down as a result of an impairment loss, interest income is thereafter recognised using the original effective interest rate in the profit or loss.

The financial impact arising on the adoption of MFRS 139 are set out in Note 45 to the financial statements.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

19) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(b) Assets classified as available-for-sale

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

For debt securities, the Group and the Bank use criteria and measurement of impairment loss applicable for 'assets carried at amortised cost' above. If, in a subsequent period, the fair value of a debt instrument classified as available-for-sale increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the impairment loss is reversed through profit or loss.

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

20) EMPLOYEE BENEFITS

(a) Short-term employee benefits

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

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

(b) Defined contribution plans

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

(c) Termination benefits

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

21) IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the non-financial assets exceeds its recoverable amount.

The recoverable amount is the higher of a non-financial assets' fair value less costs to sell and value in use. For the purpose of assessing impairment, non-financial assets are grouped at the lowest levels for which there is separately identifiable cash flow/CGU. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

The impairment loss is charged to profit or loss. Impairment losses on goodwill are not reversed. In respect of other non-financial assets, any subsequent increase in recoverable amount is recognised in the profit or loss.

22) CURRENT AND DEFERRED INCOME TAXES

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

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

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

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

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

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

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

23) CURRENCY CONVERSION AND TRANSLATION

(a) Functional and presentation currency

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

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

23) CURRENCY CONVERSION AND TRANSLATION (CONTINUED)

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the income statements, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses are presented in profit or loss within non-interest income.

For translation differences on financial assets and liabilities held at fair value through profit or loss and available-for-sale financial assets, refer to accounting policy Note 5(c).

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statements of financial position;

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

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

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

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

24) SEGMENT REPORTING

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

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

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

Allowance for impairment of financial assets

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

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

Goodwill impairment

Goodwill is tested at least annually for impairment. Testing of goodwill for impairment involves a significant amount of estimation. This includes the identification of independent cash generating units and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Estimating the value in use requires the Group and the Bank to make an estimate of the expected future cash flow from the cash-generating unit. Determining both the expected pre-tax cash flows and the risk adjusted discount rate appropriate to the operating unit also require the exercise of judgement.

The estimation of pre-tax cash flows is sensitive to the periods for which detailed forecasts are available and assumptions regarding the long term sustainable cash flows. The detailed disclosures on the assessment of impairment of goodwill is disclosed in Note 14 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

1 GENERAL INFORMATION

RHB Bank Berhad ('the Bank'), is a limited liability bank incorporated and domiciled in Malaysia.

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic Banking business, leasing, offshore banking, offshore trust services, nominee services and property investment.

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

The address of the registered office of the Bank is Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur.

2 CASH AND SHORT-TERM FUNDS

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Cash and balances with banks and other financial institutions	**1,517,504**	1,293,733	903,494	**1,326,061**	1,210,914	816,836
Money at call and deposit placements maturing within one month	**21,040,223**	17,098,453	12,077,587	**17,696,343**	11,133,227	10,276,725
	22,557,727	18,392,186	12,981,081	**19,022,404**	12,344,141	11,093,561

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Licensed banks/Islamic banks	**1,611,229**	837,810	824,071	**3,780,228**	2,100,220	1,539,648
Licensed investment banks	**-**	100,018	-	**-**	100,018	-
Bank Negara Malaysia	**1,203,564**	-	-	**-**	-	-
Other financial institutions	**734,855**	-	-	**-**	-	-
	3,549,648	937,828	824,071	**3,780,228**	2,200,238	1,539,648

4 FINANCIAL ASSETS HELD-FOR-TRADING

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
At fair value						
Money market instruments:						
Khazanah bonds	**-**	53,767	-	**-**	-	-
Malaysian Government Securities	**222,202**	-	-	**222,202**	-	-
Malaysian Government Treasury Bills	**52,869**	-	-	**52,869**	-	-
Malaysian Government Investment Issues	**151,583**	144,220	10,066	**-**	92,908	-
Bank Negara Malaysia Monetary Notes	**598,073**	808,374	173,815	**598,073**	501,461	-
Cagamas bonds	**250,324**	-	-	**-**	-	-
Thailand Government bonds	**-**	-	10,216	**-**	-	10,216
Singapore Government Treasury Bills	**227,634**	275,519	119,367	**227,634**	275,519	119,367
Wakala Global Sukuk	**7,144**	16,495	-	**-**	-	-
Unquoted securities:						
In Malaysia						
Private debt securities	**40,034**	5,044	35,047	**9,704**	-	-
	1,549,863	1,303,419	348,511	**1,110,482**	869,888	129,583

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 reclassification 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 effect of reclassification on the income statements for the period from the date of reclassification to 31 December 2012 and the gains and losses relating to these assets recorded in income statement for the year ended 31 December 2012 were as follow:

			Carrying amount			Fair value
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Group						
Reclassified from HFT to AFS						
- Debt securities	**-**	226,135	1,127,590	**-**	222,901	1,101,145
Reclassified from HFT to HTM						
- Debt securities	**18,425**	19,063	26,038	**19,724**	20,643	27,350
	18,425	245,198	1,153,628	**19,724**	243,544	1,128,495
Bank						
Reclassified from HFT to AFS						
- Debt securities	**-**	216,037	1,117,495	**-**	212,765	1,090,973
Reclassified from HFT to HTM						
- Debt securities	**-**	-	7,672	**-**	-	7,672
	-	216,037	1,125,167	**-**	212,765	1,098,645

		Group		Bank
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
	RM'000	RM'000	**RM'000**	RM'000
Fair value gain/(loss) that would have been recognised if the financial assets HFT had not been reclassified	**1,299**	(1,654)	**-**	(3,272)

5 FINANCIAL INVESTMENTS AVAILABLE-FOR-SALE

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
At fair value						
Money market instruments:						
Malaysian Government Securities	**459,574**	974,018	3,199,222	**459,574**	974,018	3,199,222
Malaysian Government Investment Issues	**1,896,122**	1,965,660	2,306,237	**1,409,751**	1,096,153	1,066,701
Cagamas bonds and Cagamas Mudharabah bonds	**91,802**	82,056	591,416	**41,469**	82,056	591,416
Khazanah bonds	**36,016**	-	-	**-**	-	-
Negotiable instruments of deposits	**-**	-	108,163	**-**	-	108,163
Singapore Government Treasury Bills	**25,032**	73,155	26,258	**25,032**	73,155	26,258
Singapore Government Securities	**135,081**	232,275	128,444	**135,081**	232,275	128,444
Thailand Government bonds	**106,295**	85,870	112,140	**106,295**	85,870	112,140
1 Malaysia Sukuk	**277,514**	291,592	86,032	**277,514**	291,592	86,032
Bankers' acceptances & Islamic accepted notes	**-**	-	93,868	**-**	-	-
Wakala Global Sukuk	**95,029**	115,164	-	**78,159**	91,654	-
Sukuk Perumahan Kerajaan (SPK)	**101,363**	-	-	**101,363**	-	-
Quoted securities:						
In Malaysia						
Corporate loan stocks	**7,853**	14,178	14,126	**7,853**	14,178	14,126
Shares	**2,639**	3,759	4,287	**18**	1,526	1,213
Outside Malaysia						
Shares	**30**	23	17	**-**	-	-
Unquoted Securities:						
In Malaysia						
Corporate loan stocks	**104,055**	107,213	108,972	**104,055**	107,213	108,972
Shares	**353,604**	384,879	342,046	**353,029**	384,304	341,471
Private debt securities	**6,334,181**	3,679,907	2,800,982	**5,357,242**	2,899,816	2,347,695
Outside Malaysia						
Private debt securities	**121**	5,336	11,368	**121**	5,336	11,368
	10,026,311	8,015,085	9,933,578	**8,456,556**	6,339,146	8,143,221

6 FINANCIAL INVESTMENTS HELD-TO-MATURITY

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
At amortised cost						
Money market instruments:						
Malaysian Government Securities	**2,415,844**	2,768,820	2,948,345	**2,415,844**	2,768,820	2,948,345
Malaysian Government Investment Issues	**5,499,829**	2,991,758	1,371,160	**4,756,426**	2,195,778	781,992
Cagamas bonds and Cagamas Mudharabah bonds	**2,340,203**	1,912,108	773,644	**2,065,120**	1,718,332	589,750
Khazanah bonds	**66,290**	63,418	52,632	**57,632**	55,071	52,632
Negotiable instruments of deposits	**2,126,329**	1,005,545	1,103,432	**1,704,244**	1,005,545	1,103,432
Singapore Government Securities	**126,795**	123,462	120,730	**126,795**	123,462	120,730
Thailand Government Securities	**264,010**	240,210	223,230	**264,010**	240,210	223,230
Singapore Government Treasury Bills	**-**	-	9,549	**-**	-	9,549
Bankers' acceptances	**339,215**	169,823	-	**339,215**	169,823	-
Sukuk (Brunei) Incorporation	**57,594**	53,682	23,873	**57,594**	53,682	23,873
Wakala Global Sukuk	**212,524**	203,078	-	**212,524**	203,078	-
Unquoted Securities:						
In Malaysia						
Bonds	**860**	860	860	**860**	860	860
Prasarana bonds	**753,687**	950,221	1,760,514	**738,455**	950,221	1,760,514
Private debt securities	**3,643,514**	3,040,347	2,276,470	**2,971,142**	2,604,345	1,952,119
Corporate loan stocks	**55,196**	56,283	81,108	**55,196**	56,283	81,108
Outside Malaysia						
Private debt securities	**18,425**	19,063	18,520	**-**	-	-
Structured notes	**-**	-	32,564	**-**	-	32,564
	17,920,315	13,598,678	10,796,631	**15,765,057**	12,145,510	9,680,698
Accumulated impairment losses	**(119,064)**	(123,511)	(122,386)	**(119,064)**	(123,511)	(122,386)
	17,801,251	13,475,167	10,674,245	**15,645,993**	12,021,999	9,558,312

Movement in allowance for impairment losses:

		Group and Bank
	31.12.2012	31.12.2011
	RM'000	RM'000
Balance as at the beginning of the financial year	**123,511**	122,386
(Write back)/allowance made	**(3,798)**	884
Transfer to impairment of investment securities - AFS	**(315)**	-
Exchange difference	**(334)**	241
Balance as at the end of the financial year	**119,064**	123,511

7 LOANS, ADVANCES AND FINANCING

i) By type

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
At amortised cost						
Overdrafts	**5,895,676**	5,713,718	6,109,661	**5,744,150**	5,593,490	5,992,842
Term loans/financing:						
- housing loans/financing	**21,706,306**	20,083,314	18,328,572	**18,234,938**	17,330,447	15,941,566
- syndicated term loans/financing	**2,521,254**	2,603,854	2,055,287	**1,116,217**	1,055,936	836,509
- hire purchase receivables	**12,581,965**	12,958,064	10,967,557	**8,164,582**	9,408,209	9,333,654
- lease receivables	**75,650**	116,243	146,399	**-**	-	-
- other term loans/financing	**51,468,205**	43,395,654	33,847,622	**44,864,944**	37,452,718	29,920,104
Bills receivable	**1,574,283**	1,645,017	1,507,021	**1,553,186**	1,603,549	1,418,203
Trust receipts	**469,017**	383,406	345,620	**447,718**	363,698	327,626
Claims on customers under acceptance credits	**5,257,979**	4,757,731	4,643,119	**4,426,753**	4,256,414	4,140,598
Staff loans/financing	**283,790**	315,049	348,309	**275,664**	304,926	336,817
Credit card receivables	**1,926,639**	1,783,094	1,648,863	**1,805,739**	1,735,189	1,648,333
Revolving credit	**5,872,938**	3,939,832	4,238,275	**4,468,642**	3,488,829	3,493,257
Floor stocking	**1,229**	1,553	1,570	**1,229**	1,553	1,570
Gross loans, advances and financing	**109,634,931**	97,696,529	84,187,875	**91,103,762**	82,594,958	73,391,079
Fair value changes arising from fair value hedge	**6,252**	-	-	**3,111**	-	-
	109,641,183	97,696,529	84,187,875	**91,106,873**	82,594,958	73,391,079
Allowance for impaired loans and financing:						
- individual impairment allowance	**(780,069)**	(812,502)	(854,899)	**(648,256)**	(666,218)	(682,522)
- collective impairment allowance	**(1,395,228)**	(1,566,152)	(1,817,189)	**(1,182,802)**	(1,335,081)	(1,539,132)
Net loans, advances and financing	**107,465,886**	95,317,875	81,515,787	**89,275,815**	80,593,659	71,169,425

Included in loans, advances and financing are housing loans, hire purchase receivables and other term loans/financing sold to Cagamas with recourse for the Group and the Bank are RM2,371,017,000 (31.12.2011: RM967,714,000; 1.1.2011: RM660,910,000) and RM935,725,000 (31.12.2011: RM967,714,000; 1.1.2011: RM660,910,000) respectively.

ii) By type of customer

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Domestic non-bank financial institutions:						
- Others	**1,502,696**	937,008	315,831	**932,349**	876,634	271,672
Domestic business enterprises:						
- Small medium enterprises	**11,516,755**	11,539,573	11,063,211	**10,829,598**	10,565,842	10,220,484
- Others	**30,690,914**	24,290,931	22,534,659	**26,165,958**	20,867,034	18,701,847
Government and statutory bodies	**10,989,382**	11,148,102	9,210,030	**7,675,110**	7,684,750	7,688,341
Individuals	**47,646,933**	43,936,776	36,534,404	**39,391,631**	37,777,867	32,697,224
Other domestic entities	**10,240**	10,674	8,325	**9,948**	10,401	7,898
Foreign entities:						
- Malaysian operations	**1,100,222**	1,276,943	878,614	**431,614**	429,837	380,803
- Singapore operations	**5,663,138**	4,211,647	3,191,218	**5,183,555**	4,069,495	3,003,248
- Thailand operations	**427,765**	232,363	297,308	**397,113**	200,586	266,403
- Brunei operations	**86,886**	112,512	154,275	**86,886**	112,512	153,159
	109,634,931	97,696,529	84,187,875	**91,103,762**	82,594,958	73,391,079

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

iii) By geographical distribution

	Group			Bank		
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
In Malaysia	**103,457,142**	93,140,007	80,545,074	**85,436,208**	78,212,365	69,968,269
Outside Malaysia:						
- Singapore operations	**5,663,138**	4,211,647	3,191,218	**5,183,555**	4,069,495	3,003,248
- Thailand operations	**427,765**	232,363	297,308	**397,113**	200,586	266,403
- Brunei operations	**86,886**	112,512	154,275	**86,886**	112,512	153,159
	109,634,931	97,696,529	84,187,875	**91,103,762**	82,594,958	73,391,079

iv) By interest/profit rate sensitivity

Fixed rate:						
- Housing loans/financing	**1,357,141**	1,612,129	1,524,513	**424,038**	528,231	280,144
- Hire purchase receivables	**12,581,965**	12,958,064	10,967,084	**8,164,582**	9,408,209	9,333,180
- Other fixed rate loans/financing	**18,478,859**	16,484,251	14,162,960	**12,572,881**	12,225,485	10,999,426
Variable rate:						
- BLR/BFR plus	**42,071,452**	38,793,599	32,892,316	**37,858,542**	35,052,263	30,276,498
- Cost-plus	**30,303,564**	23,424,963	20,301,927	**28,511,823**	22,155,824	19,189,559
- Other variable rates	**4,841,950**	4,423,523	4,339,075	**3,571,896**	3,224,946	3,312,272
	109,634,931	97,696,529	84,187,875	**91,103,762**	82,594,958	73,391,079

v) By purpose

Purchase of securities	**8,734,077**	6,940,839	3,960,310	**8,734,077**	6,932,229	3,948,039
Purchase of transport vehicles	**11,447,613**	11,742,912	9,575,631	**6,696,785**	7,954,725	7,793,820
Purchase of landed property:						
- Residential	**22,129,684**	20,602,726	18,925,870	**18,787,249**	17,814,375	16,472,817
- Non-residential	**5,667,482**	5,282,037	4,768,354	**5,563,444**	5,212,814	4,688,335
Purchase of property, plant and equipment other than land and building	**3,249,719**	3,241,052	3,338,395	**2,591,684**	2,342,611	2,312,743
Personal use	**5,757,574**	4,960,882	3,544,058	**5,109,733**	4,726,227	3,529,834
Credit card	**1,926,639**	1,783,094	1,648,863	**1,805,739**	1,735,189	1,648,333
Purchase of consumer durables	**37,282**	43,750	54,645	**37,265**	43,700	54,565
Construction	**3,637,272**	3,024,994	2,594,313	**2,417,490**	2,171,092	1,742,232
Working capital	**26,600,092**	20,662,687	21,097,100	**23,295,898**	18,254,075	18,821,839
Merger and acquisition	**3,620,752**	4,200,239	2,432,562	**3,466,447**	4,040,367	2,432,562
Other purposes	**16,826,745**	15,211,317	12,247,774	**12,597,951**	11,367,554	9,945,960
	109,634,931	97,696,529	84,187,875	**91,103,762**	82,594,958	73,391,079

vi) By remaining contractual maturities

Maturity within one year	**38,452,209**	31,126,937	29,099,126	**35,253,687**	29,072,705	26,839,830
One year to three years	**8,950,484**	6,148,152	4,692,722	**7,323,538**	4,854,080	3,608,248
Three years to five years	**8,849,168**	10,384,562	10,027,711	**6,052,470**	8,367,494	8,671,749
Over five years	**53,383,070**	50,036,878	40,368,316	**42,474,067**	40,300,679	34,271,252
	109,634,931	97,696,529	84,187,875	**91,103,762**	82,594,958	73,391,079

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

vii) Impaired loans, advances and financing

a) Movement in impaired loans, advances and financing

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
Balance as at the beginning of financial year					
- As previously reported		**3,350,486**	3,671,258	**2,727,004**	2,927,024
- Effect on full adoption of MFRS 139	**45**	**142,845**	176,364	**125,304**	145,862
- As restated		**3,493,331**	3,847,622	**2,852,308**	3,072,886
Classified as impaired during the financial year		**3,939,826**	3,711,481	**3,555,656**	3,423,180
Reclassified as non-impaired during the financial year		**(2,746,511)**	(2,856,750)	**(2,467,737)**	(2,615,177)
Amount recovered		**(784,370)**	(609,011)	**(668,059)**	(486,693)
Amount written off		**(811,276)**	(604,812)	**(673,157)**	(543,725)
Exchange difference		**(910)**	4,801	**1,822**	1,837
Balance as at the end of financial year		**3,090,090**	3,493,331	**2,600,833**	2,852,308

b) By purpose

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000	Bank 1.1.2011 RM'000
Purchase of securities	**87,767**	90,883	84,192	**87,767**	90,883	84,192
Purchase of transport vehicles	**260,414**	267,936	250,879	**134,770**	169,405	157,586
Purchase of landed property:						
- Residential	**965,098**	1,085,031	1,262,419	**835,257**	913,226	1,035,316
- Non-residential	**158,072**	211,948	258,690	**143,014**	198,069	231,386
Purchase of property, plant and equipment other than land and building	**66,981**	146,184	206,369	**51,112**	73,811	123,801
Personal use	**137,178**	125,496	126,095	**133,481**	120,105	120,896
Credit card	**39,379**	43,394	56,840	**35,927**	43,237	56,840
Purchase of consumer durables	**2,058**	2,154	3,356	**2,058**	2,154	3,356
Construction	**160,266**	244,774	175,969	**158,978**	243,366	174,139
Working capital	**1,126,095**	1,249,521	1,410,669	**960,988**	973,845	1,076,668
Other purposes	**86,782**	26,010	12,144	**57,481**	24,207	8,706
	3,090,090	3,493,331	3,847,622	**2,600,833**	2,852,308	3,072,886

c) By geographical distribution

	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Group 1.1.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000	Bank 1.1.2011 RM'000
In Malaysia	**2,990,526**	3,396,765	3,692,007	**2,501,269**	2,755,742	2,949,347
Outside Malaysia:						
- Singapore operations	**69,055**	66,581	127,892	**69,055**	66,581	95,816
- Thailand operations	**21,905**	22,440	22,371	**21,905**	22,440	22,371
- Brunei operations	**8,604**	7,545	5,352	**8,604**	7,545	5,352
	3,090,090	3,493,331	3,847,622	**2,600,833**	2,852,308	3,072,886

7 LOANS, ADVANCES AND FINANCING (CONTINUED)

vii) Impaired loans, advances and financing (continued)

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

		Group		Bank	
	Note	**31.12.2012**	31.12.2011	**31.12.2012**	31.12.2011
		RM'000	RM'000	**RM'000**	RM'000
Individual impairment allowance					
Balance as at the beginning of financial year		**812,502**	854,899	**666,218**	682,522
Net allowance made during the year		**267,941**	110,414	**171,471**	93,774
Reclassification (to)/from collective impairment		**(10,895)**	1,786	**(9,972)**	1,786
Amount written off		**(288,378)**	(155,552)	**(179,670)**	(112,611)
Transfer to impairment of investment securities		**(643)**	-	**(643)**	-
Exchange difference		**(458)**	955	**852**	747
Balance as at the end of financial year		**780,069**	812,502	**648,256**	666,218
Collective impairment allowance					
Balance as at the beginning of financial year					
- As previously reported		**1,657,809**	1,625,609	**1,433,823**	1,437,137
- Effect on full adoption of MFRS 139	**45**	**(91,657)**	191,580	**(98,742)**	101,995
- As restated		**1,566,152**	1,817,189	**1,335,081**	1,539,132
Net allowance made during the year		**119,458**	143,615	**117,894**	168,771
Reclassification from/(to) individual impairment		**10,895**	(1,786)	**9,972**	(1,786)
Amount written off		**(300,584)**	(394,391)	**(280,690)**	(371,857)
Exchange difference		**(693)**	1,525	**545**	821
Balance as at the end of financial year		**1,395,228**	1,566,152	**1,182,802**	1,335,081

8 OTHER ASSETS

		Group			Bank		
	Note	**31.12.2012**	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
		RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Other receivables		**303,073**	216,389	134,170	**237,381**	131,015	93,719
Deposits		**35,908**	33,197	19,072	**34,405**	31,701	18,201
Prepayments		**32,534**	30,743	19,415	**32,228**	29,761	18,709
Amount due from holding company	(i)	**5,643**	1,388	1,024	**5,643**	1,388	1,024
Amounts due from subsidiaries	(i)	**-**	-	-	**384,913**	457,977	50,793
Amounts due from related companies	(i)	**14,242**	24,829	22,006	**14,242**	24,829	22,006
		391,400	306,546	195,687	**708,812**	676,671	204,452

(i) Amounts due from holding company/subsidiaries/related companies are unsecured, interest free and receivable within the normal credit period.

9 DERIVATIVES ASSETS/(LIABILITIES)

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

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

	Group			Bank		
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Derivative assets						
- trading derivatives	**250,917**	226,980	298,389	**271,029**	263,605	298,148
Derivative liabilities						
- trading derivatives	**(263,288)**	(237,004)	(240,161)	**(263,650)**	(234,522)	(238,984)
- fair value hedging derivatives	**(9,909)**	-	-	**(9,909)**	-	-
	(273,197)	(237,004)	(240,161)	**(273,559)**	(234,522)	(238,984)
	(22,280)	(10,024)	58,228	**(2,530)**	29,083	59,164

9 DERIVATIVES ASSETS/(LIABILITIES) (CONTINUED)

	Group			Bank		
	Contract or underlying principal amount	Year-end positive fair value	Year-end negative fair value	Contract or underlying principal amount	Year-end positive fair value	Year-end negative fair value
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2012						
Trading derivatives:						
Foreign exchange related contracts:						
- forwards/swaps	**9,082,591**	**42,762**	**(69,168)**	**8,797,362**	**42,762**	**(69,168)**
- options	**101,189**	**119**	**(97)**	**101,189**	**119**	**(97)**
- cross currency interest rate swaps	**5,605,359**	**92,075**	**(53,254)**	**5,605,359**	**92,075**	**(53,254)**
Interest rate related contracts:						
- swaps	**20,616,847**	**115,961**	**(140,769)**	**23,898,499**	**136,073**	**(141,131)**
Fair value hedging derivatives:						
Interest rate related contracts:						
- swaps	**1,860,000**	**-**	**(9,909)**	**1,860,000**	**-**	**(9,909)**
		250,917	**(273,197)**		**271,029**	**(273,559)**

Fair value hedging are used by the Group and the Bank for protection against the changes in fair value of financial assets and financial liabilities due to movements in market interest rates. The Group and the Bank use interest rate swap to hedge against interest rate risk of specific identified fixed rate long term loans, advances and financing. Included in the other operating income (Note 26) is the net gains and losses arising from fair value hedges for the financial year as follows:

	Group		Bank	
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
	RM'000	RM'000	**RM'000**	RM'000
Gain on hedging instruments	**4,752**	-	**387**	-
Loss on hedged items attributable to the hedged risk	**(3,278)**	-	**(121)**	-
	1,474	-	**266**	-

	Group			Bank		
	Contract or underlying principal amount	Year-end positive fair value	Year-end negative fair value	Contract or underlying principal amount	Year-end positive fair value	Year-end negative fair value
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2011						
Trading derivatives:						
Foreign exchange related contracts:						
- forwards/swaps	13,763,434	87,912	(65,341)	13,603,559	87,912	(65,341)
- options	123,118	276	(230)	123,118	276	(229)
- cross currency interest rate swaps	1,439,860	19,078	(16,518)	1,439,860	19,078	(16,518)
Interest rate related contracts:						
- swaps	17,812,064	119,714	(154,915)	20,431,084	156,339	(152,434)
		226,980	(237,004)		263,605	(234,522)

9 DERIVATIVES ASSETS/(LIABILITIES) (CONTINUED)

	Group			Bank		
	Contract or underlying principal amount	**Year-end positive fair value**	**Year-end negative fair value**	**Contract or underlying principal amount**	**Year-end positive fair value**	**Year-end negative fair value**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
1.1.2011						
Trading derivatives:						
Foreign exchange related contracts:						
- forwards/swaps	14,015,055	159,624	(148,040)	14,016,586	159,624	(148,040)
- options	190,715	797	(760)	190,715	797	(760)
- cross currency interest rate swaps	1,245,502	12,860	(11,121)	1,245,502	12,860	(11,121)
Interest rate related contracts:						
- swaps	12,047,782	125,108	(80,240)	12,697,782	124,867	(79,063)
Commodity contracts:						
- forwards	17,628	-	-	17,628	-	-
		298,389	(240,161)		298,148	(238,984)

10 STATUTORY DEPOSITS

	Group			Bank		
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Statutory deposits with BNM	**3,372,325**	2,998,605	288,140	**2,699,570**	2,392,150	183,000
Statutory deposits with Monetary Authority of Singapore	**204,410**	159,015	128,178	**204,410**	159,015	128,178
Statutory deposits with Ministry of Finance, Brunei	**12,529**	10,589	9,886	**12,529**	10,589	9,886
Statutory deposits with Labuan Offshore Financial Services Authority	**100**	100	100	**-**	-	-
	3,589,364	3,168,309	426,304	**2,916,509**	2,561,754	321,064

The non-interest bearing statutory deposits are maintained with BNM in compliance with Section 26(2) (c) of the Central Bank of Malaysia Act, 2009, with the Ministry of Finance, with the Monetary Authority of Singapore in compliance with Banking Act, Cap. 19, Singapore Finance Companies Act, Cap. 108, with the Negara Brunei Darussalam in compliance with Section 6A of the Banking Act, and with Section 61(2)(b)(ii) of the Labuan Financial Services and Securities Act 2010. The amounts are determined by the respective authorities.

11 DEFERRED TAX ASSETS/(LIABILITIES)

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

	Group			Bank		
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Deferred tax assets	**8,455**	11,298	264,629	**-**	-	209,502
Deferred tax liabilities	**(50,907)**	(55,845)	(6)	**(50,903)**	(55,841)	-
	(42,452)	(44,547)	264,623	**(50,903)**	(55,841)	209,502
Deferred tax assets						
- settled more than 12 months	**7,616**	26,087	296,228	**88**	21,246	248,323
- settled within 12 months	**75,781**	63,777	55,526	**69,530**	55,982	48,996
Deferred tax liabilities						
- settled more than 12 months	**(115,458)**	(123,502)	(79,187)	**(110,946)**	(122,999)	(79,253)
- settled within 12 months	**(10,391)**	(10,909)	(7,944)	**(9,575)**	(10,070)	(8,564)
	(42,452)	(44,547)	264,623	**(50,903)**	(55,841)	209,502

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

11 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Group	Note	Property, plant and equipment RM'000	Financial investments AFS RM'000	Tax losses RM'000	Loans, advances and financing RM'000	Other liabilities RM'000	Other temporay differences RM'000	Total RM'000
31.12.2012								
Balance as at the beginning of the financial year								
- As previously reported		**(54,546)**	**(65,351)**	**15,947**	**44,260**	**63,777**	**10,140**	**14,227**
- Effect of full adoption of MFRS 139	**45**	**-**	**-**	**-**	**(58,774)**	**-**	**-**	**(58,774)**
- As restated		**(54,546)**	**(65,351)**	**15,947**	**(14,514)**	**63,777**	**10,140**	**(44,547)**
Transfer from/(to) income statements	**32**	**2,577**	**-**	**(16,170)**	**14,888**	**16,139**	**(7,024)**	**10,410**
- Reclassification		**16**	**-**	**-**	**7,151**	**(4,135)**	**(3,032)**	**-**
Transfer to equity		**-**	**(8,538)**	**-**	**-**	**-**	**-**	**(8,538)**
Exchange difference		**-**	**-**	**223**	**-**	**-**	**-**	**223**
Balance as at the end of the financial year		**(51,953)**	**(73,889)**	**-**	**7,525**	**75,781**	**84**	**(42,452)**
31.12.2011								
Balance as at the beginning of the financial year								
- As previously reported		(39,719)	(47,412)	15,759	266,472	55,526	9,457	260,083
- Effect of full adoption of MFRS 139	45	-	-	-	4,540	-	-	4,540
- As restated		(39,719)	(47,412)	15,759	271,012	55,526	9,457	264,623
Transfer (to)/from income statements	32	(14,827)	-	(130)	(285,526)	8,251	683	(291,549)
Transfer to equity		-	(17,939)	-	-	-	-	(17,939)
Exchange difference		-	-	318	-	-	-	318
Balance as at the end of the financial year		(54,546)	(65,351)	15,947	(14,514)	63,777	10,140	(44,547)

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

11 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

Bank	Note	Property, plant and equipment RM'000	Financial investments AFS RM'000	Tax losses RM'000	Loans, advances and financing RM'000	Other liabilities RM'000	Other temporay differences RM'000	Total RM'000
31.12.2012								
Balance as at the beginning of the financial year								
- As previously reported		**(50,351)**	**(62,986)**	**15,947**	**36,074**	**55,982**	**5,299**	**(35)**
- Effect of full adoption of MFRS 139	**45**	**-**	**-**	**-**	**(55,806)**	**-**	**-**	**(55,806)**
- As restated		**(50,351)**	**(62,986)**	**15,947**	**(19,732)**	**55,982**	**5,299**	**(55,841)**
Transfer from/(to) income statements	**32**	**2,475**	**-**	**(16,170)**	**19,732**	**13,547**	**(5,210)**	**14,374**
Transfer to equity		**-**	**(9,659)**	**-**	**-**	**-**	**-**	**(9,659)**
Exchange difference		**-**	**-**	**223**	**-**	**-**	**-**	**223**
Balance as at the end of the financial year		**(47,876)**	**(72,645)**	**-**	**-**	**69,529**	**89**	**(50,903)**
31.12.2011								
Balance as at the beginning of the financial year								
- As previously reported		(42,819)	(44,998)	15,759	238,066	48,996	5,299	220,303
- Effect of full adoption of MFRS 139	45	-	-	-	(10,801)	-	-	(10,801)
- As restated		(42,819)	(44,998)	15,759	227,265	48,996	5,299	209,502
Transfer (to)/from income statements	32	(7,532)	-	(130)	(246,997)	6,986	-	(247,673)
Transfer to equity		-	(17,988)	-	-	-	-	(17,988)
Exchange difference		-	-	318	-	-	-	318
Balance as at the end of the financial year		(50,351)	(62,986)	15,947	(19,732)	55,982	5,299	(55,841)

11 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

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

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Unabsorbed tax losses carried forward	**735,124**	735,124	735,124	**-**	-	-

12 INVESTMENT IN SUBSIDIARIES

			Bank
	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Unquoted shares, at cost			
in Malaysia	**1,260,909**	1,060,909	810,909
outside Malaysia	**12,807**	12,807	12,807
	1,273,716	1,073,716	823,716
Accumulated impairment losses	**(744)**	(744)	(744)
	1,272,972	1,072,972	822,972

The following are the subsidiaries of the Bank:

Name of companies	Paid-up capital	Effective interest 2012 %	2011 %	Principal activities
RHB Bank (L) Ltd.	US$54,000,000	**100**	100	Offshore banking
- RHB International Trust (L) Ltd.	US$40,000	**100**	100	Offshore trust company
- RHB Corporate Services Sdn Bhd	RM150,000	**100**	100	Corporate secretarial services
RHB Islamic Bank Berhad[@]	RM973,424,002	**100**	100	Islamic Banking
RHB Capital Nominees (Tempatan) Sdn Bhd	RM10,000	**100**	100	Nominee services for Malaysian beneficial shareholders
- RHB Capital Nominees (Asing) Sdn Bhd	RM10,000	**100**	100	Nominee services for foreign beneficial shareholders
UMBC Sdn Bhd	RM499,999,818	**100**	100	Dormant company
RHB Delta Sdn Bhd[+]	RM175,000,000	**100**	100	Dormant company
RHB Leasing Sdn Bhd	RM10,000,000	**100**	100	Leasing
RHB Capital Properties Sdn Bhd	RM21,800,000	**100**	100	Property investment
Utama Gilang Sdn Bhd[+]	RM800,000,000	**100**	100	Dormant company
Utama Assets Sdn Bhd	RM2,300,000	**100**	100	Property investment
RHB Investment Ltd.*	S$19,000,000	**100**	100	Property investment and rental
Banfora Pte Ltd.*	S$25,000,000	**100**	100	Property investment and rental
RHB Bank Nominees Pte Ltd.*	S$100,000	**100**	100	Nominee services
RHB Trade Services Limited[#]	HK$2.00	**100**	100	Processing of letters of credit reissuance favouring Hong Kong beneficiaries

* Subsidiaries audited by a member firm of PricewaterhouseCoopers International Limited which is a separate and independent legal entity from PricewaterhouseCoopers, Malaysia

[#] Subsidiary audited by a firm other than member firms of PricewaterhouseCoopers International Limited.

[@] During the year, the Bank increased its investment in RHB Islamic Bank Berhad from RM773,424,000 to RM973,424,000.

[+] The Company has commenced member's voluntary winding-up on 16 February 2011.

All of the subsidiaries are incorporated in Malaysia except for RHB Investment Ltd., Banfora Pte Ltd. and RHB Bank Nominees Pte Ltd. which are incorporated in Singapore, and RHB Trade Services Limited which is incorporated in Hong Kong.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENT

Group			Leasehold land							
31.12.2012	Note	Freehold land	Less than 50 years	50 years or more	Buildings	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost										
Balance as at the beginning of the financial year										
- As previously reported		82,020	1,426	124,657	249,309	307,650	206,695	998,770	10,058	1,980,585
- Effect of reclassification of software to other intangible assets	45	-	-	-	-	-	-	(586,025)	-	(586,025)
- As restated		82,020	1,426	124,657	249,309	307,650	206,695	412,745	10,058	1,394,560
Disposals/written off		(5,107)	-	-	(4,747)	(2,115)	(2,352)	(5,256)	(108)	(19,685)
Additions		-	-	-	-	32,578	4,292	33,741	820	71,431
Reclassifications		-	-	-	-	(13,418)	13,418	1,426	-	1,426
Exchange difference		41	-	2,636	1,337	325	290	297	26	4,952
Balance as at the end of the financial year		76,954	1,426	127,293	245,899	325,020	222,343	442,953	10,796	1,452,684
Less: Accumulated depreciation										
Balance as at the beginning of the financial year										
- As previously reported		-	714	5,696	65,184	143,806	184,186	756,572	8,633	1,164,791
- Effect of reclassification of software to other intangible assets	45	-	-	-	-	-	-	(449,204)	-	(449,204)
- As restated		-	714	5,696	65,184	143,806	184,186	307,368	8,633	715,587
Charge for the year		-	35	458	4,920	24,027	14,688	35,416	578	80,122
Disposals/written off		-	-	-	(984)	(1,565)	(2,346)	(5,251)	(108)	(10,254)
Exchange difference		-	-	20	408	221	256	268	27	1,200
Balance as at the end of the financial year		-	749	6,174	69,528	166,489	196,784	337,801	9,130	786,655
Less: Accumulated impairment loss										
Balance as at the beginning of the financial year										
- As previously reported		-	-	-	2,984	-	-	24,945	-	27,929
- Effect of reclassification of software to other intangible assets	45	-	-	-	-	-	-	(24,945)	-	(24,945)
- As restated		-	-	-	2,984	-	-	-	-	2,984
Exchange difference		-	-	-	1	-	-	-	-	1
Balance as at the end of the financial year		-	-	-	2,985	-	-	-	-	2,985
Net book value as at the end of the financial year		76,954	677	121,119	173,386	158,531	25,559	105,152	1,666	663,044

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group			Leasehold land							
31.12.2011	Note	Freehold land	Less than 50 years	50 years or more	Buildings	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost										
Balance as at the beginning of the financial year										
- As previously reported		81,987	1,426	122,505	248,782	242,362	201,942	916,484	9,452	1,824,940
- Effect of reclassification of software to other intangible assets	45	-	-	-	-	-	-	(544,704)	-	(544,704)
- As restated		81,987	1,426	122,505	248,782	242,362	201,942	371,780	9,452	1,280,236
Disposals/written off		-	-	-	(614)	(1,227)	(4,854)	(14,332)	(42)	(21,069)
Additions		-	-	-	-	66,125	9,522	53,063	629	129,339
Reclassifications		-	-	-	-	108	(108)	2,080	-	2,080
Exchange difference		33	-	2,152	1,141	282	193	154	19	3,974
Balance as at the end of the financial year		82,020	1,426	124,657	249,309	307,650	206,695	412,745	10,058	1,394,560
Less: Accumulated depreciation										
Balance as at the beginning of the financial year										
- As previously reported		-	679	5,229	60,204	132,382	182,881	706,403	8,092	1,095,870
- Effect of reclassification of software to other intangible assets	45	-	-	-	-	-	-	(416,658)	-	(416,658)
- As restated		-	679	5,229	60,204	132,382	182,881	289,745	8,092	679,212
Charge for the year		-	35	456	4,966	12,392	5,932	31,789	564	56,134
Disposals/written off		-	-	-	(313)	(1,201)	(4,830)	(14,302)	(42)	(20,688)
Reclassifications		-	-	-	-	162	(162)	-	-	-
Exchange difference		-	-	11	327	71	365	136	19	929
Balance as at the end of the financial year		-	714	5,696	65,184	143,806	184,186	307,368	8,633	715,587
Less: Accumulated impairment loss										
Balance as at the beginning of the financial year										
- As previously reported		-	-	-	2,967	-	-	24,945	-	27,912
- Effect of reclassification of software to other intangible assets	45	-	-	-	-	-	-	(24,945)	-	(24,945)
- As restated		-	-	-	2,967	-	-	-	-	2,967
Exchange difference		-	-	-	17	-	-	-	-	17
Balance as at the end of the financial year		-	-	-	2,984	-	-	-	-	2,984
Net book value as at the end of the financial year		82,020	712	118,961	181,141	163,844	22,509	105,377	1,425	675,989

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank

31.12.2012	Note	Freehold land	Leasehold land Less than 50 years	Leasehold land 50 years or more	Buildings	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost										
Balance as at the beginning of the financial year										
- As previously reported		81,078	879	19,989	204,305	290,334	197,554	949,379	8,099	1,751,617
- Effect of reclassification of software to other intangible assets	45	-	-	-	-	-	-	(539,448)	-	(539,448)
- As restated		81,078	879	19,989	204,305	290,334	197,554	409,931	8,099	1,212,169
Disposals/written off		(5,107)	-	-	(4,747)	(2,115)	(2,348)	(5,206)	(105)	(19,628)
Net transfer from a subsidiary company		-	-	-	-	-	-	33	-	33
Additions		-	-	-	-	29,183	3,180	32,299	620	65,282
Reclassifications		-	-	-	-	(13,418)	13,418	1,426	-	1,426
Exchange difference		38	-	-	599	328	241	314	30	1,550
Balance as at the end of the financial year		76,009	879	19,989	200,157	304,312	212,045	438,797	8,644	1,260,832
Less: Accumulated depreciation										
Balance as at the beginning of the financial year										
- As previously reported		-	471	3,476	58,011	138,999	177,571	740,014	7,157	1,125,699
- Effect of reclassification of software to other intangible assets	45	-	-	-	-	-	-	(435,330)	-	(435,330)
- As restated		-	471	3,476	58,011	138,999	177,571	304,684	7,157	690,369
Charge for the year		-	24	235	4,510	21,679	12,638	33,957	359	73,402
Disposals/written off		-	-	-	(983)	(1,565)	(2,345)	(5,206)	(104)	(10,203)
Net transfer from a subsidiary company		-	-	-	-	-	-	27	-	27
Exchange difference		-	-	-	316	252	226	287	30	1,111
Balance as at the end of the financial year		-	495	3,711	61,854	159,365	188,090	333,749	7,442	754,706
Less: Accumulated impairment loss										
Balance as at the beginning/end of the financial year		-	-	-	351	-	-	-	-	351
Net book value as at the end of the financial year		76,009	384	16,278	137,952	144,947	23,955	105,048	1,202	505,775

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank 31.12.2011	Note	Freehold land	Leasehold land Less than 50 years	Leasehold land 50 years or more	Buildings	Renovations	Office equipment and furniture	Computer equipment	Motor vehicles	Total
		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost										
Balance as at the beginning of the financial year										
- As previously reported		81,047	879	19,989	204,429	226,160	193,038	869,746	7,496	1,602,784
- Effect of reclassification of software to other intangible assets	45	-	-	-	-	-	-	(500,097)	-	(500,097)
- As restated		81,047	879	19,989	204,429	226,160	193,038	369,649	7,496	1,102,687
Disposals/written off		-	-	-	(614)	(1,226)	(4,854)	(14,105)	(42)	(20,841)
Net transfer from a subsidiary company		-	-	-	-	-	-	16	-	16
Additions		-	-	-	-	65,068	9,371	52,151	629	127,219
Reclassifications		-	-	-	-	108	(108)	2,080	-	2,080
Exchange difference		31	-	-	490	224	107	140	16	1,008
Balance as at the end of the financial year		81,078	879	19,989	204,305	290,334	197,554	409,931	8,099	1,212,169
Less: Accumulated depreciation										
Balance as at the beginning of the financial year										
- As previously reported		-	448	3,241	53,519	128,856	177,098	691,898	6,890	1,061,950
- Effect of reclassification of software to other intangible assets	45	-	-	-	-	-	-	(402,872)	-	(402,872)
- As restated		-	448	3,241	53,519	128,856	177,098	289,026	6,890	659,078
Charge for the year		-	23	235	4,560	11,142	5,171	29,595	294	51,020
Disposals/written off		-	-	-	(313)	(1,199)	(4,830)	(14,075)	(43)	(20,460)
Net transfer from a subsidiary company		-	-	-	-	-	-	14	-	14
Reclassifications		-	-	-	-	162	(162)	-	-	-
Exchange difference		-	-	-	245	38	294	124	16	717
Balance as at the end of the financial year		-	471	3,476	58,011	138,999	177,571	304,684	7,157	690,369
Less: Accumulated impairment loss										
Balance as at the beginning/end of the financial year		-	-	-	351	-	-	-	-	351
Net book value as at the end of the financial year		81,078	408	16,513	145,943	151,335	19,983	105,247	942	521,449

13 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group		Bank	
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
	RM'000	RM'000	**RM'000**	RM'000
Accumulated depreciation and impairment loss				
Balances as at the beginning of the financial year	**718,571**	679,212	**690,720**	659,429
Balances as at the end of the financial year	**789,640**	718,571	**755,057**	690,720

The above property, plant and equipment includes the following assets under construction/progress:

	Group		Bank	
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
	RM'000	RM'000	**RM'000**	RM'000
Cost				
Renovations	**13,028**	72,578	**5,224**	61,329

14 GOODWILL AND OTHER INTANGIBLE ASSETS

		Group			Bank		
	Note	**31.12.2012**	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
		RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Goodwill on consolidation	(a)						
Balance as at the beginning/ end of the financial year		**1,004,017**	1,004,017	1,004,017	**905,519**	905,519	905,519
Other intangible assets							
Computer software license	(b)	**120,332**	111,876	103,101	**112,203**	104,118	97,225
		1,124,349	1,115,893	1,107,118	**1,017,722**	1,009,637	1,002,744

(a) The carrying amount of goodwill allocated to the Group's and the Bank's cash generating units ('CGUs') are as follows:

	Group			Bank		
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
CGUs						
Corporate banking	**200,859**	200,859	200,859	**182,461**	182,461	182,461
Retail banking	**307,919**	307,919	307,919	**292,837**	292,837	292,837
Business banking	**174,777**	174,777	174,777	**174,777**	174,777	174,777
Treasury and money market	**268,600**	268,600	268,600	**255,444**	255,444	255,444
Islamic banking business	**51,862**	51,862	51,862	**-**	-	-
	1,004,017	1,004,017	1,004,017	**905,519**	905,519	905,519

14 GOODWILL AND OTHER INTANGIBLE ASSETS (CONTINUED)

(a) Goodwill on consolidation (continued)

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets/forecasts approved by directors covering a four-year (2011: four-year) period. Cash flows beyond the four-year period are assumed to grow at 3.0% (2011: 3.0%) to perpetuity.

The cash flow projection is derived based on a number of key factors including the past performance and the management's expectations of the market developments. The discount rate used in determining the recoverable amount of all CGUs within the business segment is 8.8% (2011: 8.7%). The discount rate used is pre-tax and is computed based on industry information to reflect the risks of the CGUs.

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

(b) Computer software license

	Note	Group 31.12.2012 RM'000	Group 31.12.2011 RM'000	Bank 31.12.2012 RM'000	Bank 31.12.2011 RM'000
Cost					
Balance as at the beginning of the financial year					
- As previously reported		**-**	-	**-**	-
- Effect of reclassification from property, plant and equipment	45	**586,025**	544,704	**539,448**	500,097
- As restated		**586,025**	544,704	**539,448**	500,097
Additions		**38,741**	43,211	**38,040**	41,262
Reclassifications		**(1,426)**	(2,080)	**(1,426)**	(2,080)
Disposals/written off		**(2)**	(164)	**(2)**	(151)
Exchange difference		**417**	354	**457**	320
Balance as at the end of the financial year		**623,755**	586,025	**576,517**	539,448
Less: Accumulated amortisation					
Balance as at the beginning of the financial year					
- As previously reported		**-**	-	**-**	-
- Effect of reclassification from property, plant and equipment	45	**449,204**	416,658	**435,330**	402,872
- As restated		**449,204**	416,658	**435,330**	402,872
Charge for the year		**28,949**	32,412	**28,629**	32,335
Disposals/written off		**(2)**	(163)	**(2)**	(150)
Exchange difference		**327**	297	**357**	273
Balance as at the end of the financial year		**478,478**	449,204	**464,314**	435,330
Less: Accumulated impairment loss					
Balance as at the beginning of the financial year					
- As previously reported		**-**	-	**-**	-
- Effect of reclassification from property, plant and equipment	45	**24,945**	24,945	**-**	-
- As restated		**24,945**	24,945	**-**	-
Balance as at end of the financial year		**24,945**	24,945	**-**	-
Net book value as at the end of the financial year		**120,332**	111,876	**112,203**	104,118

15 DEPOSITS FROM CUSTOMERS

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
i) By type of deposits						
Demand deposits	**22,588,761**	21,479,954	19,586,179	**20,184,299**	19,401,161	17,754,994
Savings deposits	**6,900,265**	6,359,910	5,832,118	**6,129,019**	5,709,098	5,259,209
Fixed/investment deposits	**101,811,640**	85,679,994	66,735,221	**85,235,327**	69,120,500	57,309,056
Negotiable instruments of deposits	**8,960**	118,422	249,295	**8,960**	118,422	244,318
	131,309,626	113,638,280	92,402,813	**111,557,605**	94,349,181	80,567,577
ii) By type of customer						
Government and statutory bodies	**14,145,334**	12,519,295	8,204,293	**8,269,422**	7,186,405	5,812,370
Business enterprises	**79,951,286**	63,865,696	52,811,960	**69,153,868**	54,551,114	46,174,305
Individuals	**32,569,874**	31,171,620	27,507,468	**31,077,414**	29,969,544	26,381,770
Others	**4,643,132**	6,081,669	3,879,092	**3,056,901**	2,642,118	2,199,132
	131,309,626	113,638,280	92,402,813	**111,557,605**	94,349,181	80,567,577

iii) By maturity structure of the fixed/investment deposits and negotiable instrument of deposits

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Due within six months	**84,436,099**	69,525,484	56,684,715	**69,925,495**	54,376,550	48,475,102
Six months to one year	**16,509,519**	14,788,582	9,821,293	**14,588,041**	13,415,298	8,750,259
One year to three years	**837,725**	1,440,291	449,560	**705,991**	1,406,776	299,814
Three years to five years	**37,257**	44,059	28,948	**24,760**	40,298	28,199
	101,820,600	85,798,416	66,984,516	**85,244,287**	69,238,922	57,553,374

16 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Licensed banks/Islamic banks	**8,498,178**	6,146,928	5,228,464	**6,757,069**	4,095,271	3,809,608
Licensed investments banks	**1,859,718**	524,317	253,475	**1,859,718**	424,282	150,475
Bank Negara Malaysia	**842,592**	1,273,359	2,197,885	**841,967**	1,238,096	2,197,885
Others	**735,399**	52,017	485	**574**	52,017	485
	11,935,887	7,996,621	7,680,309	**9,459,328**	5,809,666	6,158,453

17 OTHER LIABILITIES

				Group			Bank
	Note	**31.12.2012**	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
		RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Amount due to holding company	(i)	**99**	99	106	**-**	-	-
Amounts due to subsidiaries	(i)	**-**	-	-	**26,025**	21,342	23,345
Amounts due to related companies	(i)	**6,397**	2,534	2,954	**5,996**	2,262	2,639
Amount due to Danaharta	(ii)	**1,827**	1,804	1,796	**1,827**	1,804	1,796
Prepaid instalments		**77,984**	79,773	77,670	**77,984**	79,773	77,670
Lessee deposits		**30,689**	54,466	64,930	**-**	-	-
Short term employee benefits		**156,354**	139,356	122,859	**144,499**	128,924	112,732
Other creditors and accruals		**680,054**	715,175	732,734	**519,372**	691,671	650,645
		953,404	993,207	1,003,049	**775,703**	925,776	868,827

(i) Amounts due to holding company, subsidiaries and related companies are unsecured, interest free and repayable within the normal credit period.

(ii) Amount due to Danaharta mainly comprises collections in respect of ex-Sime Bank's overseas branches non-performing loans sold to Danaharta which is managed by the overseas branches.

18 LONG TERM BORROWINGS

			Group and Bank
	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Unsecured:			
Term loans	**632,778**	759,020	819,362
Scheduled repayment of long term borrowings are as follows:			
Repayable within one year	**101,451**	105,208	83,177
One year to three years	**198,770**	206,050	200,427
Three years to five years	**198,770**	206,050	200,427
Over five years	**133,787**	241,712	335,331
	632,778	759,020	819,362

On 7 April 2006, the Bank entered into an agreement with Japan Bank for International Cooperation ('JBIC'), to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 11 years. Disbursement of USD50 million and USD30 million was done on 29 June 2006 and 20 October 2006 respectively. Final disbursement of USD20 million was done on 31 January 2007. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing on 8 March 2008 until 8 September 2017 and bears a floating interest rate of British Bankers Association Interest Settlement Rate in USD (BBA LIBOR) plus 0.395% per annum. The average interest rate ranges from 0.89% to 1.13% (2011: 0.86% to 0.90%) per annum.

On 24 March 2008, the Bank entered into another agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 10 years. Disbursement of USD100 million was done on 30 May 2008. The said loan is repayable on 8 March and 8 September each year for 20 equal instalments commencing 8 September 2010 to 8 March 2020 and bears a floating interest rate of BBA LIBOR plus 0.315% per annum. The average interest rate ranges from 0.81% to 1.05% (2011: 0.80% to 0.82%) per annum.

On 28 May 2009, the Bank entered into the third agreement with JBIC to obtain an unsecured Untied Loan facility of USD100 million for a tenure of 8 years. Disbursement of USD100 million was done on 28 July 2009. The said loan is repayable on 10 April and 10 October each year for 16 equal instalments commencing 10 October 2011 to 10 April 2019 and bears a floating interest rate of BBA LIBOR plus 0.80% per annum. The average interest rate ranges from 1.25% to 1.53% per annum (2011: 1.25% to 1.38%) per annum.

19 SUBORDINATED OBLIGATIONS

		Group and Bank		
	Note	**31.12.2012**	31.12.2011	1.1.2011
		RM'000	RM'000	RM'000
5.0% RM1,300 million Subordinated Notes 2007/2017	(i)	**-**	1,305,699	1,305,699
5.5% RM700 million Subordinated Notes 2007/2022	(i)	**703,375**	703,375	703,375
5.0% RM700 million Subordinated Notes 2010/2020	(ii)	**706,137**	705,945	706,137
5.6% RM300 million Subordinated Notes 2010/2025	(ii)	**302,946**	302,854	302,946
4.25% RM250 million Subordinated Notes 2011/2021	(iii)	**250,741**	251,805	-
4.30% RM750 million Subordinated Notes 2012/2022	(iv)	**753,984**	-	-
4.40% RM1,300 million Subordinated Notes 2012/2022	(iv)	**1,303,736**	-	-
		4,020,919	3,269,678	3,018,157

(i) On 30 November 2007, the Bank issued redeemable unsecured subordinated notes amounting to RM2,000 million in nominal value as follows:

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2007/2017	1,300	30 November 2017 (Callable with step-up on 2012)	5.0% per annum chargeable to 30 November 2012 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi-annually in arrears
2007/2022	700	30 November 2022 (Callable with step-up on 2017)	5.5% per annum chargeable to 30 November 2017 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi-annually in arrears

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

On 30 November 2012, the Bank has exercise the called step-up tranche 2007/2017 of RM1.3 billion and is fully redeemed on same date.

(ii) On 29 April 2010, the Bank issued RM1.0 billion nominal value of Subordinated Notes, being the remaining balance of the issuance of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme. The RM1.0 billion Subordinated Notes comprise:

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2010/2020	700	29 April 2020 (Callable with step-up on 2015)	5.0% per annum chargeable to 29 April 2015 (but exclusive of payment date), thereafter on step-up coupon rate at 0.5% per annum	Accrued and payable semi-annually in arrears
2010/2025	300	29 April 2025 (Callable with step-up on 2020)	5.6% per annum chargeable to 29 April 2020 (but exclusive of payment date), thereafter on step-up coupon rate of 0.5% per annum	Accrued and payable semi-annually in arrears

19 SUBORDINATED OBLIGATIONS (CONTINUED)

(iii) On 31 October 2011, the Bank issued RM250 million nominal value of Subordinated Notes, being part of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Multi-Currency Medium Term Note Programme. The details of the RM250 million in nominal value are as follows:

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

(iv) On 7 May 2012 and 30 November 2012, the Bank issued RM750 million and RM1,300 million respectively nominal value of Subordinated Notes, being part of RM3.0 billion in nominal value of Subordinated Notes and/or Senior Notes under a Multi-Currency Medium Term Note Programme. The details of the RM750 million and RM1,300 million in nominal value are as follows:

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

20 HYBRID TIER-I CAPITAL SECURITIES

	Note	31.12.2012	31.12.2011	1.1.2011
			Group and Bank	
		RM'000	RM'000	RM'000
RM370 million Hybrid Tier-I Capital Securities due in 2039, callable with step-up in 2019	(i)	**375,448**	377,542	374,769
RM230 million Hybrid Tier-I Capital Securities due in 2039, callable with step-up in 2019	(ii)	**230,638**	228,028	230,638
		606,086	605,570	605,407

(i) On 31 March 2009, the Bank completed the first issuance of RM370 million nominal value of Hybrid Tier-I Capital Securities ('HT1 Capital Securities') out of its RM600 million Hybrid Tier-I Capital Securities Programme. The RM370 million HT1 Capital Securities will mature in 2039 and is callable in 2019. The HT1 Capital Securities bear interest at the rate of 8.0% per annum commencing from the first issue date and thereafter at a stepped up rate of 9.0% per annum from 2019 if not called. The interest is payable semi-annually in arrears.

(ii) On 17 December 2009, the Bank issued the remaining RM230 million nominal value of HTI Capital Securities which will mature in 2039 and is callable in 2019. The second issuance of HTI Capital Securities bear interest at the rate of 6.75% per annum commencing from the first issue date and thereafter at a stepped up rate of 7.75% per annum from 2019 if not called. The interest is payable semi-annually in arrears.

21 SENIOR DEBT SECURITIES

		Group and Bank		
	Note	**31.12.2012**	31.12.2011	1.1.2011
		RM'000	RM'000	RM'000
USD300 million Senior Notes due in 2017	(i)	**915,245**	-	-
USD200 million Senior Notes due in 2017	(ii)	**621,429**	-	-
		1,536,674	-	-

(i) On 11 May 2012, the Bank completed the first issuance of USD500 million nominal value under Euro Medium Term Notes Programme. The USD300 million Senior Notes will mature in 2017. The Senior Notes bear interest rate of 3.25% per annum commencing from the first issue date.

(ii) On 28 September 2012, the Bank issued the remaining USD200 million nominal value of Senior Notes which will mature in 2017. The second issuance of Senior Notes bear interest rate of 3.25% per annum commencing from May 2012 which follow the date of the first issuance of Senior Notes. The interest is payable semi-annually in arrears.

22 ORDINARY SHARE CAPITAL

	Number of shares			Nominal value		
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	'000	'000	'000	**RM'000**	RM'000	RM'000
Group and Bank						
Ordinary shares of 50 sen each						
Authorised:						
Balance as at the beginning/end of the financial year	**8,000,000**	8,000,000	8,000,000	**4,000,000**	4,000,000	4,000,000
Issued and fully paid:						
Balance as at the beginning/end of the financial year	**6,636,170**	6,636,170	6,636,170	**3,318,085**	3,318,085	3,318,085

23 RESERVES

				Group			Bank
	Note	**31.12.2012**	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
		RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Retained profits	(i)	**4,719,036**	3,911,093	2,816,578	**3,921,038**	3,217,052	2,253,259
Share premium		**8,563**	8,563	8,563	**8,563**	8,563	8,563
Statutory reserves	(ii)	**3,836,496**	3,358,704	2,946,064	**3,478,138**	3,070,142	2,714,580
AFS reserves	(iii)	**222,022**	196,177	143,202	**217,933**	188,957	134,995
Translation reserves	(iv)	**(71,684)**	(61,389)	(79,846)	**12,023**	7,214	396
		8,714,433	7,413,148	5,834,561	**7,637,695**	6,491,928	5,111,793

(i) A single tier company tax was introduced effective 1 January 2008. Under this single tier system, tax on a company's profits is a final tax, and dividends distributed to shareholders will be exempted from tax. Companies with Section 108 tax credit balance are given an option to elect to move to a single tier system immediately or allowed to use the Section 108 credit balance for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013.

The Bank has elected to use its Section 108 credit balance for the purpose of dividend distribution during a transitional period of 6 years until 31 December 2013. The Section 108 balance of the Bank as at 31 December 2007 has been frozen and can only be adjusted downwards for any tax discharged, remitted or refunded during the 6 years period.

Subject to agreement by the Inland Revenue Board, the Bank has sufficient tax credits under Section 108 of the Income Tax Act, 1967 and tax exempt income under Section 12 of the Income Tax (Amendment) Act 1999 to pay dividends out of its entire retained profits as at 31 December 2012.

(ii) The statutory reserves are maintained in compliance with Section 36 of the Banking and Financial Institutions Act, 1989 of RM3,478,138,000 (31.12.2011: RM3,070,142,000), Section 15 of Islamic Banking Act 1983 of RM358,358,000 (31.12.2011: RM288,562,000), and Section 18 of the Singapore Finance Companies (Amendment) Act 1994, and are not distributable as cash dividends.

(iii) Available-for-sale reserves arise from a change in the fair value of financial investments classified as available-for-sale. The unrealised gains or losses are transferred to the income statement upon disposal, derecognition or impairment of such securities.

(iv) Translation reserves comprise all foreign exchange differences arising from the translation of the financial statements of foreign operations and subsidiaries.

24 INTEREST INCOME

	Group		Bank	
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
	RM'000	RM'000	**RM'000**	RM'000
Loans, advances and financing	**4,830,599**	4,435,465	**4,767,135**	4,386,244
Money at call and deposit placements with banks and other financial institutions	**404,337**	292,097	**442,827**	317,093
Securities purchased under resale agreement	**401**	5,510	**401**	5,510
Financial assets held-for-trading	**15,559**	10,802	**15,559**	10,802
Financial investments available-for-sale	**237,188**	255,087	**235,402**	255,087
Financial investments held-to-maturity	**499,646**	459,699	**494,993**	446,598
Others	**646**	2,846	**646**	2,846
	5,988,376	5,461,506	**5,956,963**	5,424,180
Of which:				
Interest income accrued on impaired financial assets	**148,120**	136,474	**148,120**	136,474

25 INTEREST EXPENSE

	Group		Bank	
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
	RM'000	RM'000	**RM'000**	RM'000
Deposits and placements of banks and other financial institutions	**174,111**	129,023	**174,352**	129,147
Deposits from customers	**2,389,259**	2,070,613	**2,376,715**	2,058,323
Subordinated obligations	**187,245**	157,105	**187,245**	157,105
Recourse obligation on loans sold to Cagamas	**54,083**	32,424	**54,083**	32,424
Hybrid Tier-I Capital Securities	**45,518**	45,373	**45,518**	45,373
Senior Debt Securities	**24,963**	-	**24,963**	-
Borrowings	**8,362**	7,818	**8,362**	7,818
Others	**46,821**	51,921	**46,821**	51,921
	2,930,362	2,494,277	**2,918,059**	2,482,111

26 OTHER OPERATING INCOME

		Group		Bank
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
	RM'000	RM'000	**RM'000**	RM'000
Fee Income:				
Commission	**124,537**	118,238	**122,851**	117,305
Service charges and fees	**215,727**	190,563	**208,973**	184,964
Guarantee fees	**47,608**	36,482	**47,608**	36,482
Commitment fees	**45,847**	49,960	**45,847**	49,960
Underwriting fees	**1,211**	128	**1,211**	128
Other fees	**16,886**	15,595	**17,134**	16,061
	451,816	410,966	**443,624**	404,900
Net gain arising from financial assets held-for-trading	**44,884**	30,698	**44,884**	30,698
Net gain/(loss) on revaluation of derivatives	**7,096**	(65,903)	**5,960**	(18,542)
Net gain on fair value hedges (Note 9)	**1,474**	-	**266**	-
Net gain arising from financial investments available-for-sale				
- net gain on disposal	**51,755**	43,789	**51,755**	43,789
- gross dividends income	**5,527**	11,190	**5,525**	11,186
	57,282	54,979	**57,280**	54,975
Net gain arising from financial investment held-to-maturity				
- net gain on redemption	**1,823**	214	**1,823**	214
Gross dividend income from a subsidiary	**-**	-	**9,363**	18,785
Other income:				
Net foreign exchange gain/(loss)				
- realised	**317,544**	285,850	**316,609**	286,976
- unrealised	**(12,741)**	10,997	**(12,741)**	10,997
Gain on disposal of property, plant and equipment	**997**	4,826	**997**	4,826
Other operating income	**69,299**	54,727	**62,625**	54,142
Other non-operating income	**4,474**	8,574	**2,193**	6,550
	379,573	364,974	**369,683**	363,491
	943,948	795,928	**932,883**	854,521

27 NET INCOME FROM ISLAMIC BANKING BUSINESS

	31.12.2012	31.12.2011
	RM'000	RM'000
Income derived from investment of depositors' funds	**1,046,357**	780,683
Income derived from investment of shareholder's funds	**81,764**	58,338
Transfer from/(to) Profit Equalisation Reserve	**7,252**	(2,725)
Total distributable income	**1,135,373**	836,296
Income attributable to depositors	**(648,202)**	(397,540)
Income from Islamic Banking Business	**487,171**	438,756
Of which:		
Financing income earned on impaired financing and advances	**21,715**	17,985

28 OTHER OPERATING EXPENSES

		Group		Bank
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
	RM'000	RM'000	**RM'000**	RM'000
Personnel costs				
- Salaries, allowances and bonuses	**903,825**	799,363	**830,880**	740,411
- Contributions to EPF	**137,250**	120,728	**125,459**	111,293
- Other staff related costs	**100,905**	124,660	**91,272**	117,177
	1,141,980	1,044,751	**1,047,611**	968,881
Establishment costs				
- Property, plant and equipment:				
- Depreciation	**80,122**	56,134	**73,402**	51,020
- Written off	**2**	27	**2**	27
- Amortisation of computer software license	**28,949**	32,412	**28,629**	32,335
- Rental of premises	**105,155**	73,285	**102,075**	71,351
- Rental of equipment	**5,831**	9,367	**5,576**	9,050
- Insurance	**16,409**	9,274	**15,621**	9,736
- Water and electricity	**22,908**	21,331	**20,941**	19,691
- Repair and maintenance	**19,970**	19,223	**19,802**	18,939
- Security & escorting expenses	**47,936**	39,756	**44,502**	37,000
- Information technology expenses	**114,161**	106,818	**105,223**	100,060
- Others	**3,143**	2,617	**-**	-
	444,586	370,244	**415,773**	349,209
Marketing expenses				
- Sales commission	**35,011**	22,109	**27,321**	20,870
- Advertisement and publicity	**79,756**	65,439	**73,312**	59,025
- Others	**59,352**	31,494	**55,866**	29,173
	174,119	119,042	**156,499**	109,068
Administration and general expenses				
- Communication expenses	**92,834**	91,904	**85,443**	85,975
- Auditors' remuneration (Note (i))	**3,531**	3,362	**2,999**	2,955
- Legal and professional fee	**22,993**	9,612	**21,120**	8,200
- Others	**72,151**	62,123	**27,839**	17,184
	191,509	167,001	**137,401**	114,314
	1,952,194	1,701,038	**1,757,284**	1,541,472

Included in the personnel cost of the Group and the Bank are the Managing Director's remuneration (excluding benefits-in-kind) totalling RM1,114,000 (2011: RM3,384,000) and RM1,114,000 (2011: RM3,333,000) respectively, as disclosed in Note 29.

Included in administration and general expenses of the Group and the Bank are other directors' remuneration (excluding benefits-in-kind) totalling RM1,242,000 (2011: RM1,177,000) and RM1,108,000 (2011: RM1,099,000) respectively, as disclosed in Note 29.

28 OTHER OPERATING EXPENSES (CONTINUED)

	Group		Bank	
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
	RM'000	RM'000	**RM'000**	RM'000
(i) Auditors' remuneration				
(a) Audit				
Statutory audit				
- Malaysia	**1,665**	1,274	**1,317**	1,045
- Overseas	**614**	571	**548**	506
Limited review	**350**	275	**300**	275
Other audit related	**165**	265	**110**	210
	2,794	2,385	**2,275**	2,036
(b) Non-audit				
- Malaysia	**727**	656	**714**	643
- Overseas	**10**	321	**10**	276
	737	977	**724**	919
	3,531	3,362	**2,999**	2,955

29 DIRECTORS' REMUNERATION

The remuneration of the Managing Director and Directors of the Group are as follows:

Group	**Salary and other remuneration RM'000**	**Benefits-in-kind (based on an estimated monetary value) RM'000**	**Bonus RM'000**	**Total RM'000**
31.12.2012				
Managing Director				
Johari Abdul Muid	**1,114**	**35**	**-**	**1,149**
	1,114	**35**	**-**	**1,149**
31.12.2011				
Johari Abdul Muid	348	5	-	353
Dato' Tajuddin Atan	636	29	2,400	3,065
	984	34	2,400	3,418

29 DIRECTORS' REMUNERATION (CONTINUED)

Group	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others RM'000	Total RM'000
31.12.2012				
Non-Executive Directors				
Tan Sri Azlan Zainol (Chairman)	**120**	**31**	**-**	**151**
Tuan Haji Khairuddin Bin Ahmad	**112**	**-**	**107**	**219**
Ong Seng Pheow	**100**	**-**	**58**	**158**
Choong Tuck Oon	**123**	**-**	**102**	**225**
Dato' Mohd Ali Mohd Tahir	**110**	**-**	**73**	**183**
Abdul Aziz Peru Mohamed	**100**	**-**	**55**	**155**
Dato' Mohamed Khadar Merican	**100**	**-**	**68**	**168**
Tan Sri Ong Leong Huat	**11**	**-**	**3**	**14**
	776	**31**	**466**	**1,273**
31.12.2011				
Tan Sri Azlan Zainol (Chairman)	120	-	-	120
Mohamed Ali Ahmed Hamad Al Dhaheri	74	-	12	86
Dato Abdullah Mat Noh	18	-	13	31
Haji Khairuddin Ahmad	102	-	139	241
Ong Seng Pheow	100	-	60	160
Choong Tuck Oon	116	-	80	196
Dato' Mohd Ali Mohd Tahir	109	-	67	176
Abdul Aziz Peru Mohamed	90	-	47	137
Dato' Mohamed Khadar Merican	17	-	13	30
	746	-	431	1,177

The remuneration of the Managing Director and Directors of the Bank are as follows:

Bank	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
31.12.2012				
Managing Director				
Johari Abdul Muid	**1,114**	**35**	**-**	**1,149**
	1,114	**35**	**-**	**1,149**
31.12.2011				
Johari Abdul Muid	297	5	-	302
Dato' Tajuddin Atan	636	29	2,400	3,065
	933	34	2,400	3,367

29 DIRECTORS' REMUNERATION (CONTINUED)

Bank	Fees RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Others RM'000	Total RM'000
31.12.2012				
Non-Executive Directors				
Tan Sri Azlan Zainol (Chairman)	**120**	**31**	**-**	**151**
Tuan Haji Khairuddin Bin Ahmad	**100**	**-**	**70**	**170**
Ong Seng Pheow	**100**	**-**	**58**	**158**
Choong Tuck Oon	**100**	**-**	**73**	**173**
Dato' Mohd Ali Mohd Tahir	**100**	**-**	**50**	**150**
Abdul Aziz Peru Mohamed	**100**	**-**	**55**	**155**
Dato' Mohamed Khadar Merican	**100**	**-**	**68**	**168**
Tan Sri Ong Leong Huat	**11**	**-**	**3**	**14**
	731	**31**	**377**	**1,139**
31.12.2011				
Tan Sri Azlan Zainol (Chairman)	120	-	-	120
Mohamed Ali Ahmed Hamad Al Dhaheri	74	-	12	86
Dato Abdullah Mat Noh	16	-	9	25
Haji Khairuddin Ahmad	100	-	136	236
Ong Seng Pheow	100	-	60	160
Choong Tuck Oon	100	-	58	158
Dato' Mohd Ali Mohd Tahir	100	-	48	148
Abdul Aziz Peru Mohamed	90	-	47	137
Dato' Mohamed Khadar Merican	17	-	12	29
	717	-	382	1,099

30 ALLOWANCE FOR IMPAIRMENT ON LOANS, ADVANCES AND FINANCING

	Group		Bank	
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
	RM'000	RM'000	**RM'000**	RM'000
Individual impairment allowance	**267,941**	110,414	**171,471**	93,774
Collective impairment allowance	**119,458**	143,615	**117,894**	168,771
Impaired loans and financing recovered	**(463,291)**	(332,320)	**(444,025)**	(322,862)
Impaired loans written off	**223,141**	221,306	**211,035**	200,879
	147,249	143,015	**56,375**	140,562

31 IMPAIRMENT (WRITE-BACK)/LOSSES ON OTHER ASSETS

		Group		Bank
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
	RM'000	RM'000	**RM'000**	RM'000
Charged for the financial period:				
- Financial investments:				
- available-for-sale	**7,300**	50,113	**7,300**	50,113
- held-to-maturity	**5,333**	5,484	**5,333**	5,484
- Foreclosed properties	**-**	19	**-**	19
Reversal for the financial period:				
- Financial investments:				
- available-for-sale	**(7,275)**	(2,863)	**(7,275)**	(2,863)
- held-to-maturity	**(9,131)**	(4,600)	**(9,131)**	(4,600)
- Foreclosed properties	**(21)**	(153)	**(21)**	(153)
- Others	**(3,064)**	-	**(3,064)**	-
	(6,858)	48,000	**(6,858)**	48,000

32 TAXATION

		Group		Bank
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
	RM'000	RM'000	**RM'000**	RM'000
Income tax based on profit for the financial year				
- Malaysian income tax	**680,973**	555,015	**622,699**	506,958
- Overseas tax	**1,382**	2,022	**995**	1,663
Deferred taxation (Note 11)	**(62,631)**	22,211	**(60,520)**	9,885
(Over)/under provision in respect of prior years				
- Malaysian income tax	**(81,973)**	(285,312)	**(77,157)**	(248,620)
- Overseas tax	**841**	1,524	**841**	1,620
Deferred taxation (Note 11)	**52,221**	269,338	**46,146**	237,788
	590,813	564,798	**533,004**	509,294
Current year				
Current year	**682,355**	557,037	**623,694**	508,621
Over provision in prior years	**(81,132)**	(283,788)	**(76,316)**	(247,000)
	601,223	273,249	**547,378**	261,621
Deferred tax				
Origination and reversal of temporary differences	**(62,631)**	22,211	**(60,520)**	9,885
Reversal of previously recognised deferred tax assets	**52,221**	269,338	**46,146**	237,788
	(10,410)	291,549	**(14,374)**	247,673
	590,813	564,798	**533,004**	509,294

32 TAXATION (CONTINUED)

The numerical reconciliation between the effective tax rate and the applicable statutory income tax rate are as follows:-

		Group		Bank
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
	%	%	**%**	%
Tax at Malaysia statutory tax rate	**25.0**	25.0	**25.0**	25.0
Tax effects in respect of:				
Non allowable expenses	**1.0**	0.4	**0.8**	0.5
Non-taxable income	**(0.1)**	(0.4)	**(0.2)**	(0.4)
Effect of different tax rates in Labuan/other countries	**(0.1)**	0.6	**0.6**	0.7
Utilisation of unabsorbed business losses brought forward previously not recognised	**(0.5)**	(0.6)	**(0.5)**	(0.7)
Reversal of temporary differences recognised in prior years	**2.5**	11.7	**2.5**	11.5
Over provision in prior years	**(3.2)**	(12.3)	**(3.6)**	(12.0)
Effective tax rate	**24.6**	24.4	**24.6**	24.6
	RM '000	RM '000	**RM '000**	RM '000
Tax losses:				
Tax savings as a result of the utilisation of tax losses brought forward from previous year for which the related credit is recognised during the financial year	**11,748**	-	**11,748**	-

33 EARNINGS PER SHARE

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the net profit for the financial year by the weighted average number of ordinary shares in issue during the financial year.

			Group			**Bank**
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
Net profit for the financial year (RM'000)	**1,805,735**	1,745,062	1,415,247	**1,631,982**	1,557,262	1,326,841
Weighted average number of ordinary shares in issue ('000)	**6,636,170**	6,636,170	6,636,170	**6,636,170**	6,636,170	6,636,170
Basic earnings per share (sen)	**27.21**	26.30	21.33	**24.59**	23.47	19.99

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2012 and 31 December 2011.

34 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME

			31.12.2012			31.12.2011
	Before tax	**Tax expenses**	**Net of tax amount**	Before tax	Tax expenses	Net of tax amount
	RM'000	**RM'000**	**RM'000**	RM'000	RM'000	RM'000
Group						
Financial investments available-for-sale						
- net fair value gain and amount transfer to income statements	**34,383**	**(8,538)**	**25,845**	70,914	(17,939)	52,975
Bank						
Financial investments available-for-sale						
- net fair value gain and amount transfer to income statements	**38,635**	**(9,659)**	**28,976**	71,950	(17,988)	53,962

35 ORDINARY DIVIDENDS

Dividend declared and proposed are as follows:

	31.12.2012		31.12.2011	
	Gross dividend per share	**Amount of dividends, net of tax**	Gross dividend per share	Amount of dividends, net of tax
	sen	**RM'000**	sen	RM'000
Ordinary shares				
Interim dividend	**3.42**	**170,000**	-	-
Final dividend	-	**-**	7.03	350,000
	3.42	**170,000**	7.03	350,000

At the forthcoming Annual General Meeting,a final gross dividend of 1.13 sen per share less 25% tax amounting to RM56,400,000 and single-tiered dividend of 2.74 sen per share amounting to RM181,600,000 in respect of the current financial year will be proposed for shareholder's approval. These financial statements do not reflect this final dividend which will be accounted for in the shareholder's equity as an appropriation of retained profits in the financial year ending 31 December 2013 when approved by the shareholder.

Dividend recognised as distribution to ordinary equity holders of the Bank:

	31.12.2012		31.12.2011	
	Gross dividend per share	**Amount of dividends, net of tax**	Gross dividend per share	Amount of dividends, net of tax
	sen	**RM'000**	sen	RM'000
Ordinary shares				
Interim dividend for 2012	**3.42**	**170,000**	-	-
Final dividend for 2011	**7.03**	**350,000**	-	-
Final dividend for 2010	**-**	**-**	4.78	237,907
	10.45	**520,000**	4.78	237,907

36 SIGNIFICANT RELATED PARTY DISCLOSURES

(a) Related parties and relationships

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

Related parties	**Relationships**
RHB Capital Berhad	Holding company
Subsidiaries of RHB Capital Berhad as disclosed in its financial statements	Subsidiaries of the holding company
Employee Provident Fund ('EPF')	Major shareholder, a fund body that is significantly influenced by government
Subsidiaries and associates of EPF as disclosed in its financial statements	Reporting entities that EPF has control or significant influence
Subsidiaries of the Bank as disclosed in Note 12	Subsidiaries
Key management personnel	The key management personnel of the Group and the Bank consists of: - All directors of the Bank, its key subsidiaries and RHB Capital Berhad - RHB Bank Berhad and its subsidiaries Management Committee members
Related parties of key management personnel (deemed as related to the Bank)	(i) Close family members and dependents of key management personnel (ii) Entities that are controlled, jointly controlled or significantly influenced, by or for which significant voting power in such entity resides with, directly or indirectly key management personnel or its close family members

36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

(b) Significant related party balances and transactions

In addition to related party disclosures mentioned in Notes 8 and 17, set out below are other significant related party transactions and balances.

Transactions or balances with newly acquired subsidiaries during the financial year are reported as related party transactions or balances from the date the Group and the Bank are deemed to have control over the subsidiaries.

Other related parties of the Bank comprise of transactions and balances with the Bank's subsidiaries.

Group	**Holding company**	**EPF and EPF Group of companies**	**Key management personnel**	**Other related companies**
	RM'000	**RM'000**	**RM'000**	**RM'000**
31.12.2012				
Income				
Interest on deposits and placements with other financial institutions	-	-	-	402
Interest on loans, advances and financing	12,187	51,035	99	(98)
Other income	-	7	-	9,504
	12,187	51,042	99	9,808
Expenditure				
Interest on deposits and placements of banks and other financial institutions	-	-	-	10,682
Interest on deposits from customers	2,090	87,471	155	5,364
Rental of premises	-	-	-	13,431
Management fee	-	-	-	4,371
Other expenses	-	-	-	39,536
	2,090	87,471	155	73,384
Amounts due from				
Derivative assets	-	-	-	2,285
Loans, advances and financing	285,449	1,316,840	3,548	-
Other assets	5,643	-	-	14,242
	291,092	1,316,840	3,548	16,527
Amounts due to				
Deposits from customers	36,238	3,101,821	19,758	267,004
Deposits and placements of banks and other financial institutions	-	-	-	1,162,434
Derivative liabilities	-	-	-	2,384
Bills and acceptances payable	-	-	-	95,181
Other liabilities	99	-	-	6,397
Hybrid Tier-I Capital Securities	-	-	-	5,014
Senior Debt Securities	-	-	-	27,646
	36,337	3,101,821	19,758	1,566,060

36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Group	Holding company	EPF and EPF Group of companies	Key management personnel	Other related companies
	RM'000	RM'000	RM'000	RM'000
31.12.2011				
Income				
Interest on deposits and placements with other financial institutions	-	-	-	489
Interest on loans, advances and financing	12,604	20,842	111	-
Other income	-	-	2	5,608
	12,604	20,842	113	6,097
Expenditure				
Interest on deposits and placements of banks and other financial institutions	-	-	-	5,396
Interest on deposits from customers	1,127	116,367	422	5,283
Rental of premises	-	-	-	13,040
Management fee	-	-	-	3,563
Other expenses	-	-	-	24,551
	1,127	116,367	422	51,833
Amounts due from				
Derivative assets	-	-	2,850	3,202
Loans, advances and financing	302,787	2,771,327	-	-
Other assets	1,388	-	-	24,829
	304,175	2,771,327	2,850	28,031
Amounts due to				
Deposits from customers	27,515	1,907,441	31,770	218,497
Deposits and placements of banks and other financial institutions	-	-	-	100,936
Derivative liabilities	-	-	-	4,821
Other liabilities	99	-	-	2,534
Hybrid Tier-I Capital Securities	-	-	-	5,012
	27,614	1,907,441	31,770	331,800

36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank	Holding company	EPF and EPF Group of companies	Subsidiaries	Key management personnel	Other related companies
	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2012					
Income					
Interest on deposits and placements with other financial institutions	-	-	47,361	-	402
Interest on loans, advances and financing	12,187	36,560	796	31	-
Dividend income from subsidiaries	-	-	9,363	-	-
Other income	-	7	(8,371)	-	9,246
	12,187	36,567	49,149	31	9,648
Expenditure					
Interest on deposits and placements of banks and other financial institutions	-	-	349	-	9,612
Interest on deposits from customers	2,090	87,102	1,487	141	5,251
Rental of premises	-	-	5,012	-	13,431
Management fee	-	-	-	-	4,371
Reimbursement of operating expense from a subsidiary	-	-	(67,687)	-	-
Other expenses	-	-	9	-	38,753
	2,090	87,102	(60,830)	141	71,418
Amounts due from					
Money at call and deposit placements	-	-	66,949	-	-
Deposits and placements with banks and other financial institutions	-	-	3,092,243	-	-
Derivative assets	-	-	20,112	-	2,285
Loans, advances and financing	285,449	668,801	141,803	2,174	-
Other assets	5,643	-	384,913	-	14,242
	291,092	668,801	3,706,020	2,174	16,527
Amounts due to					
Deposits from customers	36,238	2,996,444	91,989	16,701	263,494
Deposits and placements of banks and other financial institutions	-	-	78,036	-	1,162,434
Derivative liabilities	-	-	2,278	-	2,384
Bills and acceptances payable	-	-	-	-	95,181
Other liabilities	-	-	26,025	-	5,996
Hybrid Tier-I Capital Securities	-	-	-	-	5,014
Senior Debt Securities	-	-	-	-	27,646
	36,238	2,996,444	198,328	16,701	1,562,149

36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

Bank	Holding company	EPF and EPF Group of companies	Subsidiaries	Key management personnel	Other related companies
	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2011					
Income					
Interest on deposits and placements with other financial institutions	-	-	30,684	-	489
Interest on loans, advances and financing	12,604	17,069	781	111	-
Dividend income from subsidiaries	-	-	18,785	-	-
Other income	-	-	46,816	2	5,310
	12,604	17,069	97,066	113	5,799
Expenditure					
Interest on deposits and placements of banks and other financial institutions	-	-	131	-	2,499
Interest on deposits from customers	1,127	92,089	755	419	5,283
Rental of premises	-	-	4,898	-	12,943
Management fee	-	-	-	-	3,563
Reimbursement of operating expenses from a subsidiary	-	-	(51,325)	-	-
Other expenses	-	-	9	-	24,000
	1,127	92,089	(45,532)	419	48,288
Amounts due from					
Money at call and deposit placements	-	-	165,184	-	-
Deposits and placements of banks and other financial institutions	-	-	1,745,518	-	-
Derivative assets	-	-	36,846	-	3,202
Loans, advances and financing	302,787	2,695,617	141,803	2,849	-
Other assets	1,388	-	457,977	-	24,829
	304,175	2,695,617	2,547,328	2,849	28,031
Amounts due to					
Deposits from customers	27,515	1,805,617	73,806	31,548	215,013
Deposits and placements of banks and other financial institutions	-	-	138,276	-	900
Derivative liabilities	-	-	-	-	4,821
Other liabilities	-	-	21,342	-	2,262
Hybrid Tier-I Capital Securities	-	-	-	-	5,012
	27,515	1,805,617	233,424	31,548	228,008

36 SIGNIFICANT RELATED PARTY DISCLOSURES (CONTINUED)

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

		Group		Bank
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
	RM'000	RM'000	**RM'000**	RM'000
The approved limit on loans, advances and advances and financing for key management personnel	**9,142**	7,897	**5,782**	7,897

(c) Key management personnel

The remuneration of key management personnel are as follows:

		Group		Bank
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
	RM'000	RM'000	**RM'000**	RM'000
Short-term employee benefits				
- Fees	**776**	746	**731**	717
- Salary and other remuneration	**16,949**	13,412	**12,410**	11,728
- Benefits-in-kind	**56**	49	**56**	31
	17,781	14,207	**13,197**	12,476

(d) Credit exposures arising from transactions with connected parties

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

		Group		Bank
	31.12.2012	31.12.2011	**31.12.2012**	31.12.2011
Outstanding credit exposure with connected parties (RM'000)	**5,090,268**	3,737,389	**4,306,830**	3,669,328
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures (%)	**4.08**	3.44	**4.13**	3.98
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	**0.16**	0.14	**0.17**	0.14

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

37 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.

Risk weighted exposures of the Group are as follows:

	31.12.2012			31.12.2011			1.1.2011		
	Principal amount	**Credit equivalent amount***	**Risk weighted amount**	Principal amount	Credit equivalent amount*	Risk weighted amount	Principal amount	Credit equivalent amount*	Risk weighted amount
	RM'000	**RM'000**	**RM'000**	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes#	**2,180,636**	**2,143,725**	**1,425,061**	1,506,861	1,436,755	1,216,657	2,366,972	2,301,345	2,575,444
Transaction-related contingent items#	**2,495,813**	**1,224,748**	**881,556**	2,189,069	1,070,325	870,657	1,905,733	929,964	963,854
Short-term self-liquidating trade-related contingencies	**1,009,851**	**199,301**	**128,967**	902,010	178,398	97,424	825,269	162,953	125,968
Obligations under underwriting agreements	**90,000**	**45,000**	**45,000**	208,500	104,250	104,250	29,000	14,500	14,500
Irrevocable commitments to extend credit@:									
- maturity more than one year	**24,625,669**	**11,615,012**	**7,819,086**	25,028,693	5,197,837	3,604,762	4,492,229	1,302,224	1,079,891
- maturity less than one year	**10,237,339**	**5,733,709**	**3,610,770**	10,133,756	1,962,417	1,301,101	31,965,921	1,582,218	955,370
Foreign exchange related contracts@:									
- less than one year	**9,575,927**	**162,659**	**108,731**	13,558,443	377,570	175,414	14,267,825	306,554	157,387
- one year to less than five years	**5,213,212**	**922,498**	**275,190**	1,767,969	536,076	296,040	1,183,447	564,225	300,962
Interest rate related contracts@:									
- less than one year	**7,823,637**	**22,654**	**8,926**	4,195,536	9,651	2,812	2,386,825	10,333	2,840
- one year to less than five years	**14,053,210**	**440,757**	**235,476**	13,016,528	321,650	110,735	9,245,957	277,524	73,253
- more than five years	**600,000**	**53,026**	**53,026**	600,000	61,198	16,760	415,000	41,611	8,322
Commodity contracts@:									
- less than one year	**-**	**-**	**-**	-	-	-	17,628	-	-
Total	**77,905,294**	**22,563,089**	**14,591,789**	73,107,365	11,256,127	7,796,612	69,101,806	7,493,451	6,257,791

@ These derivatives are revalued on gross position basis and the unrealised gains or losses are reflected in Note 9 Derivatives Assets/(Liabilities).
* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.
\# Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of RM2,033,671,000, RM1,265,827,000 and RM1,797,114,000 as at 31 December 2012, 2011 and 2010 respectively, of which fair value at the time of issuance is zero.
Foreign exchange, interest rate related and commodity contracts are subject to market risk and credit risk.

The credit equivalent amount ('CE') and risk weighted amount ('RWA') of the Group are an aggregate of CE and RWA of the Bank, which is computed in accordance with BNM's Guidelines on Risk Weighted Capital Adequacy Framework: 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).

37 COMMITMENTS AND CONTINGENCIES (CONTINUED)

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

Risk weighted exposures of the Bank are as follows:

	31.12.2012			31.12.2011			1.1.2011		
	Principal amount RM'000	**Credit equivalent amount* RM'000**	**Risk weighted amount RM'000**	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount* RM'000	Risk weighted amount RM'000
Direct credit substitutes#	**2,123,886**	**2,086,975**	**1,425,061**	1,381,139	1,311,033	1,090,935	2,170,663	2,105,036	2,379,135
Transaction-related contingent items#	**2,128,836**	**1,041,259**	**735,019**	2,085,264	1,018,423	830,569	1,750,541	852,367	925,554
Short-term self-liquidating trade-related contingencies	**954,248**	**188,181**	**127,669**	859,586	169,913	96,457	785,946	155,088	117,929
Irrevocable commitments to extend credit@:									
- maturity more than one year	**22,480,527**	**10,541,472**	**6,908,020**	22,488,731	4,689,844	3,157,503	3,938,118	1,076,912	887,601
- maturity less than one year	**8,395,198**	**5,210,759**	**3,235,038**	8,466,652	1,628,996	965,596	29,557,105	1,361,312	734,464
Foreign exchange related contracts@:									
- less than one year	**9,290,698**	**162,443**	**107,491**	13,398,568	375,000	174,841	14,269,356	306,593	157,427
- one year to less than five years	**5,213,212**	**922,498**	**275,190**	1,767,969	536,076	296,040	1,183,447	564,225	300,962
Interest rate related contracts@:									
- less than one year	**9,023,637**	**26,183**	**10,691**	4,195,536	9,461	2,616	2,386,825	10,333	2,840
- one year to less than five years	**16,134,862**	**502,857**	**266,525**	15,635,548	408,724	154,272	9,895,957	303,524	86,253
- more than five years	**600,000**	**53,026**	**53,026**	600,000	61,198	16,760	415,000	41,611	8,322
Commodity contracts@:									
- less than one year	**-**	**-**	**-**	-	-	-	17,628	-	-
Total	**76,345,104**	**20,735,653**	**13,143,730**	70,878,993	10,208,668	6,785,589	66,370,586	6,777,001	5,600,487

@ These derivatives are revalued on gross position basis and the unrealised gains or losses are reflected in Note 9 Derivatives Assets/(Liabilities).
* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.
\# Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of RM1,922,203,000, RM1,184,163,000 and RM1,657,429,000 as at 31 December 2012, 2011 and 2010 respectively, of which fair value at the time of issuance is zero.
Foreign exchange, interest rate related and commodity contracts are subject to market risk and credit risk.

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

38 OPERATING LEASE COMMITMENTS

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

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Within one year	**47,310**	35,524	36,465	**47,465**	44,297	38,579
Between one to five years	**34,077**	49,321	38,589	**34,232**	48,536	33,005
More than five years	**1,207**	1,694	2,246	**1,207**	1,694	2,246
	82,594	86,539	77,300	**82,904**	94,527	73,830

39 CAPITAL COMMITMENTS

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Capital expenditure for property, plant and equipment:						
Authorised and contracted for	**54,269**	71,539	71,444	**53,678**	70,909	62,211
Authorised but not contracted for	**174,364**	128,254	102,168	**123,600**	104,396	84,679
	228,633	199,793	173,612	**177,278**	175,305	146,890
Proposed acquisition of Bank Mestika (refer to Note 46 (d))	**538,620**	1,163,126	1,163,126	**538,620**	1,163,126	1,163,126
	767,253	1,362,919	1,336,738	**715,898**	1,338,431	1,310,016

40 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Objectives and Policies

OVERVIEW AND ORGANISATION

Risk is inherent in banking business and sound risk management is the cornerstone of prudent banking.

In compliance with best practices under the Malaysian Code of Corporate Governance, the Board of Directors ('Board' or 'BOD') through the Group Risk Management Committee ('GRMC') and the Group Risk Management function ('GRM function') is responsible for identifying principal risks and ensuring that there is an ongoing process to continuously manage the Bank's risks actively.

The GRMC provides oversight and management of all risks. The GRM function is independent of the origination and sales function, and assists the GRMC and Board in formulating risk related policies.

The GRMC comprises non-executive directors with at least five (5) members. Members of the GRMC are directors who are exclusively non-executive in all of their directorships within the RHB Banking Group.

Overriding objectives of the GRMC:

(i) To provide oversight and governance of risks of the RHB Banking Group ('Group');

(ii) To oversee senior management's activities in managing credit, market, liquidity, operational, legal and other risks and to ensure that the risk management process of each entity in the Group is in place and functioning;

(iii) To deliberate and make recommendations to the Board of each relevant entity within the Group in respect of risk management matters of the respective entities.

The primary responsibility for managing risks, however, rests with business managers. They are best equipped to ensure that risk management and controls are focused on the way business is conducted. There is a continuous review of business activities and processes to identify significant risk areas and implement control procedures to operate within established corporate policies and limits. Additionally, the management of risks associated with financial instruments is carried out in the organisation. The Board has set up policies and procedures to manage the risks that may arise in connection with the use of financial instruments.

Major Areas of Risk

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

(i) Market risk - the risk of potential loss resulting from adverse movements in the level of market prices, interest rate and foreign currency exchange.

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

(iii) Credit risk - the risk of potential loss due to changes in the quality of counter-parties and the market price for credit risk (collateral).

(iv) Operational risk - the risk of loss resulting from inadequate or failed internal processes, people, systems or external events as well as the risk of breach in of applicable laws and regulatory requirements.

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

To mitigate the aforesaid business risks the Group and the Bank, and the GRMC has put in place the following:

Market Risk

- A framework of risk policies, measurement methodologies and limits, as approved by the Board, controls financial market activities as well as identifies potential risk areas to mitigate any adverse effects from market volatility.

- The GRM function plays an independent role in the monitoring and assessing of risk exposures and reports independently to the GRMC.

- Risk measurement techniques and stress testing are applied to the Bank's portfolio on a regular basis.

- For currency risk:

  - Approved overall position limits are applied for foreign exchange spot trading portfolio. Trading loss limits are imposed on each trading desk. The levels of these exposures (including off-balance sheet items), by overall total for both intra-day and overnight positions, are monitored daily for compliance with the approved limits. These limits are reviewed regularly and are in line with strategies set by the GRMC.

  - Foreign and overseas investments, which are funded by purchases with resultant open foreign exchange positions, are monitored and appropriate hedging strategies are undertaken in line with market trends.

- For interest rate risk:

  - The Asset and Liability Committee ('ALCO') monitors the balance sheet position and assesses it for profit and loss impacts arising from sensitivity to interest rate movements.

  - The ALCO also sets and reviews limits on the level of mismatch of interest rate re-pricing that may be undertaken. Likewise, fixed rate assets, especially long term assets, are subject to various limit parameters.

Liquidity Risk

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

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

- Defined liquidity management ratios are maintained and monitored.

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

- The Bank has established a Group Liquidity Policy Statement. In addition, plans to manage any potential adverse liquidity incidences have also been put in place; and can be implemented on a timely basis so that appropriate actions can be taken to remedy any unexpected market developments.

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Credit Risk

- The Bank abides to the Board approved credit policy which supports the development of a strong credit culture with the objectives of maintaining a diversified portfolio that addresses credit risk, and mitigates concern for unexpected losses. Market best practices are incorporated into this policy.

- The Bank also ensures that processes are in place before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being evaluated by an independent credit evaluation and management function. The Central Credit Committee and the Group Credit Committee sanction credits beyond established prudential thresholds. The adherence to the discretionary powers sanctioned by the Board is monitored by the Central Compliance function.

- A risk rating system is used to categorize the risk of individual credits. Clients' accounts are reviewed at regular intervals and weakening credits are transferred to Loan Recovery for more effective management.

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

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

Operational Risk

- The GRM function is responsible for the development of bank-wide operational risk policies, frameworks and methodologies, and providing inputs to the business units on operational risk areas. The respective business units are primarily responsible for managing operational risk on a day-to-day basis.

- The Bank uses an operational risk management system. This system has integrated applications for supporting the entire operational risk management process for loss event data collection and management, loss event analysis, assessment and monitoring of the quality of the internal control environment, risk scenario analysis and measurement, comprehensive reporting of operational risks and internal control quality and tracking of risk mitigation and control improvement actions. This system facilitates the Bank's capabilities for the Advanced Measurement Approach of the Basel II Framework in the future.

- The Bank has a Business Continuity Planning ('BCP') programme for its critical business operations and activities at the Head Office, data centre, and branch locations. The BCP programme is subject to regular testing to ensure efficacy, reliability and functionality.

- The Bank continually refine and strengthen existing policies, procedures and internal control measures; and continually conduct internal review, compliance monitoring, and audit to prevent and minimise unexpected losses.

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Capital Management

The overall capital management objective is to ensure that the Group has adequate capital to maintain stability, while meeting its business objectives and in line with its risk appetite. Capital management involves capital strategy, capital planning, and capital structuring, capital optimisation and dividend payout.

Capital Strategy

Capital strategy includes the determination of target capital under both normal and stress market conditions and considers the business risk and strategic objectives, external credit ratings, and capital adequacy requirements. A comprehensive capital adequacy assessment is conducted at least annually to ensure that the target capital level is appropriate.

Capital Planning

Based on strategic directions and regulatory requirements, the Group and its entities formulate a capital plan to support its overall risk profile and forecasts the capital demand for material risks for which capital held is deemed appropriate. The capital plan describes the actions required to raise capital in a timely manner in both normal and stress conditions as assumed in the stress scenarios. For capital planning purposes, capital adequacy is assessed in the multi-year financial projection under both normal and stressed scenarios, the objective of which is to ensure that the Group and/ or its entities maintain adequate capital on a forward-looking basis. The Group also has a capital contingency funding plan that forms part of the capital plan. The capital plan, together with the analysis and proposed actions, are reviewed by the Group Chief Financial Officer and deliberated at the Group Capital and Strategic Risk Management Committee for endorsement, and submitted to Group Risk Management Committee and the Board for approval.

Capital Structuring

Capital structuring affects the Group through its impact on cash flow and cost of capital. The Group adopts capital structuring that maximises value and minimises overall cost of capital. In order to achieve an optimum capital structure, the Group determines the levels, mix and structure of internal and regulatory capital in line with its current and planned levels of business activities, risk appetite and desired level of capital adequacy.

Dividend Pay-Out

The Group aims to achieve a balance between dividend payout and the need to retain earnings in order to be consistent with its capital strength and to support business expansion. The Board reviews the dividend pay-out recommendation on an annual basis.

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

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

Basel II Implementation

In 2004, BNM announced a two-phased approach for implementing the standards recommended by the Bank of International Settlements set out in "International Convergence of Capital Measurement and Capital Standards: A Revised Framework" (Basel II) in Malaysia. In the first phase, banking institutions are required to adopt the Standardised Approach ('SA') for credit risk by the end of 2008. In the second phase, qualified banking institutions are allowed to migrate directly to the Internal Ratings-Based approach ('IRB') beginning from 2010.

The RHB Banking Group places great importance to Basel II and views it as a group-wide initiative in meeting international best practices for credit, market and operational risk management. A dedicated Basel II Steering Committee ('B2SC') was set up since October 2004 to oversee the implementation of Basel II initiatives throughout the Group and to ensure that it is on track in meeting regulatory requirements as outlined in the Risk-Weighted Capital Adequacy Framework ('RWCAF') for banking institutions and the Capital Adequacy Framework for Islamic Banks ('CAFIB) issued by BNM. The B2SC has since been dissolved in November 2011, and the powers and responsibilities of the B2SC are now vested to the Group Capital and Strategic Risk Management Committee Operational. Issues related to Basel/Basel II Implementation are deliberated at the Basel Group Working Committee meetings.

For the purpose of complying with regulatory requirements, the approaches adopted by the respective entities in the Group are as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Bank Berhad	Internal Ratings Based Approach	Standardised Approach	Basic Indicator Approach
RHB Islamic Bank Berhad	Standardised Approach	Standardised Approach	Basic Indicator Approach

For purpose of credit risk measurement, the Bank has applied the IRB principles for credit risk since January 2010, following preliminary approval by BNM in December 2009 for the Bank to migrate directly to the IRB approach. Upon approval from BNM, the Bank migrated to IRB for credit risk in July 2010. For RHB Islamic Bank Berhad, the SA has been adopted for credit risk since 2008.

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category

Group	Loans and receivables	Assets at fair value through the profit and loss	Available-for-sale	Held-to-maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2012					
Assets as per statement of financial position					
Cash and short-term funds	22,557,727	-	-	-	22,557,727
Securities purchased under resale agreements	676,858	-	-	-	676,858
Deposits and placements with banks and other financial institutions	3,549,648	-	-	-	3,549,648
Financial assets held-for-trading	-	1,549,863	-	-	1,549,863
Financial investments available-for-sale	-	-	10,026,311	-	10,026,311
Financial investments held-to-maturity	-	-	-	17,801,251	17,801,251
Loans, advances and financing	107,465,886	-	-	-	107,465,886
Other financial assets	239,837	-	-	-	239,837
Derivative assets	-	250,917	-	-	250,917
	134,489,956	1,800,780	10,026,311	17,801,251	164,118,298

	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
	RM'000	RM'000	RM'000
Liabilities as per statement of financial position			
Deposits from customers	-	131,309,626	131,309,626
Deposits and placements of banks and other financial institutions	-	11,935,887	11,935,887
Bills and acceptances payable	-	3,732,067	3,732,067
Other financial liabilities	-	691,249	691,249
Derivative liabilities	273,197	-	273,197
Recourse obligation on loans sold to Cagamas Berhad	-	2,445,361	2,445,361
Long term borrowings	-	632,778	632,778
Subordinated obligations	-	4,020,919	4,020,919
Hybrid Tier-I Capital Securities	-	606,086	606,086
Senior Debt Securities	-	1,536,674	1,536,674
	273,197	156,910,647	157,183,844

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Group	Loans and receivables	Assets at fair value through the profit and loss	Available-for-sale	Held-to-maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2011					
Assets as per statement of financial position					
Cash and short-term funds	18,392,186	-	-	-	18,392,186
Securities purchased under resale agreements	142,291	-	-	-	142,291
Deposits and placements with banks and other financial institutions	937,828	-	-	-	937,828
Financial assets held-for-trading	-	1,303,419	-	-	1,303,419
Financial investments available-for-sale	-	-	8,015,085	-	8,015,085
Financial investments held-to-maturity	-	-	-	13,475,167	13,475,167
Loans, advances and financing	95,317,875	-	-	-	95,317,875
Other financial assets	179,244	-	-	-	179,244
Derivative assets	-	226,980	-	-	226,980
	114,969,424	1,530,399	8,015,085	13,475,167	137,990,075

	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
	RM'000	RM'000	RM'000
Liabilities as per statement of financial position			
Deposits from customers	-	113,638,280	113,638,280
Deposits and placements of banks and other financial institutions	-	7,996,621	7,996,621
Bills and acceptances payable	-	3,764,155	3,764,155
Other financial liabilities	-	700,555	700,555
Derivative liabilities	237,004	-	237,004
Recourse obligation on loans sold to Cagamas Berhad	-	1,161,814	1,161,814
Long term borrowings	-	759,020	759,020
Subordinated obligations	-	3,269,678	3,269,678
Hybrid Tier-I Capital Securities	-	605,570	605,570
	237,004	131,895,693	132,132,697

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Group	Loans and receivables	Assets at fair value through the profit and loss	Available-for-sale	Held-to-maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
1.1.2011					
Assets as per statement of financial position					
Cash and short-term funds	12,981,081	-	-	-	12,981,081
Securities purchased under resale agreements	276,407	-	-	-	276,407
Deposits and placements with banks and other financial institutions	824,071	-	-	-	824,071
Financial assets held-for-trading	-	348,511	-	-	348,511
Financial investments available-for-sale	-	-	9,933,578	-	9,933,578
Financial investments held-to-maturity	-	-	-	10,674,245	10,674,245
Loans, advances and financing	81,515,787	-	-	-	81,515,787
Other financial assets	117,062	-	-	-	117,062
Derivative assets	-	298,389	-	-	298,389
	95,714,408	646,900	9,933,578	10,674,245	116,969,131

	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
	RM'000	RM'000	RM'000
Liabilities as per statement of financial position			
Deposits from customers	-	92,402,813	92,402,813
Deposits and placements of banks and other financial institutions	-	7,680,309	7,680,309
Bills and acceptances payable	-	3,536,140	3,536,140
Other financial liabilities	-	811,377	811,377
Derivative liabilities	240,161	-	240,161
Recourse obligation on loans sold to Cagamas Berhad	-	818,503	818,503
Long term borrowings	-	819,362	819,362
Subordinated obligations	-	3,018,157	3,018,157
Hybrid Tier-I Capital Securities	-	605,407	605,407
	240,161	109,692,068	109,932,229

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank	Loans and receivables	Assets at fair value through the profit and loss	Available-for-sale	Held-to-maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2012					
Assets as per statement of financial position					
Cash and short-term funds	19,022,404	-	-	-	19,022,404
Securities purchased under resale agreements	676,858	-	-	-	676,858
Deposits and placements with banks and other financial institutions	3,780,228	-	-	-	3,780,228
Financial assets held-for-trading	-	1,110,482	-	-	1,110,482
Financial investments available-for-sale	-	-	8,456,556	-	8,456,556
Financial investments held-to-maturity	-	-	-	15,645,993	15,645,993
Loans, advances and financing	89,275,815	-	-	-	89,275,815
Other financial assets	562,725	-	-	-	562,725
Derivative assets	-	271,029	-	-	271,029
	113,318,030	1,381,511	8,456,556	15,645,993	138,802,090

	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
	RM'000	RM'000	RM'000
Liabilities as per statement of financial position			
Deposits from customers	-	111,557,605	111,557,605
Deposits and placements of banks and other financial institutions	-	9,459,328	9,459,328
Bills and acceptances payable	-	3,710,455	3,710,455
Other financial liabilities	-	608,648	608,648
Derivative liabilities	273,559	-	273,559
Recourse obligation on loans sold to Cagamas Berhad	-	982,840	982,840
Long term borrowings	-	632,778	632,778
Subordinated obligations	-	4,020,919	4,020,919
Hybrid Tier-I Capital Securities	-	606,086	606,086
Senior Debt Securities	-	1,536,674	1,536,674
	273,559	133,115,333	133,388,892

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank	Loans and receivables	Assets at fair value through the profit and loss	Available-for-sale	Held-to-maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
31.12.2011					
Assets as per statement of financial position					
Cash and short-term funds	12,344,141	-	-	-	12,344,141
Securities purchased under resale agreements	142,291	-	-	-	142,291
Deposits and placements with banks and other financial institutions	2,200,238	-	-	-	2,200,238
Financial assets held-for-trading	-	869,888	-	-	869,888
Financial investments available-for-sale	-	-	6,339,146	-	6,339,146
Financial investments held-to-maturity	-	-	-	12,021,999	12,021,999
Loans, advances and financing	80,593,659	-	-	-	80,593,659
Other financial assets	588,714	-	-	-	588,714
Derivative assets	-	263,605	-	-	263,605
	95,869,043	1,133,493	6,339,146	12,021,999	115,363,681

	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
	RM'000	RM'000	RM'000
Liabilities as per statement of financial position			
Deposits from customers	-	94,349,181	94,349,181
Deposits and placements of banks and other financial institutions	-	5,809,666	5,809,666
Bills and acceptances payable	-	3,750,382	3,750,382
Other financial liabilities	-	673,880	673,880
Derivative liabilities	234,522	-	234,522
Recourse obligation on loans sold to Cagamas Berhad	-	1,161,814	1,161,814
Long term borrowings	-	759,020	759,020
Subordinated obligations	-	3,269,678	3,269,678
Hybrid Tier-I Capital Securities	-	605,570	605,570
	234,522	110,379,191	110,613,713

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial instruments by category (continued)

Bank	Loans and receivables	Assets at fair value through the profit and loss	Available-for-sale	Held-to-maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
1.1.2011					
Assets as per statement of financial position					
Cash and short-term funds	11,093,561	-	-	-	11,093,561
Securities purchased under resale agreements	276,407	-	-	-	276,407
Deposits and placements with banks and other financial institutions	1,539,648	-	-	-	1,539,648
Financial assets held-for-trading	-	129,583	-	-	129,583
Financial investments available-for-sale	-	-	8,143,221	-	8,143,221
Financial investments held-to-maturity	-	-	-	9,558,312	9,558,312
Loans, advances and financing	71,169,425	-	-	-	71,169,425
Other financial assets	152,140	-	-	-	152,140
Derivative assets	-	298,148	-	-	298,148
	84,231,181	427,731	8,143,221	9,558,312	102,360,445

	Liabilities at fair value through the profit and loss	Other financial liabilities	Total
	RM'000	RM'000	RM'000
Liabilities as per statement of financial position			
Deposits from customers	-	80,567,577	80,567,577
Deposits and placements of banks and other financial institutions	-	6,158,453	6,158,453
Bills and acceptances payable	-	3,524,016	3,524,016
Other financial liabilities	-	702,993	702,993
Derivative liabilities	238,984	-	238,984
Recourse obligation on loans sold to Cagamas Berhad	-	818,503	818,503
Long term borrowings	-	819,362	819,362
Subordinated obligations	-	3,018,157	3,018,157
Hybrid Tier-I Capital Securities	-	605,407	605,407
	238,984	96,214,468	96,453,452

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank as at 31 December 2012.

The scenarios used are simplified whereby it is assumed that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables. In reality, the Group and the Bank proactively seeks to ensure that the interest rate risk profile is managed to minimise losses and optimise net revenues.

(i) Interest/profit rate sensitivity analysis

The following table shows the sensitivity of the Group's and the Bank's profit after tax and its equity to an immediate up and down +/-100 basis point ('bps') (2010: +/-50 bps) parallel shift in the interest rate.

		Group		**Bank**
	Impact on profit after tax	**Impact on equity**	**Impact on profit after tax**	**Impact on equity**
	RM'000	**RM'000**	**RM'000**	**RM'000**
31.12.2012				
+100 bps	**43,357**	**(323,080)**	**70,233**	**(269,083)**
-100 bps	**(42,080)**	**345,633**	**(69,931)**	**285,998**
31.12.2011				
+100 bps	27,145	(199,500)	75,026	(176,324)
-100 bps	(26,146)	212,440	(74,677)	188,584
1.1.2011				
+50 bps	19,264	(139,128)	30,085	(115,952)
-50 bps	(19,257)	143,587	(30,089)	119,732

The results above represent financial assets and liabilities that have been prepared on the following basis:

Impact on the profit after tax is the sum of valuation changes on fixed income instruments held in the trading portfolio and earnings movement for all short term interest rate sensitive assets and liabilities (with maturity or re-pricing tenure of up to one year) that is not held in the trading portfolio. Earnings movement for the short term interest rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 100 bps interest rate (100 bps for 2011) change impact. For assets and liabilities with non fixed maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of these interest bearing assets and liabilities.

Impact on equity represents the changes in fair values of fixed income instruments held in the available-for-sale portfolio arising from the shift in the interest rate.

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

(ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the effect of the appreciation or depreciation of the foreign currency rates on the consolidated currency position, while other variables remain constant.

	Group Impact on profit after tax	Bank Impact on profit after tax
	RM'000	RM'000
31.12.2012		
+5%	**1,563**	**4,139**
-5%	**(1,563)**	**(4,139)**
31.12.2011		
+5%	11,402	10,139
-5%	(11,402)	(10,139)
1.1.2011		
+5%	(657)	(832)
-5%	657	832

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest/Profit rate risk

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

Group	Non-trading book								
31.12.2012	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS									
Cash and short-term funds	21,019,784	-	-	-	-	-	1,537,943	-	22,557,727
Securities purchased under resale agreements	676,858	-	-	-	-	-	-	-	676,858
Deposits and placements with banks and other financial institutions	-	2,562,588	275,220	82,168	196,492	417,494	15,686	-	3,549,648
Financial assets held-for-trading	-	-	-	-	-	-	-	1,549,863	1,549,863
Financial investments available-for-sale	814,264	1,237,463	1,295,703	31,278	780,881	5,426,255	440,467	-	10,026,311
Financial investments held-to-maturity	1,339,574	483,232	1,036,833	409,424	3,167,058	11,344,240	20,890 #	-	17,801,251
Loans, advances and financing									
- performing	61,323,488	9,426,617	4,363,247	1,953,458	8,814,958	20,545,013	124,312	-	106,551,093
- impaired	-	-	-	-	-	-	914,793 *	-	914,793
Other assets	-	-	-	-	-	-	391,400	-	391,400
Derivative assets	-	-	-	-	-	-	-	250,917	250,917
Statutory deposits	-	-	-	-	-	-	3,589,364	-	3,589,364
Tax recoverable	-	-	-	-	-	-	14	-	14
Deferred tax assets	-	-	-	-	-	-	8,455	-	8,455
Property, plant and equipment	-	-	-	-	-	-	663,044	-	663,044
Goodwill and intangible assets	-	-	-	-	-	-	1,124,349	-	1,124,349
TOTAL ASSETS	85,173,968	13,709,900	6,971,003	2,476,328	12,959,389	37,733,002	8,830,717	1,800,780	169,655,087

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest/Profit rate risk (continued)

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

Group	Non-trading book								
31.12.2012	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	57,313,525	22,260,799	12,794,216	16,180,086	837,725	37,257	21,886,018	-	131,309,626
Deposits and placements of banks and other financial institutions	5,854,744	3,354,997	1,204,236	262,921	561,683	643,382	53,924	-	11,935,887
Bills and acceptances payable	1,407,284	1,602,519	427,955	-	-	-	294,309	-	3,732,067
Other liabilities	-	-	-	-	-	-	953,404	-	953,404
Derivative liabilities	-	-	-	-	-	-	-	273,197	273,197
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	500,000	1,933,887	11,474	-	2,445,361
Taxation	-	-	-	-	-	-	125,663	-	125,663
Deferred tax liabilities	-	-	-	-	-	-	50,907	-	50,907
Long term borrowings	-	382,250	248,462	-	-	-	2,066	-	632,778
Subordinated obligations	-	-	-	-	700,000	3,296,782	24,137	-	4,020,919
Hybrid Tier-I Capital Securities	-	-	-	-	-	597,744	8,342	-	606,086
Senior Debt Securities	-	-	-	-	-	1,529,772	6,902	-	1,536,674
TOTAL LIABILITIES	64,575,553	27,600,565	14,674,869	16,443,007	2,599,408	8,038,824	23,417,146	273,197	157,622,569
Total equity	-	-	-	-	-	-	12,032,518	-	12,032,518
TOTAL LIABILITIES AND EQUITY	64,575,553	27,600,565	14,674,869	16,443,007	2,599,408	8,038,824	35,449,664	273,197	169,655,087
On-balance sheet interest sensitivity gap	20,598,415	(13,890,665)	(7,703,866)	(13,966,679)	10,359,981	29,694,178			
Off-balance sheet interest sensitivity gap	512,351	4,766,054	(1,849,373)	188,460	(1,409,748)	(2,181,016)			
TOTAL INTEREST-SENSITIVITY GAP	21,110,766	(9,124,611)	(9,553,239)	(13,778,219)	8,950,233	27,513,162			

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest/Profit rate risk (continued)

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

Group	Non-trading book								
31.12.2011	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years	Non-interest sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS									
Cash and short-term funds	17,082,422	-	-	-	-	-	1,309,764	-	18,392,186
Securities purchased under resale agreements	142,291	-	-	-	-	-	-	-	142,291
Deposits and placements with banks and other financial institutions	-	899,081	37,372	254	-	-	1,121	-	937,828
Financial assets held-for-trading	-	-	-	-	-	-	-	1,303,419	1,303,419
Financial investments available-for-sale	495,610	847,589	898,176	49,070	611,542	4,655,170	457,928	-	8,015,085
Financial investments held-to-maturity	378,974	1,534,492	762,388	679,885	2,683,994	7,445,212	(9,778) #	-	13,475,167
Loans, advances and financing									
- performing	50,955,694	7,263,251	4,128,153	1,993,922	7,728,868	21,972,491	160,819	-	94,203,198
- impaired	-	-	-	-	-	-	1,114,677 *	-	1,114,677
Other assets	-	-	-	-	-	-	306,546	-	306,546
Derivative assets	-	-	-	-	-	-	-	226,980	226,980
Statutory deposits	-	-	-	-	-	-	3,168,309	-	3,168,309
Tax recoverable	-	-	-	-	-	-	127,265	-	127,265
Deferred tax assets	-	-	-	-	-	-	11,298	-	11,298
Property, plant and equipment	-	-	-	-	-	-	675,989	-	675,989
Goodwill and intangible assets	-	-	-	-	-	-	1,115,893	-	1,115,893
TOTAL ASSETS	69,054,991	10,544,413	5,826,089	2,723,131	11,024,404	34,072,873	8,439,831	1,530,399	143,216,131

\# Consist of impairment loss.
* This represents outstanding impaired loans after deducting individual impairment allowance and collective impairment allowance.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest/Profit rate risk (continued)

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

Group	Non-trading book								
31.12.2011	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years	Non-interest sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES									
Deposits from customers	52,072,300	13,516,768	10,965,976	15,872,919	441,722	48,042	20,720,553	-	113,638,280
Deposits and placements of banks and other financial institutions	3,413,117	2,461,483	1,606,162	69,297	295,944	111,678	38,940	-	7,996,621
Bills and acceptances payable	1,297,300	1,650,120	594,172	6,515	-	-	216,048	-	3,764,155
Other liabilities	-	-	-	-	-	-	993,207	-	993,207
Derivative liabilities	-	-	-	-	-	-	-	237,004	237,004
Recourse obligation on loans sold to Cagamas Berhad	30,745	-	-	130,076	500,000	500,000	993	-	1,161,814
Taxation	-	-	-	-	-	-	3,704	-	3,704
Deferred tax liabilities	-	-	-	-	-	-	55,845	-	55,845
Long term borrowings	-	459,650	297,188	-	-	-	2,182	-	759,020
Subordinated obligations	-	-	-	1,300,000	-	1,950,000	19,678	-	3,269,678
Hybrid Tier-I Capital Securities	-	-	-	-	-	597,475	8,095	-	605,570
TOTAL LIABILITIES	56,813,462	18,088,021	13,463,498	17,378,807	1,237,666	3,207,195	22,059,245	237,004	132,484,898
Total equity	-	-	-	-	-	-	10,731,233	-	10,731,233
TOTAL LIABILITIES AND EQUITY	56,813,462	18,088,021	13,463,498	17,378,807	1,237,666	3,207,195	32,790,478	237,004	143,216,131
On-balance sheet interest sensitivity gap	12,241,529	(7,543,608)	(7,637,409)	(14,655,676)	9,786,738	30,865,678			
Off-balance sheet interest sensitivity gap	1,497,548	1,278,814	(914,212)	1,408,020	(2,106,517)	(1,150,517)			
TOTAL INTEREST-SENSITIVITY GAP	13,739,077	(6,264,794)	(8,551,621)	(13,247,656)	7,680,221	29,715,161			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest/Profit rate risk (continued)

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

Group	Non-trading book								
1.1.2011	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years	Non-interest sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS									
Cash and short-term funds	12,069,245	-	-	-	-	-	911,836	-	12,981,081
Securities purchased under resale agreements	276,398	-	-	-	-	-	9	-	276,407
Deposits and placements with banks and other financial institutions	-	763,081	60,128	247	-	-	615	-	824,071
Financial assets held-for-trading	-	-	-	-	-	-	-	348,511	348,511
Financial investments available-for-sale	192,607	453,840	305,255	446,049	1,280,309	6,805,106	450,412	-	9,933,578
Financial investments held-to-maturity	401,498	1,039,546	232,274	2,288,662	2,314,733	4,432,493	(34,961) #	-	10,674,245
Loans, advances and financing									
- performing	43,661,627	6,593,770	3,660,590	2,028,091	5,858,189	18,372,363	165,623	-	80,340,253
- impaired	-	-	-	-	-	-	1,175,534 *	-	1,175,534
Other assets	-	-	-	-	-	-	195,687	-	195,687
Derivative assets	-	-	-	-	-	-	-	298,389	298,389
Statutory deposits	-	-	-	-	-	-	426,304	-	426,304
Tax recoverable	-	-	-	-	-	-	27	-	27
Deferred tax assets	-	-	-	-	-	-	264,629	-	264,629
Property, plant and equipment	-	-	-	-	-	-	598,057	-	598,057
Goodwill and intangible assets	-	-	-	-	-	-	1,107,118	-	1,107,118
TOTAL ASSETS	56,601,375	8,850,237	4,258,247	4,763,049	9,453,231	29,609,962	5,260,890	646,900	119,443,891

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

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest/Profit rate risk (continued)

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

Group	Non-trading book								
1.1.2011	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	39,079,852	16,060,605	8,935,926	9,848,250	447,470	28,948	18,001,762	-	92,402,813
Deposits and placements of banks and other financial institutions	4,014,838	2,319,495	573,760	163,457	379,509	204,977	24,273	-	7,680,309
Bills and acceptances payable	1,166,999	1,723,270	444,264	-	-	-	201,607	-	3,536,140
Other liabilities	-	-	-	-	-	-	1,003,049	-	1,003,049
Derivative liabilities	-	-	-	-	-	-	-	240,161	240,161
Recourse obligation on loans sold to Cagamas Berhad	147,030	-	-	-	170,092	500,000	1,381	-	818,503
Taxation	-	-	-	-	-	-	167,338	-	167,338
Deferred tax liabilities	-	-	-	-	-	-	6	-	6
Long term borrowings	-	508,777	-	308,350	-	-	2,235	-	819,362
Subordinated obligations	-	-	-	-	1,300,000	1,700,000	18,157	-	3,018,157
Hybrid Tier-I Capital Securities	-	-	-	-	-	597,227	8,180	-	605,407
TOTAL LIABILITIES	44,408,719	20,612,147	9,953,950	10,320,057	2,297,071	3,031,152	19,427,988	240,161	110,291,245
Total equity	-	-	-	-	-	-	9,152,646	-	9,152,646
TOTAL LIABILITIES AND EQUITY	44,408,719	20,612,147	9,953,950	10,320,057	2,297,071	3,031,152	28,580,634	240,161	119,443,891
On-balance sheet interest sensitivity gap	12,192,656	(11,761,910)	(5,695,703)	(5,557,008)	7,156,160	26,578,810			
Off-balance sheet interest sensitivity gap	(367,894)	(113)	(180,564)	761,270	(25,835)	45,688			
TOTAL INTEREST-SENSITIVITY GAP	11,824,762	(11,762,023)	(5,876,267)	(4,795,738)	7,130,325	26,624,498			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk

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

Bank	Non-trading book								
31.12.2012	**Up to 1 month**	**>1-3 months**	**>3-6 months**	**>6-12 months**	**>1-3 years**	**Over 3 years**	**Non-interest sensitive**	**Trading book**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
ASSETS									
Cash and short-term funds	17,681,679	-	-	-	-	-	1,340,725	-	19,022,404
Securities purchased under resale agreements	676,858	-	-	-	-	-	-	-	676,858
Deposits and placements with banks and other financial institutions	-	733,355	611,600	-	124,231	2,291,191	19,851	-	3,780,228
Financial assets held-for-trading	-	-	-	-	-	-	-	1,110,482	1,110,482
Financial investments available-for-sale	814,264	1,237,463	1,295,703	31,278	334,687	4,322,196	420,965	-	8,456,556
Financial investments held-to-maturity	1,189,894	373,536	814,101	298,993	2,634,248	10,333,735	1,486 #	-	15,645,993
Loans, advances and financing									
- performing	56,912,153	8,014,168	3,956,758	1,629,060	7,667,159	10,225,554	101,188	-	88,506,040
- impaired	-	-	-	-	-	-	769,775 *	-	769,775
Other assets	-	-	-	-	-	-	708,812	-	708,812
Derivative assets	-	-	-	-	-	-	-	271,029	271,029
Statutory deposits	-	-	-	-	-	-	2,916,509	-	2,916,509
Investment in subsidiaries	-	-	-	-	-	-	1,272,972	-	1,272,972
Property, plant and equipment	-	-	-	-	-	-	505,775	-	505,775
Goodwill and intangible assets	-	-	-	-	-	-	1,017,722	-	1,017,722
TOTAL ASSETS	77,274,848	10,358,522	6,678,162	1,959,331	10,760,325	27,172,676	9,075,780	1,381,511	144,661,155

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

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates. (continued)

Bank	Non-trading book								
31.12.2012	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	45,549,364	19,026,715	11,309,487	14,261,906	705,991	24,760	20,679,382	-	111,557,605
Deposits and placements of banks and other financial institutions	4,884,430	2,850,902	1,004,236	81,015	365,191	225,888	47,666	-	9,459,328
Bills and acceptances payable	1,407,285	1,602,519	427,955	-	-	-	272,696	-	3,710,455
Other liabilities	-	-	-	-	-	-	775,703	-	775,703
Derivative liabilities	-	-	-	-	-	-	-	273,559	273,559
Recourse obligation on loans sold to Cagamas Berhad	-	-	-	-	500,000	479,375	3,465	-	982,840
Taxation	-	-	-	-	-	-	98,525	-	98,525
Deferred tax liabilities	-	-	-	-	-	-	50,903	-	50,903
Long term borrowings	-	382,250	248,462	-	-	-	2,066	-	632,778
Subordinated obligations	-	-	-	-	700,000	3,296,782	24,137	-	4,020,919
Hybrid Tier-I Capital Securities	-	-	-	-	-	597,744	8,342	-	606,086
Senior Debt Securities	-	-	-	-	-	1,529,772	6,902	-	1,536,674
TOTAL LIABILITIES	51,841,079	23,862,386	12,990,140	14,342,921	2,271,182	6,154,321	21,969,787	273,559	133,705,375
Total equity	-	-	-	-	-	-	10,955,780	-	10,955,780
TOTAL LIABILITIES AND EQUITY	51,841,079	23,862,386	12,990,140	14,342,921	2,271,182	6,154,321	32,925,567	273,559	144,661,155
On-balance sheet interest sensitivity gap	25,433,769	(13,503,864)	(6,311,978)	(12,383,590)	8,489,143	21,018,355			
Off-balance sheet interest sensitivity gap	(987,649)	2,965,821	(1,867,721)	188,460	408,600	(681,016)			
TOTAL INTEREST-SENSITIVITY GAP	24,446,120	(10,538,043)	(8,179,699)	(12,195,130)	8,897,743	20,337,339			

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates. (continued)

Bank	Non-trading book								
31.12.2011	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years	Non-interest sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS									
Cash and short-term funds	11,123,045	-	-	-	-	-	1,221,096	-	12,344,141
Securities purchased under resale agreements	142,291	-	-	-	-	-	-	-	142,291
Deposits and placements with banks and other financial institutions	-	951,672	505,672	138,687	158,500	427,950	17,757	-	2,200,238
Financial assets held-for-trading	-	-	-	-	-	-	-	869,888	869,888
Financial investments available-for-sale	482,607	799,486	893,176	35,597	281,206	3,405,558	441,516	-	6,339,146
Financial investments held-to-maturity	378,974	1,524,492	752,610	619,535	2,185,867	6,585,582	(25,061) #	-	12,021,999
Loans, advances and financing									
- performing	48,776,582	6,823,744	3,647,653	1,488,857	6,295,091	12,581,678	129,045	-	79,742,650
- impaired	-	-	-	-	-	-	851,009 *	-	851,009
Other assets	-	-	-	-	-	-	676,671	-	676,671
Derivative assets	-	-	-	-	-	-	-	263,605	263,605
Statutory deposits	-	-	-	-	-	-	2,561,754	-	2,561,754
Tax recoverable	-	-	-	-	-	-	114,013	-	114,013
Investment in subsidiaries	-	-	-	-	-	-	1,072,972	-	1,072,972
Property, plant and equipment	-	-	-	-	-	-	521,449	-	521,449
Goodwill and intangible assets	-	-	-	-	-	-	1,009,637	-	1,009,637
TOTAL ASSETS	60,903,499	10,099,394	5,799,111	2,282,676	8,920,664	23,000,768	8,591,858	1,133,493	120,731,463

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates. (continued)

Bank	Non-trading book								
31.12.2011	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years	Non-interest sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES									
Deposits from customers	41,637,064	8,743,941	9,275,743	14,501,800	408,345	44,139	19,738,149	-	94,349,181
Deposits and placements of banks and other financial institutions	2,856,136	1,692,483	756,162	69,297	295,944	111,678	27,966	-	5,809,666
Bills and acceptances payable	1,297,300	1,650,120	594,172	6,515	-	-	202,275	-	3,750,382
Other liabilities	-	-	-	-	-	-	925,776	-	925,776
Derivative liabilities	-	-	-	-	-	-	-	234,522	234,522
Recourse obligation on loans sold to Cagamas Berhad	30,745	-	-	130,076	500,000	500,000	993	-	1,161,814
Deferred tax liabilities	-	-	-	-	-	-	55,841	-	55,841
Long term borrowings	-	459,650	297,188	-	-	-	2,182	-	759,020
Subordinated obligations	-	-	-	1,300,000	-	1,950,000	19,678	-	3,269,678
Hybrid Tier-I Capital Securities	-	-	-	-	-	597,475	8,095	-	605,570
TOTAL LIABILITIES	45,821,245	12,546,194	10,923,265	16,007,688	1,204,289	3,203,292	20,980,955	234,522	110,921,450
Total equity	-	-	-	-	-	-	9,810,013	-	9,810,013
TOTAL LIABILITIES AND EQUITY	45,821,245	12,546,194	10,923,265	16,007,688	1,204,289	3,203,292	30,790,968	234,522	120,731,463
On-balance sheet interest sensitivity gap	15,082,254	(2,446,800)	(5,124,154)	(13,725,012)	7,716,375	19,797,476			
Off-balance sheet interest sensitivity gap	176,366	(19,655)	(912,050)	1,408,020	(906,517)	268,503			
TOTAL INTEREST-SENSITIVITY GAP	15,258,620	(2,466,455)	(6,036,204)	(12,316,992)	6,809,858	20,065,979			

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates. (continued)

Bank	Non-trading book								
1.1.2011	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years	Non-interest sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS									
Cash and short-term funds	10,270,874	-	-	-	-	-	822,687	-	11,093,561
Securities purchased under resale agreements	276,398	-	-	-	-	-	9	-	276,407
Deposits and placements with banks and other financial institutions	-	777,779	-	-	154,175	601,283	6,411	-	1,539,648
Financial assets held-for-trading	-	-	-	-	-	-	-	129,583	129,583
Financial investments available-for-sale	184,797	363,790	137,696	420,769	1,018,217	5,583,758	434,194	-	8,143,221
Financial investments held-to-maturity	401,498	1,039,546	172,037	2,220,744	2,094,785	3,676,165	(46,463) #	-	9,558,312
Loans, advances and financing									
- performing	41,799,454	6,125,651	3,168,677	1,648,132	4,370,651	13,060,133	145,495	-	70,318,193
- impaired	-	-	-	-	-	-	851,232 *	-	851,232
Other assets	-	-	-	-	-	-	204,452	-	204,452
Derivative assets	-	-	-	-	-	-	-	298,148	298,148
Statutory deposits	-	-	-	-	-	-	321,064	-	321,064
Deferred tax assets	-	-	-	-	-	-	209,502	-	209,502
Investment in subsidiaries	-	-	-	-	-	-	822,972	-	822,972
Property, plant and equipment	-	-	-	-	-	-	443,258	-	443,258
Goodwill and intangible assets	-	-	-	-	-	-	1,002,744	-	1,002,744
TOTAL ASSETS	52,933,021	8,306,766	3,478,410	4,289,645	7,637,828	22,921,339	5,217,557	427,731	105,212,297

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

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market risk (continued)

Interest rate risk (continued)

The table below summarises the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates. (continued)

Bank	Non-trading book								
1.1.2011	Up to 1 month	>1-3 months	>3-6 months	>6-12 months	>1-3 years	Over 3 years	Non-interest sensitive	Trading book	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES									
Deposits from customers	34,027,255	12,850,394	7,614,950	8,777,933	297,724	28,199	16,971,122	-	80,567,577
Deposits and placements of banks and other financial institutions	3,109,665	2,169,495	115,759	163,457	379,509	204,977	15,591	-	6,158,453
Bills and acceptances payable	1,166,999	1,723,270	444,264	-	-	-	189,483	-	3,524,016
Other liabilities	-	-	-	-	-	-	868,827	-	868,827
Derivative liabilities	-	-	-	-	-	-	-	238,984	238,984
Recourse obligation on loans sold to Cagamas Berhad	147,030	-	-	-	170,092	500,000	1,381	-	818,503
Long term borrowings	-	508,777	-	308,350	-	-	2,235	-	819,362
Taxation	-	-	-	-	-	-	163,133	-	163,133
Subordinated obligations	-	-	-	-	1,300,000	1,700,000	18,157	-	3,018,157
Hybrid Tier-I Capital Securities	-	-	-	-	-	597,227	8,180	-	605,407
TOTAL LIABILITIES	38,450,949	17,251,936	8,174,973	9,249,740	2,147,325	3,030,403	18,238,109	238,984	96,782,419
Total equity	-	-	-	-	-	-	8,429,878	-	8,429,878
TOTAL LIABILITIES AND EQUITY	38,450,949	17,251,936	8,174,973	9,249,740	2,147,325	3,030,403	26,667,987	238,984	105,212,297
On-balance sheet interest sensitivity gap	14,482,072	(8,945,170)	(4,696,563)	(4,960,095)	5,490,503	19,890,936			
Off-balance sheet interest sensitivity gap	(429,831)	(38,371)	(357,751)	715,612	35,972	64,189			
TOTAL INTEREST-SENSITIVITY GAP	14,052,241	(8,983,541)	(5,054,314)	(4,244,483)	5,526,475	19,955,125			

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk

Liquidity risk is defined as the current and prospective risk arising from the inability of the Group and the Bank to meet its contractual or regulatory obligations when they come due without incurring substantial losses. Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds at maturity, extensions of credit and working capital needs. The Group and the Bank seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8:

Group

31.12.2012	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	12,317,025	10,240,702	-	-	-	-	-	22,557,727
Securities purchased under resale agreements	676,858	-	-	-	-	-	-	676,858
Deposits and placements with banks and other financial institutions	-	-	2,568,410	275,599	82,874	622,765	-	3,549,648
Financial assets held-for-trading	14,427	-	543,167	396,084	49,055	547,130	-	1,549,863
Financial investments available-for-sale	1,288	21,259	51,685	128,334	69,111	9,754,059	575	10,026,311
Financial investments held-to-maturity	354,798	953,308	554,375	1,076,581	409,720	14,452,469	-	17,801,251
Loans, advances and financing	2,713,376	8,209,643	6,588,431	3,598,320	2,753,089	83,603,027	-	107,465,886
Other assets	66,360	3,480	32	16,171	-	47,245	258,112	391,400
Derivative assets	10,476	13,254	11,166	10,668	11,822	193,531	-	250,917
Statutory deposits	-	-	-	-	-	-	3,589,364	3,589,364
Tax recoverable	-	-	-	-	-	-	14	14
Deferred tax assets	-	-	-	-	-	-	8,455	8,455
Property, plant and equipment	-	-	-	-	-	-	663,044	663,044
Goodwill and intangible assets	-	-	-	-	-	-	1,124,349	1,124,349
TOTAL ASSETS	16,154,608	19,441,646	10,317,266	5,501,757	3,375,671	109,220,226	5,643,913	169,655,087

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

Group

31.12.2012	**Up to 1 week**	**1 week to 1 month**	**1 to 3 months**	**3 to 6 months**	**6 to 12 months**	**Over 1 year**	**No specific maturity**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
LIABILITIES								
Deposits from customers	46,083,519	32,718,237	22,438,609	12,910,524	16,281,731	877,006	-	131,309,626
Deposits and placements of banks and other financial institutions	701,382	5,195,265	3,357,666	1,205,652	262,028	1,213,894	-	11,935,887
Bills and acceptances payable	540,739	1,160,854	1,602,519	427,955	-	-	-	3,732,067
Other liabilities	154,149	188,519	63,330	47,797	138,694	192,849	168,066	953,404
Derivative liabilities	4,170	18,701	23,585	27,699	9,673	189,369	-	273,197
Recourse obligation on loans sold to Cagamas Berhad	-	559	2,906	-	-	2,441,896	-	2,445,361
Taxation	-	-	23	-	-	-	125,640	125,663
Deferred tax liabilities	-	-	-	-	-	-	50,907	50,907
Long term borrowings	-	-	31,834	19,924	49,693	531,327	-	632,778
Subordinated obligations	-	-	-	24,138	-	3,996,781	-	4,020,919
Hybrid Tier-I Capital Securities	-	-	7,704	638	-	597,744	-	606,086
Senior Debt Securities	-	-	-	6,902	-	1,529,772	-	1,536,674
TOTAL LIABILITIES	47,483,959	39,282,135	27,528,176	14,671,229	16,741,819	11,570,638	344,613	157,622,569
Total equity	-	-	-	-	-	-	12,032,518	12,032,518
TOTAL LIABILITIES AND EQUITY	47,483,959	39,282,135	27,528,176	14,671,229	16,741,819	11,570,638	12,377,131	169,655,087

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

Group

31.12.2011	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	11,251,223	7,140,963	-	-	-	-	-	18,392,186
Securities purchased under resale agreements	142,291	-	-	-	-	-	-	142,291
Deposits and placements with banks and other financial institutions	-	-	900,129	37,444	255	-	-	937,828
Financial assets held-for-trading	256	-	460,330	624,901	-	217,932	-	1,303,419
Financial investments available-for-sale	233,079	281,960	868,680	912,883	49,736	5,668,747	-	8,015,085
Financial investments held-to-maturity	18,621	377,339	1,595,563	788,123	678,874	10,016,647	-	13,475,167
Loans, advances and financing	2,073,904	5,516,093	5,279,093	3,336,370	2,665,862	76,446,553	-	95,317,875
Other assets	51,555	19,627	6	22,238	-	40,621	172,499	306,546
Derivative assets	6,581	17,762	25,347	22,327	19,093	135,870	-	226,980
Statutory deposits	-	-	-	-	-	-	3,168,309	3,168,309
Tax recoverable	-	-	-	-	-	-	127,265	127,265
Deferred tax assets	-	-	-	-	-	-	11,298	11,298
Property, plant and equipment	-	-	-	-	-	-	675,989	675,989
Goodwill and intangible assets	-	-	-	-	-	-	1,115,893	1,115,893
TOTAL ASSETS	13,777,510	13,353,744	9,129,148	5,744,286	3,413,820	92,526,370	5,271,253	143,216,131

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

Group

31.12.2011	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES								
Deposits from customers	47,075,858	25,413,789	13,619,801	11,074,413	15,961,511	492,908	-	113,638,280
Deposits and placements of banks and other financial institutions	1,094,862	2,334,932	2,469,090	1,620,818	69,297	407,622	-	7,996,621
Bills and acceptances payable	440,433	989,178	1,761,761	572,783	-	-	-	3,764,155
Other liabilities	100,657	175,405	43,378	26,067	131,187	265,906	250,607	993,207
Derivative liabilities	5,986	21,255	24,910	11,981	9,663	163,209	-	237,004
Recourse obligation on loans sold to Cagamas Berhad	30,745	-	-	993	130,076	1,000,000	-	1,161,814
Taxation	-	-	22	-	-	-	3,682	3,704
Deferred tax liabilities	-	-	-	-	-	-	55,845	55,845
Long term borrowings	-	-	32,948	20,747	51,513	653,812	-	759,020
Subordinated obligations	-	-	-	19,678	1,300,000	1,950,000	-	3,269,678
Hybrid Tier-I Capital Securities	-	-	7,542	553	-	597,475	-	605,570
TOTAL LIABILITIES	48,748,541	28,934,559	17,959,452	13,348,033	17,653,247	5,530,932	310,134	132,484,898
Total equity	-	-	-	-	-	-	10,731,233	10,731,233
TOTAL LIABILITIES AND EQUITY	48,748,541	28,934,559	17,959,452	13,348,033	17,653,247	5,530,932	11,041,367	143,216,131

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

Group

1.1.2011	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	8,334,480	4,646,601	-	-	-	-	-	12,981,081
Securities purchased under resale agreements	276,407	-	-	-	-	-	-	276,407
Deposits and placements with banks and other financial institutions	-	-	763,606	60,218	247	-	-	824,071
Financial assets held-for-trading	119,374	80	99,448	99,194	-	30,415	-	348,511
Financial investments available-for-sale	31,034	183,642	477,009	326,821	451,496	8,463,576	-	9,933,578
Financial investments held-to-maturity	1,043	386,918	1,082,771	246,403	2,266,083	6,691,027	-	10,674,245
Loans, advances and financing	1,886,545	4,788,934	5,241,753	3,261,174	2,319,655	64,017,726	-	81,515,787
Other assets	31,809	28,074	7	18,684	3	18,608	98,502	195,687
Derivative assets	22,615	65,723	39,682	36,839	27,284	106,246	-	298,389
Statutory deposits	-	-	-	-	-	-	426,304	426,304
Tax recoverable	-	-	-	-	-	-	27	27
Deferred tax assets	-	-	-	-	-	-	264,629	264,629
Property, plant and equipment	-	-	-	-	-	-	598,057	598,057
Goodwill and intangible assets	-	-	-	-	-	-	1,107,118	1,107,118
TOTAL ASSETS	10,703,307	10,099,972	7,704,276	4,049,333	5,064,768	79,327,598	2,494,637	119,443,891

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

Group

1.1.2011	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES								
Deposits from customers	39,293,030	17,526,401	16,174,369	8,936,037	9,982,558	490,418	-	92,402,813
Deposits and placements of banks and other financial institutions	1,078,870	2,806,331	2,806,899	327,033	75,355	585,821	-	7,680,309
Bills and acceptances payable	463,826	904,780	1,723,270	444,264	-	-	-	3,536,140
Other liabilities	55,012	156,271	42,269	39,757	137,542	425,136	147,062	1,003,049
Derivative liabilities	19,279	43,877	38,629	37,484	20,512	80,380	-	240,161
Recourse obligation on loans sold to Cagamas Berhad	-	147,030	-	1,381	-	670,092	-	818,503
Taxation	-	-	25	-	-	-	167,313	167,338
Deferred tax liabilities	-	-	-	-	-	-	6	6
Long term borrowings	-	-	32,197	873	50,107	736,185	-	819,362
Subordinated obligations	-	-	-	18,157	-	3,000,000	-	3,018,157
Hybrid Tier-I Capital Securities	-	-	7,542	638	-	597,227	-	605,407
TOTAL LIABILITIES	40,910,017	21,584,690	20,825,200	9,805,624	10,266,074	6,585,259	314,381	110,291,245
Total equity	-	-	-	-	-	-	9,152,646	9,152,646
TOTAL LIABILITIES AND EQUITY	40,910,017	21,584,690	20,825,200	9,805,624	10,266,074	6,585,259	9,467,027	119,443,891

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8:

Bank

31.12.2012	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	9,892,855	9,129,549	-	-	-	-	-	19,022,404
Securities purchased under resale agreements	676,858	-	-	-	-	-	-	676,858
Deposits and placements with banks and other financial institutions	-	-	733,858	613,931	-	2,432,439	-	3,780,228
Financial assets held-for-trading	14,288	-	442,155	395,373	29,051	229,615	-	1,110,482
Financial investments available-for-sale	203	17,547	46,755	122,437	69,111	8,200,503	-	8,456,556
Financial investments held-to-maturity	353,062	801,973	433,826	848,688	299,289	12,909,155	-	15,645,993
Loans, advances and financing	2,676,811	3,782,617	5,171,240	3,186,346	2,415,329	72,043,472	-	89,275,815
Other assets	9,042	332,801	-	16,166	52,466	47,245	251,092	708,812
Derivative assets	10,476	13,254	11,309	12,403	12,126	211,461	-	271,029
Statutory deposits	-	-	-	-	-	-	2,916,509	2,916,509
Investment in subsidiaries	-	-	-	-	-	-	1,272,972	1,272,972
Property, plant and equipment	-	-	-	-	-	-	505,775	505,775
Goodwill and intangible assets	-	-	-	-	-	-	1,017,722	1,017,722
TOTAL ASSETS	13,633,595	14,077,741	6,839,143	5,195,344	2,877,372	96,073,890	5,964,070	144,661,155

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

Bank

31.12.2012	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	40,335,645	25,513,945	19,194,246	11,421,035	14,358,179	734,555	-	111,557,605
Deposits and placements of banks and other financial institutions	517,220	4,407,982	2,854,411	1,007,504	81,015	591,196	-	9,459,328
Bills and acceptances payable	519,127	1,160,854	1,602,519	427,955	-	-	-	3,710,455
Other liabilities	99,875	177,083	59,173	56,682	117,433	192,491	72,966	775,703
Derivative liabilities	2,254	18,701	23,585	27,699	9,673	191,647	-	273,559
Recourse obligation on loans sold to Cagamas Berhad	-	559	2,906	-	-	979,375	-	982,840
Taxation	-	-	-	-	-	-	98,525	98,525
Deferred tax liabilities	-	-	-	-	-	-	50,903	50,903
Long term borrowings	-	-	31,834	19,924	49,693	531,327	-	632,778
Subordinated obligations	-	-	-	24,138	-	3,996,781	-	4,020,919
Hybrid Tier-I Capital Securities	-	-	7,704	638	-	597,744	-	606,086
Senior Debt Securities	-	-	-	6,902	-	1,529,772	-	1,536,674
TOTAL LIABILITIES	41,474,121	31,279,124	23,776,378	12,992,477	14,615,993	9,344,888	222,394	133,705,375
Total equity	-	-	-	-	-	-	10,955,780	10,955,780
TOTAL LIABILITIES AND EQUITY	41,474,121	31,279,124	23,776,378	12,992,477	14,615,993	9,344,888	11,178,174	144,661,155

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

Bank

31.12.2011	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short-term funds	7,015,846	5,328,295	-	-	-	-	-	12,344,141
Securities purchased under resale agreements	142,291	-	-	-	-	-	-	142,291
Deposits and placements with banks and other financial institutions	-	-	957,469	515,861	138,946	587,962	-	2,200,238
Financial assets held-for-trading	-	-	455,366	322,512	-	92,010	-	869,888
Financial investments available-for-sale	219,459	280,562	813,528	902,791	36,263	4,086,543	-	6,339,146
Financial investments held-to-maturity	18,107	375,584	1,576,376	774,517	618,524	8,658,891	-	12,021,999
Loans, advances and financing	2,012,233	3,312,664	4,832,714	2,847,514	2,143,168	65,445,366	-	80,593,659
Other assets	4,389	434,629	-	22,233	24,496	40,621	150,303	676,671
Derivative assets	6,361	17,762	25,347	22,514	19,093	172,528	-	263,605
Tax recoverable	-	-	-	-	-	-	114,013	114,013
Statutory deposits	-	-	-	-	-	-	2,561,754	2,561,754
Investment in subsidiaries	-	-	-	-	-	-	1,072,972	1,072,972
Property, plant and equipment	-	-	-	-	-	-	521,449	521,449
Goodwill and intangible assets	-	-	-	-	-	-	1,009,637	1,009,637
TOTAL ASSETS	9,418,686	9,749,496	8,660,800	5,407,942	2,980,490	79,083,921	5,430,128	120,731,463

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

Bank

31.12.2011	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES								
Deposits from customers	39,386,984	21,718,676	8,825,911	9,374,653	14,586,295	456,662	-	94,349,181
Deposits and placements of banks and other financial institutions	761,236	2,107,462	1,701,923	762,126	69,297	407,622	-	5,809,666
Bills and acceptances payable	426,660	989,178	1,761,761	572,783	-	-	-	3,750,382
Other liabilities	98,218	163,349	31,194	46,525	112,017	264,622	209,851	925,776
Derivative liabilities	3,504	21,255	24,910	11,981	9,663	163,209	-	234,522
Recourse obligation on loans sold to Cagamas Berhad	30,745	-	-	993	130,076	1,000,000	-	1,161,814
Deferred tax liabilities	-	-	-	-	-	-	55,841	55,841
Long term borrowings	-	-	32,948	20,747	51,513	653,812	-	759,020
Subordinated obligations	-	-	-	19,678	1,300,000	1,950,000	-	3,269,678
Hybrid Tier-I Capital Securities	-	-	7,542	553	-	597,475	-	605,570
TOTAL LIABILITIES	40,707,347	24,999,920	12,386,189	10,810,039	16,258,861	5,493,402	265,692	110,921,450
Total equity	-	-	-	-	-	-	9,810,013	9,810,013
TOTAL LIABILITIES AND EQUITY	40,707,347	24,999,920	12,386,189	10,810,039	16,258,861	5,493,402	10,075,705	120,731,463

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

Bank

1.1.2011	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS								
Cash and short-term funds	6,832,370	4,261,191	-	-	-	-	-	11,093,561
Securities purchased under resale agreements	276,407	-	-	-	-	-	-	276,407
Deposits and placements with banks and other financial institutions	-	-	782,462	-	-	757,186	-	1,539,648
Financial assets held-for-trading	119,374	-	-	-	-	10,209	-	129,583
Financial investments available-for-sale	27,943	175,832	393,391	152,675	426,194	6,967,186	-	8,143,221
Financial investments held-to-maturity	1,043	386,817	1,082,771	185,954	2,198,164	5,703,563	-	9,558,312
Loans, advances and financing	1,605,163	3,094,258	4,765,359	2,760,007	1,915,023	57,029,615	-	71,169,425
Other assets	6,387	15,251	-	18,678	48,519	18,504	97,113	204,452
Derivative assets	22,615	64,217	39,682	36,839	27,284	107,511	-	298,148
Deferred tax assets	-	-	-	-	-	-	209,502	209,502
Statutory deposits	-	-	-	-	-	-	321,064	321,064
Investment in subsidiaries	-	-	-	-	-	-	822,972	822,972
Property, plant and equipment	-	-	-	-	-	-	443,258	443,258
Goodwill and intangible assets	-	-	-	-	-	-	1,002,744	1,002,744
TOTAL ASSETS	8,891,302	7,997,566	7,063,665	3,154,153	4,615,184	70,593,774	2,896,653	105,212,297

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity and is disclosed in accordance with the requirements of BNM GP8: (continued)

Bank

1.1.2011	Up to 1 week	1 week to 1 month	1 to 3 months	3 to 6 months	6 to 12 months	Over 1 year	No specific maturity	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES								
Deposits from customers	35,394,493	15,357,629	13,055,303	7,506,528	8,907,994	345,630	-	80,567,577
Deposits and placements of banks and other financial institutions	588,028	2,620,769	2,171,095	117,385	75,355	585,821	-	6,158,453
Bills and acceptances payable	451,702	904,780	1,723,270	444,264	-	-	-	3,524,016
Other liabilities	43,224	145,687	39,234	52,630	124,523	348,356	115,173	868,827
Derivative liabilities	19,279	43,663	38,629	35,273	20,512	81,628	-	238,984
Recourse obligation on loans sold to Cagamas Berhad	-	147,030	-	1,381	-	670,092	-	818,503
Taxation	-	-	-	-	-	-	163,133	163,133
Long term borrowings	-	-	32,197	873	50,107	736,185	-	819,362
Subordinated obligations	-	-	-	18,157	-	3,000,000	-	3,018,157
Hybrid Tier-I Capital Securities	-	-	7,542	638	-	597,227	-	605,407
TOTAL LIABILITIES	36,496,726	19,219,558	17,067,270	8,177,129	9,178,491	6,364,939	278,306	96,782,419
Total equity	-	-	-	-	-	-	8,429,878	8,429,878
TOTAL LIABILITIES AND EQUITY	36,496,726	19,219,558	17,067,270	8,177,129	9,178,491	6,364,939	8,708,184	105,212,297

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group

31.12.2012	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES							
Deposits from customers	78,837,435	35,647,640	16,678,480	873,051	44,350	-	132,080,956
Deposits and placements of banks and other financial institutions	6,048,126	4,589,479	267,318	448,169	720,621	-	12,073,713
Bills and acceptances payable	1,701,594	2,030,473	-	-	-	-	3,732,067
Other liabilities	312,851	108,960	60,536	171,367	14,317	23,218	691,249
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(1,052,573)	(2,257,371)	(625,227)	(24,711)	(6,736)	-	(3,966,618)
- Outflow	1,069,702	2,314,988	632,506	13,689	33,843	-	4,064,728
- Net settled derivatives	8,984	23,400	26,488	80,182	(33,625)	(1,691)	103,738
Recourse obligation on loans sold to Cagamas Berhad	24,522	111,225	137,215	1,036,234	1,443,031	-	2,752,227
Long term borrowings	-	52,925	52,720	208,207	204,094	135,479	653,425
Subordinated obligations	-	95,188	95,188	1,063,250	3,278,688	342,000	4,874,314
Hybrid Tier-I Capital Securities	-	22,563	22,563	90,250	90,250	675,450	901,076
Senior Debt Securities	-	24,846	24,847	99,385	1,603,539	-	1,752,617
TOTAL FINANCIAL LIABILITIES	86,950,641	42,764,316	17,372,634	4,059,073	7,392,372	1,174,456	159,713,492

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group

31.12.2011	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES							
Deposits from customers	72,557,766	24,621,421	16,684,812	442,514	55,764	-	114,362,277
Deposits and placements of banks and other financial institutions	3,432,585	4,117,867	72,634	303,266	113,301	-	8,039,653
Bills and acceptances payable	1,429,610	2,334,545	-	-	-	-	3,764,155
Other liabilities	244,589	67,489	98,060	247,549	15,229	27,639	700,555
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(2,810,661)	(2,588,172)	(317,603)	(128,905)	6,700	2,472	(5,836,169)
- Outflow	2,832,200	2,628,808	328,443	149,417	2,062	671	5,941,601
- Net settled derivatives	7,146	22,377	27,491	61,686	19,444	1,984	140,128
Recourse obligation on loans sold to Cagamas Berhad	33,953	36,313	162,798	607,316	470,845	-	1,311,225
Long term borrowings	-	56,519	56,256	221,425	215,925	246,874	796,999
Subordinated obligations	-	82,962	1,382,963	201,850	1,088,725	1,097,300	3,853,800
Hybrid Tier-I Capital Securities	-	22,563	22,563	90,250	90,250	720,575	946,201
TOTAL FINANCIAL LIABILITIES	77,727,188	31,402,692	18,518,417	2,196,368	2,078,245	2,097,515	134,020,425

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Group

1.1.2011	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES							
Deposits from customers	56,906,257	25,316,224	10,107,553	463,657	34,023	-	92,827,714
Deposits and placements of banks and other financial institutions	3,916,859	3,116,330	80,085	391,855	205,732	16,588	7,727,449
Bills and acceptances payable	1,368,605	2,167,535	-	-	-	-	3,536,140
Other liabilities	192,313	97,129	120,282	325,981	25,849	49,823	811,377
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(4,382,957)	(1,944,163)	(321,027)	14,860	6,556	2,419	(6,624,312)
- Outflow	4,445,595	2,031,110	350,213	4,662	2,017	657	6,834,254
- Net settled derivatives	10,205	16,446	20,677	54,445	27,111	15,635	144,519
Recourse obligation on loans sold to Cagamas Berhad	150,999	17,087	20,504	214,332	522,750	-	925,672
Long term borrowings	-	32,865	53,965	213,403	209,465	342,050	851,748
Subordinated obligations	-	77,650	77,650	1,545,600	863,100	1,152,600	3,716,600
Hybrid Tier-I Capital Securities	-	22,563	22,563	90,250	90,250	765,700	991,326
TOTAL FINANCIAL LIABILITIES	62,607,876	30,950,776	10,532,465	3,319,045	1,986,853	2,345,472	111,742,487

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank

31.12.2012	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES							
Deposits from customers	65,872,944	30,858,887	14,703,018	732,920	29,268	-	112,197,037
Deposits and placements of banks and other financial institutions	5,076,335	3,887,428	84,287	233,622	230,548	-	9,512,220
Bills and acceptances payable	1,679,981	2,030,474	-	-	-	-	3,710,455
Other liabilities	247,141	113,689	39,274	171,009	14,317	23,218	608,648
Derivative liabilities:							
- Gross settled derivatives							
- Inflow	(1,052,573)	(2,257,371)	(625,227)	(24,711)	(6,736)	-	(3,966,618)
- Outflow	1,069,702	2,314,988	632,506	13,689	33,843	-	4,064,728
- Net settled derivatives	8,984	22,938	26,027	78,715	(33,751)	(1,691)	101,222
Recourse obligation on loans sold to Cagamas Berhad	1,896	30,559	32,495	607,656	428,304	-	1,100,910
Long term borrowings	-	52,925	52,720	208,207	204,094	135,479	653,425
Subordinated obligations	-	95,188	95,188	1,063,250	3,278,688	342,000	4,874,314
Hybrid Tier-I Capital Securities	-	22,563	22,563	90,250	90,250	675,450	901,076
Senior Debt Securities	-	24,846	24,847	99,385	1,603,539	-	1,752,617
TOTAL FINANCIAL LIABILITIES	72,904,410	37,197,114	15,087,698	3,273,992	5,872,364	1,174,456	135,510,034

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank

31.12.2011	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
LIABILITIES							
Deposits from customers	61,154,352	18,447,657	14,912,310	405,354	51,714	-	94,971,387
Deposits and placements of banks and other financial institutions	2,871,073	2,480,760	72,634	303,266	113,301	-	5,841,034
Bills and acceptances payable	1,415,837	2,334,545	-	-	-	-	3,750,382
Other liabilities	230,094	75,763	78,890	246,978	15,229	26,926	673,880
Derivative liabilities							
- Gross settled derivatives							
- Inflow	(2,810,661)	(2,588,172)	(317,603)	(128,905)	6,700	2,472	(5,836,169)
- Outflow	2,832,198	2,628,796	328,443	149,417	2,062	671	5,941,587
- Net settled derivatives	7,102	21,787	27,130	60,242	19,083	1,984	137,328
Recourse obligation on loans sold to Cagamas Berhad	33,953	36,313	162,798	607,316	470,845	-	1,311,225
Long term borrowings	-	56,519	56,256	221,425	215,925	246,874	796,999
Subordinated obligations	-	82,962	1,382,963	201,850	1,088,725	1,097,300	3,853,800
Hybrid Tier-I Capital Securities	-	22,563	22,563	90,250	90,250	720,575	946,201
TOTAL FINANCIAL LIABILITIES	65,733,948	23,599,493	16,726,384	2,157,193	2,073,834	2,096,802	112,387,654

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

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

Bank

1.1.2011	Up to 1 month	1 to 6 months	6 to 12 months	1 to 3 years	3 to 5 years	Over 5 years	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
LIABILITIES							
Deposits from customers	50,841,606	20,736,218	9,013,778	307,037	33,149	-	80,931,788
Deposits and placements of banks and other financial institutions	3,209,258	2,296,649	80,085	391,855	205,732	1,823	6,185,402
Bills and acceptances payable	1,356,481	2,167,535	-	-	-	-	3,524,016
Other liabilities	169,940	106,967	107,263	258,076	22,874	37,873	702,993
Derivative liabilities							
- Gross settled derivatives							
- Inflow	(4,382,957)	(1,944,163)	(321,027)	14,860	6,556	2,419	(6,624,312)
- Outflow	4,445,588	2,031,076	350,173	4,622	2,017	657	6,834,133
- Net settled derivatives	10,116	13,845	17,989	43,695	16,361	15,635	117,641
Recourse obligation on loans sold to Cagamas Berhad	150,999	17,087	20,504	214,332	522,750	-	925,672
Long term borrowings	-	32,865	53,965	213,403	209,465	342,050	851,748
Subordinated obligations	-	77,650	77,650	1,545,600	863,100	1,152,600	3,716,600
Hybrid Tier-I Capital Securities	-	22,563	22,563	90,250	90,250	765,700	991,326
TOTAL FINANCIAL LIABILITIES	55,801,031	25,558,292	9,422,943	3,083,730	1,972,254	2,318,757	98,157,007

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Group's commitments and contingencies:

Group	Less than 1 year RM'000	Over 1 year RM'000	Total RM'000
31.12.2012			
Direct credit substitutes	**413,164**	**1,767,472**	**2,180,636**
Transaction-related contingent items	**300,742**	**2,195,071**	**2,495,813**
Short term self-liquidating trade-related contingencies	**698,696**	**311,155**	**1,009,851**
Obligations under underwriting agreements	**90,000**	**-**	**90,000**
Irrevocable commitments to extend credit	**10,237,339**	**24,625,669**	**34,863,008**
TOTAL COMMITMENTS AND CONTINGENCIES	**11,739,941**	**28,899,367**	**40,639,308**
31.12.2011			
Direct credit substitutes	357,640	1,149,221	1,506,861
Transaction-related contingent items	336,308	1,852,761	2,189,069
Short term self-liquidating trade-related contingencies	617,510	284,500	902,010
Obligations under underwriting agreements	208,500	-	208,500
Irrevocable commitments to extend credit	10,133,756	25,028,693	35,162,449
TOTAL COMMITMENTS AND CONTINGENCIES	11,653,714	28,315,175	39,968,889
1.1.2011			
Direct credit substitutes	2,366,972	-	2,366,972
Transaction-related contingent items	1,905,733	-	1,905,733
Short term self-liquidating trade-related contingencies	825,269	-	825,269
Obligations under underwriting agreements	29,000	-	29,000
Irrevocable commitments to extend credit	31,965,921	4,492,229	36,458,150
TOTAL COMMITMENTS AND CONTINGENCIES	37,092,895	4,492,229	41,585,124

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity risk (continued)

The following table presents the contractual expiry by maturity of the Bank's commitments and contingencies:

Bank	Less than 1 year	Over 1 year	Total
	RM'000	RM'000	RM'000
31.12.2012			
Direct credit substitutes	**413,164**	**1,710,722**	**2,123,886**
Transaction-related contingent items	**194,638**	**1,934,198**	**2,128,836**
Short term self-liquidating trade-related contingencies	**643,093**	**311,155**	**954,248**
Irrevocable commitments to extend credit	**8,395,198**	**22,480,527**	**30,875,725**
TOTAL COMMITMENTS AND CONTINGENCIES	**9,646,093**	**26,436,602**	**36,082,695**
31.12.2011			
Direct credit substitutes	357,605	1,023,534	1,381,139
Transaction-related contingent items	241,750	1,843,514	2,085,264
Short term self-liquidating trade-related contingencies	575,086	284,500	859,586
Irrevocable commitments to extend credit	8,466,652	22,488,731	30,955,383
TOTAL COMMITMENTS AND CONTINGENCIES	9,641,093	25,640,279	35,281,372
1.1.2011			
Direct credit substitutes	2,170,663	-	2,170,663
Transaction-related contingent items	1,750,541	-	1,750,541
Short term self-liquidating trade-related contingencies	785,946	-	785,946
Irrevocable commitments to extend credit	29,557,105	3,938,118	33,495,223
TOTAL COMMITMENTS AND CONTINGENCIES	34,264,255	3,938,118	38,202,373

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

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk

(i) Maximum exposure to credit risk

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

			Group
	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Credit risk exposure:			
Short-term funds (exclude cash in hand)	**21,697,459**	17,700,923	12,484,907
Securities purchased under resale agreements	**676,858**	142,291	276,407
Deposits and placements with banks and other financial institutions	**3,549,648**	937,828	824,071
Financial assets and investments portfolios (exclude shares):			
- Held-for-trading	**1,549,863**	1,303,419	348,511
- Available-for-sale	**9,670,038**	7,626,424	9,587,228
- Held-to-maturity	**17,801,251**	13,475,167	10,674,245
Loans, advances and financing	**107,465,886**	95,317,875	81,515,787
Other financial assets	**239,837**	179,244	117,062
Derivative assets	**250,917**	226,980	298,389
	162,901,757	136,910,151	116,126,607
Commitments and contingencies	**40,639,308**	39,968,889	41,585,124
Total maximum credit risk exposure	**203,541,065**	176,879,040	157,711,731

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(i) Maximum exposure to credit risk (continued)

			Bank
	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Credit risk exposure:			
Short-term funds (exclude cash in hand)	**18,118,704**	11,657,105	10,633,112
Securities purchased under resale agreements	**676,858**	142,291	276,407
Deposits and placements with banks and other financial institutions	**3,780,228**	2,200,238	1,539,648
Financial assets and investments portfolios (exclude shares):			
- Held-for-trading	**1,110,482**	869,888	129,583
- Available-for-sale	**8,103,509**	5,953,316	7,800,537
- Held-to-maturity	**15,645,993**	12,021,999	9,558,312
Loans, advances and financing	**89,275,815**	80,593,659	71,169,425
Other financial assets	**562,725**	588,714	152,140
Derivative assets	**271,029**	263,605	298,148
	137,545,343	114,290,815	101,557,312
Commitments and contingencies	**36,082,695**	35,281,372	38,202,373
Total maximum credit risk exposure	**173,628,038**	149,572,187	139,759,685

(ii) Collaterals

The main types of collateral obtained by the Group and the Bank are as follows:

(a) Fixed deposits, Mudharabah General Investment Account, negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
(b) Land and buildings
(c) Vessels and automobiles
(d) Quoted shares, unit trusts, Malaysian Government Bonds and securities and private debt securities
(e) Endowment life policies with cash surrender value
(f) Other tangible business assets, such as inventory and equipment

The Group and the Bank also accepts non-tangible securities such as support, guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract payments, which are subject to internal guidelines on eligibility.

The financial effect of collateral (quantification of the extent to which collateral and other credit enhancements mitigate credit risk) held for loans and advances as at 31 December 2012 for the Group and the Bank are 56.8% (2011: 58.1%) and 57.8% (2011: 59.2%) respectively. The financial effect of collateral held for the other financial assets is not significant.

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality

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

Internal ratings	Description
- Investment Grade	Strong(est) credit quality which are associated with general standards of investment grade as defined by international rating agency such as Standard and Poor's (S&P), Moody's, Fitch and Rating Agency Malaysia (RAM).
- Lower Investment Grade	Lower credit quality which are associated with general standards of investments grade as defined by international rating agency such as Standard and Poor's (S&P), Moody's, Fitch and Rating Agency Malaysia (RAM).
- Non-investment Grade	Weaker credit quality which are associated with general standards of non-investment grade as defined by international rating agency such as Standard and Poor's (S&P), Moody's, Fitch and Rating Agency Malaysia (RAM).

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

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

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans, advances and financing

Loans, advances and financing are summarised as follows:

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Neither past due nor impaired	**100,322,706**	88,280,657	75,236,598	**82,804,030**	74,210,406	65,305,450
Past due but not impaired	**6,228,387**	5,922,541	5,103,655	**5,702,010**	5,532,244	5,012,743
Individually impaired	**3,090,090**	3,493,331	3,847,622	**2,600,833**	2,852,308	3,072,886
Gross loans, advances and financing	**109,641,183**	97,696,529	84,187,875	**91,106,873**	82,594,958	73,391,079
Less: Individual impairment allowance	**(780,069)**	(812,502)	(854,899)	**(648,256)**	(666,218)	(682,522)
Collective impairment allowance	**(1,395,228)**	(1,566,152)	(1,817,189)	**(1,182,802)**	(1,335,081)	(1,539,132)
Net loans, advances and financing	**107,465,886**	95,317,875	81,515,787	**89,275,815**	80,593,659	71,169,425

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans, advances and financing (continued)

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

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

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Investment Grade	**64,315,349**	56,210,960	51,009,874	**55,687,196**	49,454,870	46,443,934
Lower investment Grade	**6,199,835**	8,925,966	5,924,440	**5,683,132**	7,994,922	4,945,630
Non-investment Grade	**1,471,088**	1,036,899	8,003,924	**1,354,624**	365,420	7,966,636
Non-rated	**28,336,434**	22,106,832	10,298,360	**20,079,078**	16,395,194	5,949,250
	100,322,706	88,280,657	75,236,598	**82,804,030**	74,210,406	65,305,450

Loans, advances and financing classified as non-rated mainly comprise of loans under the standardised approach for credit risk including Amanah Saham Bumiputera ('ASB'), Islamic housing financing and Islamic hire purchase.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

(a) Loans, advances and financing (continued)

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

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

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Past due up to 30 days	**2,133,755**	1,972,442	1,322,560	**2,057,378**	1,936,875	1,302,342
Past due 31 to 60 days	**2,791,493**	2,736,127	2,621,829	**2,453,457**	2,473,992	2,552,832
Past due 61 to 90 days	**1,303,139**	1,213,972	1,159,266	**1,191,175**	1,121,377	1,157,569
Past due but not impaired	**6,228,387**	5,922,541	5,103,655	**5,702,010**	5,532,244	5,012,743

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

			Group			Bank
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Individually impaired loans	**3,090,090**	3,493,331	3,847,622	**2,600,833**	2,852,308	3,072,886

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

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

Group	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
31.12.2012							
Neither past due nor impaired	**25,247,107**	**676,858**	**1,549,863**	**9,531,006**	**17,785,321**	**239,837**	**250,917**
Impaired	**-**	**-**	**-**	**139,032**	**134,994**	**-**	**-**
Less: Impairment losses	**-**	**-**	**-**	**-**	**(119,064)**	**-**	**-**
	25,247,107	**676,858**	**1,549,863**	**9,670,038**	**17,801,251**	**239,837**	**250,917**
31.12.2011							
Neither past due nor impaired	18,638,751	142,291	1,303,419	7,477,249	13,452,344	179,244	226,980
Impaired	-	-	-	149,175	146,334	-	-
Less: Impairment losses	-	-	-	-	(123,511)	-	-
	18,638,751	142,291	1,303,419	7,626,424	13,475,167	179,244	226,980
1.1.2011							
Neither past due nor impaired	13,308,978	276,407	348,511	9,387,732	10,637,095	117,062	298,389
Impaired	-	-	-	199,496	159,536	-	-
Less: Impairment losses	-	-	-	-	(122,386)	-	-
	13,308,978	276,407	348,511	9,587,228	10,674,245	117,062	298,389

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

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

(b) Short-term funds, deposits and placements with banks and other financial institutions, securities purchased under resale agreements, financial assets and investments portfolios, other assets and derivative assets are analysed as follows: (continued)

Bank	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
31.12.2012							
Neither past due nor impaired	**21,898,932**	**676,858**	**1,110,482**	**7,964,477**	**15,630,063**	**562,725**	**271,029**
Impaired	**-**	**-**	**-**	**139,032**	**134,994**	**-**	**-**
Less: Impairment losses	**-**	**-**	**-**	**-**	**(119,064)**	**-**	**-**
	21,898,932	**676,858**	**1,110,482**	**8,103,509**	**15,645,993**	**562,725**	**271,029**
31.12.2011							
Neither past due nor impaired	13,857,343	142,291	869,888	5,804,141	11,999,176	588,714	263,605
Impaired	-	-	-	149,175	146,334	-	-
Less: Impairment losses	-	-	-	-	(123,511)	-	-
	13,857,343	142,291	869,888	5,953,316	12,021,999	588,714	263,605
1.1.2011							
Neither past due nor impaired	12,172,760	276,407	129,583	7,601,041	9,521,162	152,140	298,148
Impaired	-	-	-	199,496	159,536	-	-
Less: Impairment losses	-	-	-	-	(122,386)	-	-
	12,172,760	276,407	129,583	7,800,537	9,558,312	152,140	298,148

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

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

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

Group	Short-term funds and deposits and placements with banks and other financial institutions	Securities purchased under resale agreements	Financial assets held-for-trading	Financial investments available-for-sale	Financial investments held-to-maturity	Other financial assets	Derivative assets
31.12.2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
AAA to AA3	1,020,133	676,858	508,289	3,801,033	3,549,481	-	106,329
A1 to A3	268,391	-	16,847	1,402,367	333,139	-	40,674
Baa1 to Baa3	520,483	-	-	338,944	282,436	-	32,578
P1 to P3	5,638,674	-	-	-	-	-	-
Non-rated including:	17,799,426	-	1,024,727	3,988,662	13,620,265	239,837	71,336
- Bank Negara Malaysia	16,772,813	-	598,073	-	-	-	1,738
- Malaysian Government Securities	-	-	222,202	459,574	2,415,844	-	-
- Malaysian Government Treasury Bills	-	-	52,869	-	-	-	-
- Malaysian Government Investment Issues	-	-	151,583	1,896,122	5,499,829	-	-
- Private debt securities	-	-	-	1,495,587	2,882,151	-	-
- Bankers' acceptances	-	-	-	-	339,215	-	-
- Khazanah bonds	-	-	-	36,016	66,290	-	-
- Others	1,026,613	-	-	101,363	2,416,936	239,837	69,598
	25,247,107	676,858	1,549,863	9,531,006	17,785,321	239,837	250,917

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

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

Group 31.12.2011	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	254	142,291	280,562	2,174,097	4,386,478	-	87,278
A1 to A3	354,702	-	16,496	1,236,724	1,560,712	-	64,203
Baa1 to Baa3	381,806	-	-	254,851	259,273	-	27,392
P1 to P3	12,467,372	-	-	23,968	-	-	38
Non-rated including:	5,434,617	-	1,006,361	3,787,609	7,245,881	179,244	48,069
- Bank Negara Malaysia	5,129,474	-	808,374	-	-	-	541
- Malaysian Government Securities	-	-	-	974,018	2,768,820	-	-
- Malaysian Government Investment Issues	-	-	144,220	1,965,660	2,991,758	-	-
- Private debt securities	-	-	-	847,931	1,200,103	-	-
- Bankers' acceptances	-	-	-	-	169,823	-	-
- Khazanah bonds	-	-	53,767	-	63,418	-	-
- Others	305,143	-	-	-	51,959	179,244	47,528
	18,638,751	142,291	1,303,419	7,477,249	13,452,344	179,244	226,980

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

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

Group	Short-term funds and deposits and placements with banks and other financial institutions	Securities purchased under resale agreements	Financial assets held-for-trading	Financial investments available-for-sale	Financial investments held-to-maturity	Other financial assets	Derivative assets
1.1.2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
AAA to AA3	163,544	276,076	129,508	2,183,843	3,938,905	-	130,666
A1 to A3	351,641	331	-	624,024	1,538,181	-	79,249
Baa1 to Baa3	308,638	-	10,216	214,784	241,750	-	2,438
P1 to P3	5,081,877	-	24,906	109,589	-	-	-
Non-rated including:	7,403,278	-	183,881	6,255,492	4,918,259	117,062	86,036
- Bank Negara Malaysia	7,008,453	-	173,815	-	-	-	-
- Malaysian Government Securities	-	-	-	3,199,222	2,948,345	-	-
- Malaysian Government Investment Issues	-	-	10,066	2,306,237	1,371,160	-	-
- Private debt securities	-	-	-	570,280	521,867	-	-
- Khazanah bonds	-	-	-	-	52,632	-	-
- Others	394,825	-	-	179,753	24,255	117,062	86,036
	13,308,978	276,407	348,511	9,387,732	10,637,095	117,062	298,389

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

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

Bank	Short-term funds and deposits and placements with banks and other financial institutions	Securities purchased under resale agreements	Financial assets held-for-trading	Financial investments available-for-sale	Financial investments held-to-maturity	Other financial assets	Derivative assets
31.12.2012	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
AAA to AA3	3,092,243	676,858	227,634	3,004,764	3,201,185	-	126,441
A1 to A3	167,836	-	9,704	1,385,497	312,816	-	40,674
Baa1 to Baa3	520,483	-	-	338,944	264,011	-	32,578
P1 to P3	4,111,404	-	-	-	-	-	-
Non-rated including:	14,006,966	-	873,144	3,235,272	11,852,051	562,725	71,336
- Bank Negara Malaysia	13,339,250	-	598,073	-	-	-	1,738
- Malaysian Government Securities	-	-	222,202	459,574	2,415,844	-	-
- Malaysian Government Treasury Bills	-	-	52,869	-	-	-	-
- Malaysian Government Investment Issues	-	-	-	1,409,751	4,756,426	-	-
- Private debt securities	-	-	-	1,264,584	2,521,096	-	-
- Bankers' acceptances	-	-	-	-	339,215	-	-
- Khazanah bonds	-	-	-	-	57,632	-	-
- Others	667,716	-	-	101,363	1,761,838	562,725	69,598
	21,898,932	676,858	1,110,482	7,964,477	15,630,063	562,725	271,029

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

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

Bank 31.12.2011	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale RM'000	Financial investments held-to-maturity RM'000	Other financial assets RM'000	Derivative assets RM'000
AAA to AA3	1,745,518	142,291	275,519	1,680,229	3,926,310	-	124,124
A1 to A3	354,702	-	-	1,213,213	1,540,390	-	64,203
Baa1 to Baa3	381,806	-	-	254,851	240,210	-	27,171
P1 to P3	11,204,393	-	-	7,989	-	-	38
Non-rated including:	170,924	-	594,369	2,647,859	6,292,266	588,714	48,069
- Bank Negara Malaysia	-	-	501,461	-	-	-	541
- Malaysian Government Securities	-	-	-	974,018	2,768,820	-	-
- Malaysian Government Investment Issues	-	-	92,908	1,096,153	2,195,778	-	-
- Private debt securities	-	-	-	577,688	1,102,774	-	-
- Bankers' acceptances	-	-	-	-	169,823	-	-
- Khazanah bonds	-	-	-	-	55,071	-	-
- Others	170,924	-	-	-	-	588,714	47,528
	13,857,343	142,291	869,888	5,804,141	11,999,176	588,714	263,605

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iii) Credit quality (continued)

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

Bank	Short-term funds and deposits and placements with banks and other financial institutions	Securities purchased under resale agreements	Financial assets held-for-trading	Financial investments available-for-sale	Financial investments held-to-maturity	Other financial assets	Derivative assets
1.1.2011	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
AAA to AA3	972,028	276,076	119,367	1,950,359	3,570,319	-	131,931
A1 to A3	351,641	331	-	536,227	1,468,167	-	79,249
Baa1 to Baa3	215,979	-	10,216	214,784	223,230	-	2,438
P1 to P3	4,272,649	-	-	109,589	-	-	-
Non-rated including:	6,360,463	-	-	4,790,082	4,259,446	152,140	84,530
- Bank Negara Malaysia	6,008,273	-	-	-	-	-	-
- Malaysian Government Securities	-	-	-	3,199,222	2,948,345	-	-
- Malaysian Government Investment Issues	-	-	-	1,066,701	781,992	-	-
- Private debt securities	-	-	-	438,126	476,477	-	-
- Khazanah bonds	-	-	-	-	52,632	-	-
- Others	352,190	-	-	86,033	-	152,140	84,530
	12,172,760	276,407	129,583	7,601,041	9,521,162	152,140	298,148

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

(iv) Collateral and other credit enhancements

The carrying amount of assets held by the Group and the Bank a result of taking possession of collaterals held as securities is as follows:

		Group and Bank	
	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Residential properties	**2,167**	2,534	3,724

Repossessed properties are made available for sale in an orderly fashion, with the proceeds used to reduce or repay the outstanding indebtedness. The Group and the Bank generally do not occupy the premises repossessed for its business use.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

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

Group 31.12.2012	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale @ RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing # RM'000	Other financial assets * RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	-	-	-	939,895	-	4,273,468	50,475	1,003,478	6,267,316
Mining and quarrying	-	-	-	-	-	728,740	-	871,422	1,600,162
Manufacturing	-	-	-	100,089	15,930	9,326,834	5,562	8,987,147	18,435,562
Electricity, gas and water	-	-	-	524,727	822,192	2,574,692	8,828	655,396	4,585,835
Construction	-	-	-	229,861	-	4,302,313	-	5,267,114	9,799,288
Real estate	-	-	5,094	288,623	227,637	2,343,998	-	1,089,154	3,954,506
Purchase of landed property	-	-	-	-	-	26,762,049	-	4,563,722	31,325,771
General commerce	-	-	-	-	405,810	7,217,633	-	4,886,444	12,509,887
Transport, storage and communication	-	-	25,236	613,694	322,179	4,724,407	934	905,170	6,591,620
Finance, insurance and business services	8,474,292	676,858	9,703	3,456,579	3,857,666	9,761,829	126,805	1,644,243	28,007,975
Government and government agencies	16,772,815	-	1,509,830	3,516,570	12,092,243	11,860,306	1,738	152,900	45,906,402
Purchase of securities	-	-	-	-	57,594	8,734,077	-	1,745,307	10,536,978
Purchase of transport vehicles	-	-	-	-	-	6,696,796	-	627,340	7,324,136
Consumption credit	-	-	-	-	-	2,209,361	-	4,506,527	6,715,888
Others	-	-	-	-	-	7,344,611	296,412	3,733,944	11,374,967
	25,247,107	676,858	1,549,863	9,670,038	17,801,251	108,861,114	490,754	40,639,308	204,936,293

Excludes collective impairment allowance amounting to RM1,395,228,000.
@ Excludes equity instrument amounting to RM356,273,000.
* Other financial assets include other assets amounting to RM239,837,000 and derivative assets amounting to RM250,917,000.

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FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

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

Group 31.12.2011	Short-term funds and deposits and placements with banks and other financial institutions	Securities purchased under resale agreements	Financial assets held-for-trading	Financial investments available-for-sale @	Financial investments held-to-maturity	Loans, advances and financing #	Other financial assets *	Commitments and contingencies	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	10,339	-	2,534,508	-	922,141	3,466,988
Mining and quarrying	-	-	-	-	-	300,852	-	208,399	509,251
Manufacturing	-	-	-	50,662	23,781	8,763,827	-	7,322,343	16,160,613
Electricity, gas and water	-	-	5,044	617,019	635,142	524,610	11,493	689,820	2,483,128
Construction	-	-	-	95,529	-	5,520,525	-	3,965,881	9,581,935
Real estate	-	-	-	257,273	238,833	1,704,227	-	696,988	2,897,321
Purchase of landed property	-	-	-	-	-	24,963,115	-	2,990,884	27,953,999
General commerce	-	-	-	80,067	-	5,845,669	-	4,294,085	10,219,821
Transport, storage and communication	-	-	-	57,072	395,299	7,419,491	-	1,798,475	9,670,337
Finance, insurance and business services	6,774,566	-	306,913	2,656,781	5,281,082	5,501,140	173,153	3,887,486	24,581,121
Government and government agencies	11,864,185	142,291	991,462	3,801,682	6,901,030	1,805,327	541	-	25,506,518
Purchase of securities	-	-	-	-	-	6,577,185	-	1,265,547	7,842,732
Purchase of transport vehicles	-	-	-	-	-	6,761,403	-	874,074	7,635,477
Consumption credit	-	-	-	-	-	7,305,722	-	7,291,351	14,597,073
Others	-	-	-	-	-	11,356,426	221,037	3,761,415	15,338,878
	18,638,751	142,291	1,303,419	7,626,424	13,475,167	96,884,027	406,224	39,968,889	178,445,192

Excludes collective impairment allowance amounting to RM1,566,152,000.
@ Excludes equity instrument amounting to RM388,661,000.
* Other financial assets include other assets amounting to RM179,244,000 and derivative assets amounting to RM226,980,000.

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

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

Group 1.1.2011	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale @ RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing # RM'000	Other financial assets * RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	-	-	-	9,496	-	2,416,973	-	789,087	3,215,556
Mining and quarrying	-	-	-	-	-	127,260	-	155,118	282,378
Manufacturing	-	-	-	128,792	36,803	8,968,527	-	8,067,499	17,201,621
Electricity, gas and water	-	-	24,906	182,085	128,028	702,769	-	1,611,720	2,649,508
Construction	-	-	-	37,369	-	3,458,210	-	5,175,282	8,670,861
Real estate	-	-	-	63,902	35,723	1,085,249	-	909,095	2,093,969
Purchase of landed property	-	-	-	-	-	23,322,504	-	4,160,660	27,483,164
General commerce	-	-	-	23,560	47,750	5,586,827	-	5,339,941	10,998,078
Transport, storage and communication	-	-	-	95,508	412,213	5,457,787	3	1,938,899	7,904,410
Finance, insurance and business services	6,334,732	31,448	183,956	2,949,232	5,047,314	5,197,063	-	1,489,779	21,233,524
Government and government agencies	6,974,246	244,959	139,649	6,097,284	4,966,414	14,985	-	-	18,437,537
Purchase of securities	-	-	-	-	-	3,744,731	-	1,244,967	4,989,698
Purchase of transport vehicles	-	-	-	-	-	6,644,937	-	877,191	7,522,128
Consumption credit	-	-	-	-	-	5,584,061	-	6,444,870	12,028,931
Others	-	-	-	-	-	11,021,093	415,448	3,381,016	14,817,557
	13,308,978	276,407	348,511	9,587,228	10,674,245	83,332,976	415,451	41,585,124	159,528,920

Excludes collective impairment allowance amounting to RM1,817,189,000.
@ Excludes equity instrument amounting to RM346,350,000.
* Other financial assets include other assets amounting to RM117,062,000 and derivative assets amounting to RM298,389,000.

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

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

Bank

31.12.2012	Short-term funds and deposits and placements with banks and other financial institutions	Securities purchased under resale agreements	Financial assets held-for-trading	Financial investments available-for-sale @	Financial investments held-to-maturity	Loans, advances and financing #	Other financial assets *	Commitments and contingencies	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Agriculture	-	-	-	909,442	-	3,731,870	50,475	893,044	5,584,831
Mining and quarrying	-	-	-	-	-	547,838	-	871,422	1,419,260
Manufacturing	-	-	-	100,089	15,930	8,007,984	5,562	8,542,745	16,672,310
Electricity, gas and water	-	-	-	410,215	756,293	2,140,978	8,828	649,110	3,965,424
Construction	-	-	-	208,943	-	3,439,426	-	5,022,194	8,670,563
Real estate	-	-	-	96,591	50,292	2,150,450	-	1,079,154	3,376,487
Purchase of landed property	-	-	-	-	-	23,430,005	-	3,559,666	26,989,671
General commerce	-	-	-	-	405,810	6,545,185	-	4,479,369	11,430,364
Transport, storage and communication	-	-	-	461,410	306,947	3,660,500	934	759,257	5,189,048
Finance, insurance and business services	8,559,680	676,858	9,703	3,251,656	3,730,327	8,338,280	149,195	1,393,407	26,109,106
Government and government agencies	13,339,252	-	1,100,779	2,665,163	10,322,800	7,606,524	1,738	-	35,036,256
Purchase of securities	-	-	-	-	57,594	8,734,077	-	1,745,307	10,536,978
Purchase of transport vehicles	-	-	-	-	-	6,696,796	-	314,981	7,011,777
Consumption credit	-	-	-	-	-	2,209,361	-	4,186,039	6,395,400
Others	-	-	-	-	-	3,219,343	617,022	2,587,000	6,423,365
	21,898,932	676,858	1,110,482	8,103,509	15,645,993	90,458,617	833,754	36,082,695	174,810,840

Excludes collective impairment allowance amounting to RM1,182,802,000.
@ Excludes equity instrument amounting to RM353,047,000.
* Other financial assets include other assets amounting to RM562,725,000 and derivative assets amounting to RM271,029,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

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

Bank 31.12.2011	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale @ RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing # RM'000	Other financial assets * RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	-	-	-	10,339	-	2,289,420	-	866,895	3,166,654
Mining and quarrying	-	-	-	-	-	115,814	-	208,399	324,213
Manufacturing	-	-	-	50,662	23,781	7,644,053	-	6,713,034	14,431,530
Electricity, gas and water	-	-	-	473,895	567,796	139,549	11,493	683,281	1,876,014
Construction	-	-	-	95,529	-	4,929,981	-	3,493,552	8,519,062
Real estate	-	-	-	120,128	49,003	1,510,867	-	677,164	2,357,162
Purchase of landed property	-	-	-	-	-	21,968,651	-	2,277,700	24,246,351
General commerce	-	-	-	80,067	-	5,103,952	-	3,771,084	8,955,103
Transport, storage and communication	-	-	-	9,369	325,137	3,387,538	-	769,070	4,491,114
Finance, insurance and business services	5,811,999	-	-	2,625,031	5,281,082	5,415,319	234,495	3,811,428	23,179,354
Government and government agencies	8,045,344	142,291	869,888	2,488,296	5,775,200	-	541	-	17,321,560
Purchase of securities	-	-	-	-	-	6,568,578	-	1,265,547	7,834,125
Purchase of transport vehicles	-	-	-	-	-	6,760,754	-	874,074	7,634,828
Consumption credit	-	-	-	-	-	7,299,161	-	6,452,057	13,751,218
Others	-	-	-	-	-	8,795,103	605,790	3,418,087	12,818,980
	13,857,343	142,291	869,888	5,953,316	12,021,999	81,928,740	852,319	35,281,372	150,907,268

Excludes collective impairment allowance amounting to RM1,335,081,000.
@ Excludes equity instrument amounting to RM385,830,000.
* Other financial assets include other assets amounting to RM588,714,000 and derivative assets amounting to RM263,605,000.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit risk (continued)

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

Bank 1.1.2011	Short-term funds and deposits and placements with banks and other financial institutions RM'000	Securities purchased under resale agreements RM'000	Financial assets held-for-trading RM'000	Financial investments available-for-sale @ RM'000	Financial investments held-to-maturity RM'000	Loans, advances and financing # RM'000	Other financial assets * RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture	-	-	-	9,496	-	1,987,388	-	757,994	2,754,878
Mining and quarrying	-	-	-	-	-	100,402	-	155,118	255,520
Manufacturing	-	-	-	128,792	36,803	7,841,928	-	7,876,759	15,884,282
Electricity, gas and water	-	-	-	114,751	60,945	286,640	-	1,478,535	1,940,871
Construction	-	-	-	37,369	-	2,865,347	-	4,792,338	7,695,054
Real estate	-	-	-	47,647	-	1,091,678	-	846,822	1,986,147
Purchase of landed property	-	-	-	-	-	20,707,015	-	3,916,145	24,623,160
General commerce	-	-	-	18,512	47,750	4,873,721	-	4,844,965	9,784,948
Transport, storage and communication	-	-	-	55,076	324,893	3,337,506	-	1,830,210	5,547,685
Finance, insurance and business services	6,164,487	31,448	-	2,672,943	4,751,517	4,723,049	48,519	1,349,218	19,741,181
Government and government agencies	6,008,273	244,959	129,583	4,715,951	4,336,404	-	-	-	15,435,170
Purchase of securities	-	-	-	-	-	3,732,462	-	1,244,967	4,977,429
Purchase of transport vehicles	-	-	-	-	-	6,644,849	-	877,191	7,522,040
Consumption credit	-	-	-	-	-	5,556,347	-	6,439,771	11,996,118
Others	-	-	-	-	-	8,960,225	401,769	1,792,340	11,154,334
	12,172,760	276,407	129,583	7,800,537	9,558,312	72,708,557	450,288	38,202,373	141,298,817

Excludes collective impairment allowance amounting to RM1,539,132,000.
@ Excludes equity instrument amounting to RM342,684,000.
* Other financial assets include other assets amounting to RM152,140,000 and derivative assets amounting to RM298,148,000.

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value measurement

The Group and the Bank measure fair values using the following fair value hierarchy that reflects the significance of the inputs used in making the measurements:

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

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

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

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

Group	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
31.12.2012				
Financial assets				
Financial investments held-for-trading				
- money market instrument	**-**	**1,509,829**	**-**	**1,509,829**
- unquoted securities	**-**	**40,034**	**-**	**40,034**
Financial investments available-for-sale				
- money market instrument	**-**	**3,223,828**	**-**	**3,223,828**
- quoted securities	**10,522**	**-**	**-**	**10,522**
- unquoted securities	**-**	**6,238,966**	**552,995**	**6,791,961**
Derivative assets				
- money market instrument	**-**	**250,917**	**-**	**250,917**
	10,522	**11,263,574**	**552,995**	**11,827,091**
Financial liabilities				
Derivative liabilities				
- money market instrument	**-**	**273,197**	**-**	**273,197**
31.12.2011				
Financial assets				
Financial investments held-for-trading				
- money market instrument	-	1,298,375	-	1,298,375
- unquoted securities	-	5,044	-	5,044
Financial investments available-for-sale				
- money market instrument	-	3,819,790	-	3,819,790
- quoted securities	17,960	-	-	17,960
- unquoted securities	-	3,679,907	497,428	4,177,335
Derivative assets				
- money market instrument	-	226,980	-	226,980
	17,960	9,030,096	497,428	9,545,484
Financial liabilities				
Derivative liabilities				
- money market instrument	-	237,004	-	237,004

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value measurement (continued)

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

Group	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
1.1.2011				
Financial assets				
Financial investments held-for-trading				
- money market instrument	-	313,464	-	313,464
- unquoted securities	-	35,047	-	35,047
Financial investments available-for-sale				
- money market instrument	-	6,651,780	-	6,651,780
- quoted securities	18,430	-	-	18,430
- unquoted securities	-	2,800,982	462,386	3,263,368
Derivative assets				
- money market instrument	-	298,389	-	298,389
	18,430	10,099,662	462,386	10,580,478
Financial liabilities				
Derivative liabilities				
- money market instrument	-	240,161	-	240,161

Bank	**Level 1**	**Level 2**	**Level 3**	**Total**
	RM'000	**RM'000**	**RM'000**	**RM'000**
31.12.2012				
Financial assets				
Financial investments held-for-trading				
- money market instrument	**-**	**1,100,778**	**-**	**1,100,778**
- unquoted securities	**-**	**9,704**	**-**	**9,704**
Financial investments available-for-sale				
- money market instrument	**-**	**2,634,238**	**-**	**2,634,238**
- quoted securities	**7,871**	**-**	**-**	**7,871**
- unquoted securities	**-**	**5,330,118**	**484,329**	**5,814,447**
Derivative assets				
- money market instrument	**-**	**271,029**	**-**	**271,029**
	7,871	**9,345,867**	**484,329**	**9,838,067**
Financial liabilities				
Derivative liabilities				
- money market instrument	**-**	**273,559**	**-**	**273,559**

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value measurement (continued)

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
31.12.2011				
Financial assets				
Financial investments held-for-trading				
- money market instrument	-	869,888	-	869,888
Financial investments available-for-sale				
- money market instrument	-	2,926,773	-	2,926,773
- quoted securities	15,704	-	-	15,704
- unquoted securities	-	2,899,816	496,853	3,396,669
Derivative assets				
- money market instrument	-	263,605	-	263,605
	15,704	6,960,082	496,853	7,472,639
Financial liabilities				
Derivative liabilities				
- money market instrument	-	234,522	-	234,522
1.1.2011				
Financial assets				
Financial investments held-for-trading				
- money market instrument	-	129,583	-	129,583
Financial investments available-for-sale				
- money market instrument	-	5,318,376	-	5,318,376
- quoted securities	15,339	-	-	15,339
- unquoted securities	-	2,347,695	461,811	2,809,506
Derivative assets				
- money market instrument	-	298,148	-	298,148
	15,339	8,093,802	461,811	8,570,952
Financial liabilities				
Derivative liabilities				
- money market instrument	-	238,984	-	238,984

40 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Fair value measurement (continued)

Reconciliation of fair value measurements in Level 3 of the fair value hierarchy:

Financial investments available-for-sale	**Group**	**Bank**
	RM'000	**RM'000**
At 1 January 2012	**497,428**	**496,853**
Total losses recognised in other comprehensive income	**(32,202)**	**(32,202)**
Sales	**(3,086)**	**(3,086)**
Purchase	**68,946**	**855**
Settlements	**(49,039)**	**(49,039)**
Reversal of impairment losses	**(6,783)**	**(6,783)**
Transfer in	**77,754**	**77,754**
Exchange differences	**(23)**	**(23)**
As at 31 December 2012	**552,995**	**484,329**

	Group	Bank
	RM'000	RM'000
At 1 January 2011	462,386	461,811
Total gains recognised in other comprehensive income	42,823	42,823
Sales	(250)	(250)
Settlements	(7,026)	(7,026)
Reversal of impairment losses	(307)	(307)
Exchange differences	(198)	(198)
As at 31 December 2011	497,428	496,853

41 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

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

	Group		Bank	
	Carrying value	Fair value	Carrying value	Fair value
31.12.2012	**RM'000**	**RM'000**	**RM'000**	**RM'000**
Financial assets				
Deposits and placements with banks and other financial institutions	**3,549,648**	**3,549,648**	**3,780,228**	**3,819,917**
Financial investments held-to-maturity	**17,801,251**	**17,992,056**	**15,645,993**	**15,830,733**
Loans, advances and financing	**107,465,886**	**108,422,758**	**89,275,815**	**89,807,925**
Financial liabilities				
Deposits from customers	**131,309,626**	**131,434,060**	**111,557,605**	**111,676,241**
Deposits and placements of banks and other financial institutions	**11,935,887**	**11,927,499**	**9,459,328**	**9,435,884**
Recourse obligation on loans sold to Cagamas Berhad	**2,445,361**	**2,410,223**	**982,840**	**999,937**
Subordinated obligations	**4,020,919**	**4,092,454**	**4,020,919**	**4,092,454**
Hybrid Tier-I Capital Securities	**606,086**	**708,405**	**606,086**	**708,405**
Senior Debt Securities	**1,536,674**	**1,575,816**	**1,536,674**	**1,575,816**
31.12.2011				
Financial assets				
Deposits and placements with banks and other financial institutions	937,828	937,828	2,200,238	2,113,114
Financial investments held-to-maturity	13,475,167	13,639,962	12,021,999	12,176,983
Loans, advances and financing	95,317,875	96,074,315	80,593,659	81,035,404
Financial liabilities				
Deposits from customers	113,638,280	113,651,956	94,349,181	94,371,426
Deposits and placements of banks and other financial institutions	7,996,621	7,980,237	5,809,666	5,793,282
Recourse obligation on loans sold to Cagamas Berhad	1,161,814	1,179,720	1,161,814	1,179,720
Subordinated obligations	3,269,678	3,128,338	3,269,678	3,128,338
Hybrid Tier-I Capital Securities	605,570	709,089	605,570	709,089
1.1.2011				
Financial assets				
Financial investments held-to-maturity	10,674,245	10,801,377	9,558,312	9,664,386
Loans, advances and financing	81,515,787	81,946,389	71,169,425	71,446,602
Financial liabilities				
Deposits from customers	92,402,813	92,409,966	80,567,577	80,571,881
Deposits and placements of banks and other financial institutions	7,680,309	7,646,332	6,158,453	6,124,476
Recourse obligation on loans sold to Cagamas Berhad	818,503	782,525	818,503	782,525
Subordinated obligations	3,018,157	3,097,047	3,018,157	3,097,047
Hybrid Tier-I Capital Securities	605,407	684,333	605,407	684,333

41 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

The fair values are based on the following methodologies and assumptions:

(i) Cash and short-term funds and deposits and placements with financial institutions

For cash and short-term funds and deposits and placements with financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(ii) Securities purchased under resale agreements

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

(iii) Financial investments held-to-maturity

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

(iv) Loans, advances and financing

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

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

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

(v) Other assets and liabilities

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

(vi) Deposits from customers

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

(vii) Deposits and placements of banks and other financial institutions, bills and acceptances payable

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

(viii) Recourse obligation on loans sold to Cagamas Berhad

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

41 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(ix) Long term borrowings

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

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

(x) Subordinated obligations

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

(xi) Hybrid Tier-I Capital Securities

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

(xii) Senior Debt Securities

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

(xiii) Credit related commitments and contingencies

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

(xiv) Foreign exchange and interest rate related contracts

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

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

42 CAPITAL ADEQUACY

With effect from 1 July 2010, the capital ratios of the Bank are computed based on Bank Negara Malaysia's ('BNM') Guidelines on Risk Weighted Capital Adequacy Framework: IRB Approach for Credit Risk, Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

The capital ratios of RHB Islamic Bank Berhad ('RHB Islamic Bank') are computed based on BNM's Capital Adequacy Framework for Islamic Banks (CAFIB): Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

		RHB Bank *			RHB Islamic Bank	
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000	**RM'000**	RM'000	RM'000
Tier I Capital						
Paid-up ordinary share capital	**3,318,085**	3,318,085	3,318,085	**973,424**	773,424	523,424
Hybrid Tier-I Capital Securities	**597,744**	597,475	597,227	**-**	-	-
Share premium	**8,563**	8,563	8,563	**-**	-	-
Retained profits	**4,235,058**	3,504,750	2,526,857	**358,151**	280,203	176,348
Other reserves	**3,446,935**	3,042,879	2,673,311	**358,359**	280,411	231,484
	11,606,385	10,471,752	9,124,043	**1,689,934**	1,334,038	931,256
Less: Goodwill	**(905,519)**	(905,519)	(905,519)	**-**	-	-
Net deferred tax assets	**(21,742)**	(7,145)	(254,500)	**(2,175)**	(6,137)	(48,610)
Total Tier I capital	**10,679,124**	9,559,088	7,964,024	**1,687,759**	1,327,901	882,646
Tier II Capital						
Subordinated obligations	**3,996,781**	3,250,000	3,000,000	**-**	-	-
Collective impairment allowance^	**278,703**	320,334	230,712	**87,435**	108,500	146,929
Total Tier II capital	**4,275,484**	3,570,334	3,230,712	**87,435**	108,500	146,929
Less: Investment in subsidiaries	**(1,072,656)**	(872,656)	(622,656)	**-**	-	-
Excess of total expected loss over total eligible provision under the IRB approach	**(372,197)**	(194,906)	(136,189)	**-**	-	-
Other deduction #	**(5,701)**	(3,787)	(3,190)	**(5,091)**	(24)	(102)
Eligible Tier II capital	**2,824,930**	2,498,985	2,468,677	**82,344**	108,476	146,827
Total capital base	**13,504,054**	12,058,073	10,432,701	**1,770,103**	1,436,377	1,029,473

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

42 CAPITAL ADEQUACY (CONTINUED)

		RHB Bank *			RHB Islamic Bank	
	31.12.2012	31.12.2011	1.1.2011	**31.12.2012**	31.12.2011	1.1.2011
Capital ratios						
Before proposed dividends:						
Core capital ratio	**12.15%**	13.07%	10.86%	**14.06%**	12.88%	11.51%
Risk-weighted capital ratio	**15.36%**	16.49%	14.22%	**14.74%**	13.93%	13.43%
After proposed dividends:						
Core capital ratio	**11.88%**	12.59%	10.53%	**14.06%**	12.88%	11.51%
Risk-weighted capital ratio	**15.09%**	16.01%	13.90%	**14.74%**	13.93%	13.43%

* The Bank figures includes the operations of RHB Bank (L) Ltd. 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 assessment impairment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on "Classification and Impairment Provisions for Loans/Financing".

[#] Pursuant to Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments/Reserves, the RWCR computation shall account for the ageing, liquidity and holding back adjustments/reserves on its trading portfolio.

Pursuant to BNM circular, "Recognition of Deferred Tax Assets ('DTA') and Treatment of DTA for RWCR Purposes" dated 8 August 2003, deferred tax income/(expense) is excluded from the computation of Tier I capital and deferred tax assets are excluded from the calculation of risk weighted assets.

42 CAPITAL ADEQUACY (CONTINUED)

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

	RHB Bank *		RHB Islamic Bank	
	Principal	Risk-weighted assets	Principal	Risk-weighted assets
	RM'000	RM'000	RM'000	RM'000
31.12.2012				
(i) Credit risk	**162,978,889**	**77,934,597**	**26,487,549**	**11,053,722**
(ii) Market risk		**2,676,807**		**265,386**
(iii) Operational risk		**7,283,570**		**689,105**
Total risk-weighted assets		**87,894,974**		**12,008,213**
31.12.2011				
(i) Credit risk	128,646,396	64,303,739	23,329,402	9,136,385
(ii) Market risk		1,884,914		565,103
(iii) Operational risk		6,939,645		608,028
Total risk-weighted assets		73,128,298		10,309,516
1.1.2011				
(i) Credit risk	112,016,830	65,571,292	13,584,497	7,068,476
(ii) Market risk		1,232,084		30,513
(iii) Operational risk		6,559,217		566,538
Total risk-weighted assets		73,362,593		7,665,527

* The Bank figures includes the operations of RHB Bank (L) Ltd. 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.

42 CAPITAL ADEQUACY (CONTINUED)

			Group
	31.12.2012	31.12.2011	1.1.2011
	RM'000	RM'000	RM'000
Tier I Capital			
Paid-up ordinary share capital	**3,318,085**	3,318,085	3,318,085
Hybrid Tier-I Capital Securities	**597,744**	597,475	597,227
Share premium	**8,563**	8,563	8,563
Retained profits	**4,719,036**	3,911,093	2,816,578
Other reserves	**3,764,812**	3,297,315	2,866,218
	12,408,240	11,132,531	9,606,671
Less: Goodwill	**(1,004,017)**	(1,004,017)	(1,004,017)
Net deferred tax assets	**(31,437)**	(20,804)	(312,035)
Total Tier I capital	**11,372,786**	10,107,710	8,290,619
Tier II Capital			
Subordinated obligations	**3,996,781**	3,250,000	3,000,000
Collective impairment allowance^	**422,827**	491,664	344,038
Total Tier II capital	**4,419,608**	3,741,664	3,344,038
Less: Excess of total expected loss over total eligible provision under the IRB approach	**(422,888)**	(247,793)	(92,570)
Other deduction #	**(10,792)**	(3,811)	(3,292)
Eligible Tier II capital	**3,985,928**	3,490,060	3,248,176
Total capital base	**15,358,714**	13,597,770	11,538,795
Capital ratios			
Before proposed dividends:			
Core capital ratio	**11.60%**	12.20%	10.25%
Risk-weighted capital ratio	**15.67%**	16.41%	14.27%
After proposed dividends:			
Core capital ratio	**11.36%**	11.78%	9.96%
Risk-weighted capital ratio	**15.42%**	15.99%	13.97%
The breakdown of risk-weighted assets in the various categories of risk-weights are as follows:			
Credit risk	**87,475,701**	72,775,638	72,460,531
Market risk	**2,565,380**	2,478,476	1,255,271
Operational risk	**7,999,184**	7,585,528	7,162,161
Total risk-weighted assets	**98,040,265**	82,839,642	80,877,963

^ Excludes collective assessment 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" issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010.

Pursuant to Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments/Reserves, the RWCR computation shall account for the ageing, liquidity and holding back adjustments/reserves on its trading portfolio.

Pursuant to BNM circular, "Recognition of Deferred Tax Assets ('DTA') and Treatment of DTA for RWCR Purposes" dated 8 August 2003, deferred tax income/(expense) is excluded from the computation of Tier I capital and deferred tax assets are excluded from the calculation of risk weighted assets.

43 SEGMENT REPORTING

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

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

(a) Corporate Banking

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

(b) Retail Banking

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

(c) Business Banking

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

(d) Treasury and Money Market

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

(e) Islamic Banking business

Islamic Banking business focuses on providing a full range of commercial banking products and services in accordance with the principles of Shariah to individual customers, corporate clients, government and state owned entities as well as small and medium sized enterprises.

(f) Global Financial Banking

Global Financial Banking focuses on providing banking related products & services tailored to the specific needs in foreign countries. Currently, the Group has established foreign operations in Singapore, Thailand and Brunei.

(g) Others

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

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

Arising from adoption of MFRS 139 as set out in Note 45, comparatives have been restated to conform with the current period's presentation.

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

43 SEGMENT REPORTING (CONTINUED)

Group

31.12.2012	Corporate Banking RM'000	Retail Banking RM'000	Business Banking RM'000	Treasury and Money Market RM'000	Islamic Banking Business RM'000	Global Financial Banking RM'000	Others RM'000	Elimination RM'000	Total RM'000
External revenue	707,603	2,000,660	703,393	559,818	409,976	264,134	(156,451)	-	4,489,133
Inter-segment revenue	(7,497)	-	-	38,138	(29,509)	3,517	821	(5,470)	-
Segment revenue	700,106	2,000,660	703,393	597,956	380,467	267,651	(155,630)	(5,470)	4,489,133
Overhead expenses including:	(146,545)	(946,633)	(391,639)	(93,860)	(165,317)	(193,823)	(19,847)	5,470	(1,952,194)
Depreciation of property, plant and equipment	(2,294)	(59,243)	(7,223)	(2,129)	(5,855)	(3,184)	(194)	-	(80,122)
Amortisation of computer software license	(1,974)	(14,899)	(7,240)	(2,674)	(230)	(1,932)	-	-	(28,949)
Allowance for impairment on loans, advances and financing	137,183	(160,146)	(54,015)	-	(78,202)	(1,572)	9,503	-	(147,249)
Impairment losses on other assets	10,572	22	119	(4,288)	-	433	-		6,858
Profit before taxation	701,316	893,903	257,858	499,808	136,948	72,689	(165,974)	-	2,396,548
Taxation									(590,813)
Net profit for the financial year									1,805,735

43 SEGMENT REPORTING (CONTINUED)

Group

31.12.2011	Corporate Banking	Retail Banking	Business Banking	Treasury and Money Market	Islamic Banking Business	Global Financial Banking	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	618,580	1,909,008	693,971	486,722	359,177	214,867	(80,412)	-	4,201,913
Inter-segment revenue	(2,682)	-	-	76,866	(73,059)	3,418	808	(5,351)	-
Segment revenue	615,898	1,909,008	693,971	563,588	286,118	218,285	(79,604)	(5,351)	4,201,913
Overhead expenses including:	(137,340)	(808,147)	(365,002)	(72,313)	(137,014)	(149,216)	(37,357)	5,351	(1,701,038)
Depreciation of property, plant and equipment	(1,477)	(39,015)	(6,027)	(1,669)	(4,233)	(3,519)	(194)	-	(56,134)
Amortisation of computer software license	(2,089)	(19,391)	(7,662)	(2,481)	-	(789)	-	-	(32,412)
Allowance for impairment on loans, advances and financing	(56,924)	(205,132)	79,574	-	12,885	15,257	11,325	-	(143,015)
Impairment losses on other assets	(4,682)	134	1,297	(44,749)	-	-	-		(48,000)
Profit before taxation	416,952	895,863	409,840	446,526	161,989	84,326	(105,636)	-	2,309,860
Taxation									(564,798)
Net profit for the financial year									1,745,062

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

43 SEGMENT REPORTING (CONTINUED)

Group

31.12.2012	Corporate Banking	Retail Banking	Business Banking	Treasury and Money Market	Islamic Banking Business	Global Financial Banking	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	36,526,387	43,370,241	11,700,066	51,792,837	16,379,292	12,011,758	104,880	(3,375,132)	168,510,329
Deferred tax assets									8,455
Tax recoverable									14
Unallocated assets									1,136,289
Total assets									169,655,087
Segment liabilities	25,753,892	34,247,828	8,058,227	62,602,871	10,402,188	9,642,888	8,912,587	(3,876,869)	155,743,612
Deferred tax liabilities									50,907
Taxation									125,663
Unallocated liabilities									1,702,387
									157,622,569
Other segment items									
Capital expenditure	4,661	60,526	21,814	5,761	5,976	11,434	-	-	110,172

NOTES TO THE FINANCIAL STATEMENTS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012 (CONTINUED)

43 SEGMENT REPORTING (CONTINUED)

Group

31.12.2011	Corporate Banking	Retail Banking	Business Banking	Treasury and Money Market	Islamic Banking Business	Global Financial Banking	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	30,757,058	41,589,787	10,649,511	38,590,247	13,547,471	9,073,853	87,410	(2,181,570)	142,113,767
Deferred tax assets									11,298
Tax recoverable									127,265
Unallocated assets									963,801
Total assets									143,216,131
Segment liabilities	20,200,422	30,654,840	6,671,467	54,557,005	8,314,699	6,697,865	6,153,369	(2,687,558)	130,562,109
Deferred tax liabilities									55,845
Taxation									3,704
Unallocated liabilities									1,863,240
									132,484,898
Other segment items									
Capital expenditure	8,519	116,923	32,557	3,653	3,929	6,969	-	-	172,550

43 SEGMENT REPORTING (CONTINUED)

The geographical information is prepared based on the location of the assets.

		Group
	31.12.2012	31.12.2011
	RM'000	RM'000
Segment revenue		
Malaysia	**4,224,999**	3,987,046
Outside Malaysia	**264,134**	214,867
Total	**4,489,133**	4,201,913
Segment assets		
Malaysia	**157,463,866**	133,996,491
Outside Malaysia	**12,191,221**	9,219,640
Total	**169,655,087**	143,216,131
Capital expenditure		
Malaysia	**98,738**	165,581
Outside Malaysia	**11,434**	6,969
Total	**110,172**	172,550

44 TRANSITION FROM FINANCIAL REPORTING STANDARDS ('FRS') TO MALAYSIAN FINANCIAL REPORTING STANDARDS ('MFRS')

The Group and the Bank do not take advantage on certain mandatory exceptions and optional exceptions provided in MFRS 1 for first time adoption of MFRS, except those mentioned below.

(a) MFRS 1 mandatory exceptions

(i) Estimates

MFRS estimates as at transition date is consistent with the estimates as at the same date made in conformity with FRS.

(ii) Hedge Accounting

Hedge accounting can only be applied prospectively from the transition date to a hedging relationship that qualifies for hedge accounting under MFRS 139 'Financial instruments: Recognition and measurement' at that date. Hedging relationships cannot be designated retrospectively.

(b) MFRS 1 exemption options

(iii) Exemption for business combinations

MFRS 1 provides the option to apply MFRS 3 'Business combinations' prospectively for business combination that occurred from the transition date or from a designated date prior to the transition date. This provides relief from full retrospective application that would require restatement of all business combinations prior to the transition date or a designated date prior to the transition date. The Group and Bank elected to apply MFRS 3 prospectively to business combinations that occurred after 1 January 2012. Business combinations that occurred prior to 1 January 2012 have not been restated. In addition, the Group and Bank have also applied MFRS 127 'Consolidated and separate financial statements' from the same date.

The above transition from FRS to MFRS had no effect on the reported equity, total comprehensive income and cash flow for prior years. As such, no reconciliations to explain the effects of transition from FRS to MFRS are disclosed in these financial statements.

45 EFFECT ON CHANGES IN ACCOUTING POLICIES

MFRS 139 'Financial instruments: Recognition and measurement'

Previously, the Group and the Bank have applied the amendment to FRS 139 'Financial instruments: Recognition and measurement', which included an additional transitional arrangement for financial sectors, whereby Bank Nagara Malaysia ('BNM') prescribed the use of an alternative basis for collective assessment of impairment on loans, advances and financing. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

With effect from 1 January 2012, BNM has removed the transitional provision for banking institutions on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

Previously, when a collectively assessed loans, advances and financing is deemed impaired, the Group and Bank have reversed out the interest income recognised in profit or loss and set off against the interest receivable in the statements of financial position. Upon the adoption of MFRS 139 on 1 January 2012, once a collectively assessed loan, advances and financing has been written down as a result of an impairment loss, interest income is thereafter recognised using the original effective interest rate in the profit or loss.

Reclassification of software to other intangibles assets

Previously, software licences were classified under property, plant and equipment. Upon the full adoption of MFRS, software licenses are now reclassified to other intangibles assets.

45 EFFECT ON CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Impact on the Group's statements of financial position

Group

As at 1 January 2011	As previously reported	Effect on full adoption of MFRS 139	Effect of reclassification of software to other intangible assets	As restated
	RM'000	RM'000	RM'000	RM'000
Assets				
Loans, advances and financing	81,531,003	(15,216)	-	**81,515,787**
- Gross loans, advances and financing	84,011,511	176,364	-	**84,187,875**
- Collective impairment allowances	(1,625,609)	(191,580)	-	**(1,817,189)**
Deferred tax assets	260,089	4,540	-	**264,629**
Property, plant and equipment	701,158	-	(103,101)	**598,057**
Goodwill and other intangible assets	1,004,017	-	103,101	**1,107,118**
Liabilities				
Other liabilities	1,002,387	662	-	**1,003,049**
Equity	9,163,984	(11,338)	-	**9,152,646**
Translation reserves	(79,815)	(31)	-	**(79,846)**
Retained profits	2,827,885	(11,307)	-	**2,816,578**
Loans, advances and financing of which:				
- Impaired loans, advances and financing	3,671,258	176,364	-	**3,847,622**

Group

As at 31 December 2011	As previously reported	Effect on full adoption of MFRS 139	Effect of reclassification of software to other intangible assets	As restated
	RM'000	RM'000	RM'000	RM'000
Assets				
Loans, advances and financing	95,083,373	234,502	-	**95,317,875**
- Gross loans, advances and financing	97,553,684	142,845	-	**97,696,529**
- Collective impairment allowances	(1,657,809)	91,657	-	**(1,566,152)**
Deferred tax assets	14,266	(2,968)	-	**11,298**
Property, plant and equipment	787,865	-	(111,876)	**675,989**
Goodwill and other intangible assets	1,004,017	-	111,876	**1,115,893**
Liabilities				
Other liabilities	992,384	823	-	**993,207**
Deferred tax liabilities	39	55,806	-	**55,845**
Equity	10,556,328	174,905	-	**10,731,233**
Translation reserves	(61,408)	19	-	**(61,389)**
Retained profits	3,736,207	174,886	-	**3,911,093**
Loans, advances and financing of which:				
- Impaired loans, advances and financing	3,350,486	142,845	-	**3,493,331**

45 EFFECT ON CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(a) Impact on the Bank's statements of financial position

Bank

As at 1 January 2011	As previously reported	Effect on full adoption of MFRS 139	Effect of reclassification of software to other intangible assets	As restated
	RM'000	RM'000	RM'000	RM'000
Assets				
Loans, advances and financing	71,125,558	43,867	-	**71,169,425**
- Gross loans, advances and financing	73,245,217	145,862	-	**73,391,079**
- Collective impairment allowances	(1,437,137)	(101,995)	-	**(1,539,132)**
Deferred tax assets	220,303	(10,801)	-	**209,502**
Property, plant and equipment	540,483	-	(97,225)	**443,258**
Goodwill and other intangible assets	905,519	-	97,225	**1,002,744**
Liabilities				
Other liabilities	868,165	662	-	**868,827**
Equity	8,397,474	32,404	-	**8,429,878**
Retained profits	2,220,855	32,404	-	**2,253,259**
Loans, advances and financing of which:				
- Impaired loans, advances and financing	2,927,024	145,862	-	**3,072,886**

Bank

As at 31 December 2011	As previously reported	Effect on full adoption of MFRS 139	Effect of reclassification of software to other intangible assets	As restated
	RM'000	RM'000	RM'000	RM'000
Assets				
Loans, advances and financing	80,369,613	224,046	-	**80,593,659**
- Gross loans, advances and financing	82,469,654	125,304	-	**82,594,958**
- Collective impairment allowances	(1,433,823)	98,742	-	**(1,335,081)**
Property, plant and equipment	625,567	-	(104,118)	**521,449**
Goodwill and other intangible assets	905,519	-	104,118	**1,009,637**
Liabilities				
Other liabilities	924,953	823	-	**925,776**
Deferred tax liabilities	35	55,806	-	**55,841**
Equity	9,642,596	167,417	-	**9,810,013**
Retained profits	3,049,635	167,417	-	**3,217,052**
Loans, advances and financing of which:				
- Impaired loans, advances and financing	2,727,004	125,304	-	**2,852,308**

45 EFFECT ON CHANGES IN ACCOUNTING POLICIES (CONTINUED)

(b) Impact on the Group's and the Bank's income statements/statements of comprehensive income:

Group

For the financial year 31 December 2011	**As previously reported**	**Effect on full adoption of MFRS 139**	**As restated**
	RM'000	**RM'000**	**RM'000**
Interest income	5,395,651	65,855	**5,461,506**
Income from Islamic Banking business	436,211	2,545	**438,756**
Allowance for impairment on loans, advances and financing	(324,121)	181,106	**(143,015)**
Property, plant and equipment - depreciation	88,546	(32,412)	**56,134**
Amortisation of computer software license	-	32,412	**32,412**
Profit before taxation	2,060,354	249,506	**2,309,860**
Taxation	(501,485)	(63,313)	**(564,798)**
Net profit for the financial year	1,558,869	186,193	**1,745,062**
Earnings per share (sen) - basic	23.49	2.81	**26.30**

Bank

For the financial year ended 31 December 2011	As previously reported	Effect on full adoption of MFRS 139	As restated
Interest income	5,358,325	65,855	**5,424,180**
Allowance for impairment on loans, advances and financing	(254,723)	114,161	**(140,562)**
Property, plant and equipment - depreciation	83,355	(32,335)	**51,020**
Amortisation of computer software license	-	32,335	**32,335**
Profit before taxation	1,886,540	180,016	**2,066,556**
Taxation	(464,291)	(45,003)	**(509,294)**
Net profit for the financial year	1,422,249	135,013	**1,557,262**
Earnings per share (sen) - basic	21.40	2.07	**23.47**

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Issuance of RM750.0 million nominal value of Subordinated Notes and/or Senior Notes under a Multi-Currency Medium Term Note Programme (MCMTN Programme)

On 7 May 2012, the Bank issued RM750.0 million nominal value of Subordinated Notes, being part of the RM3.0 billion in nominal value (or its equivalent in other currencies) under MCMTN Programme. The issuance comprises of 4.30% 10 non-call 5 years subordinated Notes of RM750.0 million due on 6 May 2022.

(b) Issuance of USD500.0 million nominal value of Senior Unsecured Notes under a Euro Medium Term Note Programme (EMTN Programme)

On 11 May 2012 and 28 September 2012, the Bank issued USD300.0 million and USD 200.0 million respectively nominal value of Senior Unsecured Notes under EMTN Programme. The issuance comprises of 3.25% Senior Notes of USD500.0 million due on 11 May 2017.

(c) Issuance of RM1,300.0 million nominal value of Subordinated Notes and/or Senior Notes under a Multi-Currency MediumTerm Note Programme (MCMTN Programme)

On 30 November 2012, the Bank issued RM1,300.0 million nominal value of Subordinated Notes, being part of the RM3.0 billion in nominal value (or its equivalent in other currencies) under MCMTN Programme. The issuance comprises of 4.40% 10 non-call 5 years subordinated Notes of RM1,300.0 million due on 30 November 2022.

(d) Proposed acquisition of the issued and paid-up share capital in Bank Mestika

RHB Capital Berhad ('RHB Capital'), the Bank's holding company had on 19 October 2009 entered into a conditional sale and purchase agreement with PT Mestika Benua Mas ('Vendor') for the proposed acquisition of 80% of the issued and paid-up share capital in PT Bank Mestika Dharma ('Bank Mestika'), comprising 654,414 ordinary shares of Indonesian Rupiah ('Rp') 1,000,000 each, for a total cash consideration of Rp3,118,300,347,760 (equivalent to approximately RM1,163,126,030 based on an assumed exchange rate of Rp100,000=RM37.3 ('CSPA') ('Proposed Acquisition'). Simultaneous with the execution of, and in accordance to the CSPA, RHB Capital had also on even date entered into an agreement with the Vendor and The Hongkong and Shanghai Banking Corporation Limited, acting as the escrow agent, ('Escrow Agreement') for the purpose of facilitating the payment of deposit for the Proposed Acquisition.

In addition, RHB Capital and the Vendor had also on even date entered into an option agreement pertaining to 9% of the issued and paid-up share capital in Bank Mestika ('Proposed Options') held by the Vendor after Bank Mestika's proposed initial public offering ('Option Shares') for a total cash consideration of approximately Rp350,809 million (equivalent to approximately RM131 million) plus additional performance related returns of up to 15% per annum compounded annually (adjusted for dividends paid), payable only in the event the Vendor opts to dispose of the Option Shares to RHB Capital or RHB Capital opts to acquire the Option Shares from the Vendor on any of the anniversary dates of the completion of the Proposed Acquisition during the Option Period (as defined in Section 2.8.3(iii) of the announcement of the Proposed Acquisition dated 19 October 2009) ('Option Agreement'). (The CSPA, Escrow Agreement and the Option Agreement are collectively to be referred to as 'Transaction Agreements').

On 23 October 2009, RHB Capital had assigned all of its rights, title, interest, benefit and entitlement, and novated all of its obligations and liabilities as contained in the Transaction Agreements to RHB Venture Capital Sdn Bhd ('RHB VC').

On 20 December 2010, RHB Capital announced that in consultation with the relevant authorities and the Vendor, it is proposed that the Bank will be the new entity to hold the investment in Bank Mestika pursuant to the Proposed Acquisition and the Proposed Options, in place of RHB VC. In this respect, RHB VC has on 17 December 2010 assigned all of its rights, title, interest, benefit and entitlement, and novated all of its obligations and liabilities as contained in the Transaction Agreements to the Bank. Accordingly, the Bank has on 20 December 2010, submitted the relevant applications to Bank Indonesia and BNM as the acquirer for the Proposed Acquisition and the Proposed Options. BNM had on 31 January 2011, granted its approval to the Bank for the Proposed Acquisition. The Proposed Options is conditional upon the Proposed Acquisition but not vice versa.

46 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(d) Proposed acquisition of the issued and paid-up share capital in Bank Mestika (continued)

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

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

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

On 31 January 2013, RHB Investment Bank had, on behalf of the RHB Capital, announced that RHB Bank had, on 30 January 2013, entered into an amended agreement to the CSPA with the Vendor to revise the proposed acquisition from up to 89% of the issued and paid-up share capital in Bank Mestika to 40%, comprising 327,207 fully-paid ordinary shares, each with a nominal value of Rp1,000,000, for a total cash consideration of Rp2,066,437,000,000 (equivalent to approximately RM651,134,299 based on an assumed exchange rate of Rp100,000: RM31.51 as at 23 January 2013) ('Proposed 40% Acquisition').

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

The Proposed 40% Acquisition and Proposed Rights Issue did not have any material effect on the earnings of the Bank for the financial year ended 31 December 2012. The Proposed 40% Acquisition is expected to contribute positively to the future revenue and earnings of the Bank.

47 APPROVAL OF FINANCIAL STATEMENTS

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 28 February 2013.

RHB BANK BERHAD (6171-M)
(Incorporated in Malaysia)

STATEMENT BY DIRECTORS PURSUANT TO
SECTION 169 (15) OF THE COMPANIES ACT, 1965

We, Tan Sri Azlan Zainol and Johari Abdul Muid, being two of the directors of RHB Bank Berhad state that, in the opinion of the directors, the financial statements set out on pages 17 to 181 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Bank as at 31 December 2012 and of the results and cash flows of the Group and of the Bank for the financial year ended on that date in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965.

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

TAN SRI AZLAN ZAINOL	**JOHARI ABDUL MUID**
CHAIRMAN	**MANAGING DIRECTOR**

Kuala Lumpur
28 February 2013

STATUTORY DECLARATION PURSUANT TO
SECTION 169 (16) OF THE COMPANIES ACT, 1965

I, Prem Kumar, the officer primarily responsible for the financial management of RHB Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 17 to 181 are, in my opinion correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

PREM KUMAR

Subscribed and solemnly declared by the abovenamed Prem Kumar at Kuala Lumpur in Wilayah Persekutuan on 28 February 2013.

before me:
COMMISSIONER FOR OATHS
Kuala Lumpur

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF RHB BANK BERHAD
(Incorporated in Malaysia)
(Company No. 6171-M)

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of RHB Bank Berhad on pages 17 to 181, which comprise the statements of financial position as at 31 December 2012 of the Group and the Bank, and the income statements, statements of comprehensive income, changes in equity and cash flow of the Group and the Bank for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on notes 1 to 47.

Directors' Responsibility for the Financial Statements

The directors of the Bank are responsible for the preparation and fair presentation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 for such internal control as the directors determine are necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatements of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

PricewaterhouseCoopers (AF 1146), Chartered Accountants,
Level 10, 1 Sentral, Jalan Travers, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF RHB BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 6171-M)

REPORT ON THE FINANCIAL STATEMENTS (CONTINUED)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and the Bank as of 31 December 2012 and of their financial performance and cash flows for the year then ended.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

(a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Bank and its subsidiaries have been properly kept in accordance with the provisions of the Act.

(b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Bank's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT
TO THE MEMBER OF RHB BANK BERHAD (CONTINUED)
(Incorporated in Malaysia)
(Company No. 6171-M)

OTHER MATTER

This report is made solely to the member of the Bank, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

SRIDHARAN NAIR
(No. 2656/05/14 (J))
Chartered Accountant

Kuala Lumpur
28 February 2013

REGISTERED OFFICE OF THE ISSUER

RHB Bank Berhad
Level 10, Tower One
RHB Centre, Jalan Tun Razak
50400 Kuala Lumpur
Malaysia

ARRANGERS AND DEALERS

Merrill Lynch (Singapore) Pte. Ltd.
50 Collyer Quay
#14-01 OUE Bayfront
Singapore 049321

Deutsche Bank AG, Singapore Branch
#18-00 One Raffles Quay
South Tower
Singapore 048583

RHB Investment Bank Berhad
Level 11, Tower Three
RHB Centre, Jalan Tun Razak
50400 Kuala Lumpur
Malaysia

LEGAL ADVISERS

To the Arrangers and Dealers as to English Law

Hogan Lovells Lee & Lee
50 Collyer Quay
#10-01 OUE Bayfront
Singapore 049321

To the Issuer as to English Law

Allen & Overy
50 Collyer Quay
#09-01 OUE Bayfront
Singapore 049321

To the Issuer as to Malaysian Law

Adnan Sundra & Low
Level 11, Menara Olympia
No. 8 Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

AUDITORS

PricewaterhouseCoopers
Level 10, 1 Sentral
Jalan Travers, Kuala Lumpur Sentral
P O Box 10192
50706 Kuala Lumpur
Malaysia

FISCAL AGENT AND CALCULATION AGENT AND, IN THE CASE OF NOTES OTHER THAN CMU NOTES, PAYING AGENT AND REGISTRAR

Bank of America, N.A.
2 King Edward Street
London EC1A 1HQ
United Kingdom

REGISTRAR IN RESPECT OF REGISTERED NOTES OTHER THAN CMU NOTES

Merrill Lynch Equity S.a.r.l.
33 Rue DUE Puits Romain
Bertrange, 8070
Luxembourg

CMU LODGING AND PAYING AGENT AND REGISTRAR

The Hongkong and Shanghai Banking Corporation Limited
Level 30, HSBC Main Building
1 Queen's Road Central
Hong Kong