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**RHB CAPITAL BERHAD (312952 – H)
 INTERIM FINANCIAL STATEMENTS
 UNAUDITED INCOME STATEMENTS
 FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Note	2nd quarter ended		Six months ended	
		30 June 2015	30 June 2014	30 June 2015	30 June 2014
		RM'000	RM'000	RM'000	RM'000
Group					
Interest income	A8	1,937,675	1,835,390	3,928,601	3,593,504
Interest expense	A9	(1,153,259)	(1,007,663)	(2,344,406)	(1,943,593)
Net interest income		784,416	827,727	1,584,195	1,649,911
Other operating income	A10	487,992	433,898	994,479	926,002
		1,272,408	1,261,625	2,578,674	2,575,913
Net income from Islamic Banking business		214,111	183,337	416,601	335,086
Net income		1,486,519	1,444,962	2,995,275	2,910,999
Other operating expenses	A11	(842,526)	(796,915)	(1,662,437)	(1,583,260)
Operating profit before allowances		643,993	648,047	1,332,838	1,327,739
Allowance for impairment on loans, financing and other losses	A12	40,755	(17,348)	(9,458)	(71,557)
Impairment losses written back on other assets		7,593	108,375	13,697	120,283
		692,341	739,074	1,337,077	1,376,465
Share of results of associates		-	(57)	-	(112)
Share of results of joint ventures		40	110	125	182
Profit before taxation		692,381	739,127	1,337,202	1,376,535
Taxation	B5	(165,508)	(179,848)	(330,809)	(363,785)
Net profit for the financial period		526,873	559,279	1,006,393	1,012,750
Attributable to:					
- Equity holders of the Company		524,594	556,508	1,000,871	1,007,199
- Non-controlling interests		2,279	2,771	5,522	5,551
		526,873	559,279	1,006,393	1,012,750
Earnings per share (sen)					
- Basic	B12	20.3	21.9	38.8	39.5
- Diluted	B12	20.3	21.9	38.8	39.5

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



RHB CAPITAL BERHAD (312952 – H)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	2nd quarter ended		Six months ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
Group				
Net profit for the financial period	526,873	559,279	1,006,393	1,012,750
Other comprehensive income/(loss) in respect of:				
(i) Items that will not be reclassified to profit or loss:				
- Actuarial (loss)/gain on defined benefit plan of subsidiaries	(1)	4,989	230	1,260
(ii) Items that will be reclassified subsequently to profit or loss:				
- Currency translation differences	74,554	(55,986)	222,611	(41,362)
- Unrealised net gain on revaluation of financial investments available-for-sale ('AFS')	20,163	80,460	125,777	63,579
- Net transfer to income statements on disposal or impairment of financial investments AFS	(25,763)	(6,839)	(45,072)	(3,601)
Income tax relating to components of other comprehensive loss/(income)	1,474	(20,439)	(20,373)	(17,567)
Other comprehensive income, net of tax, for the financial period	70,427	2,185	283,173	2,309
Total comprehensive income for the financial period	597,300	561,464	1,289,566	1,015,059
Total comprehensive income/(loss) attributable to:				
- Equity holders of the Company	595,090	560,085	1,282,225	1,015,246
- Non-controlling interests	2,210	1,379	7,341	(187)
	597,300	561,464	1,289,566	1,015,059

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



**RHB CAPITAL BERHAD (312952 – H)
INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Note	2nd quarter ended		Six months ended	
		30 June 2015	30 June 2014	30 June 2015	30 June 2014
		RM'000	RM'000	RM'000	RM'000
<u>Company</u>					
Interest income	A8	350	6,215	408	6,270
Interest expense	A9	(32,461)	(30,568)	(65,770)	(60,446)
Net interest expense		(32,111)	(24,353)	(65,362)	(54,176)
Other operating income/(loss)	A10	614,263	(10,296)	614,263	(10,364)
Net income/(loss)		582,152	(34,649)	548,901	(64,540)
Other operating expenses	A11	(3,376)	(2,492)	(7,846)	(13,300)
Profit/(loss) before taxation		578,776	(37,141)	541,055	(77,840)
Taxation	B5	(69)	(916)	(69)	(1,409)
Net profit/(loss) for the financial period		578,707	(38,057)	540,986	(79,249)

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



**RHB CAPITAL BERHAD (312952 – H)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	2nd quarter ended		Six months ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
<u>Company</u>	RM'000	RM'000	RM'000	RM'000
Net profit/(loss) for the financial period	<u>578,707</u>	<u>(38,057)</u>	<u>540,986</u>	<u>(79,249)</u>
Other comprehensive income, net of tax, for the financial period	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total comprehensive income/(loss) for the financial period	<u><u>578,707</u></u>	<u><u>(38,057)</u></u>	<u><u>540,986</u></u>	<u><u>(79,249)</u></u>

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



RHB CAPITAL BERHAD (312952 – H)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION
AS AT 30 JUNE 2015

	Note	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
Group			
ASSETS			
Cash and short term funds		14,877,082	16,236,908
Securities purchased under resale agreements		653,020	491,510
Deposits and placements with banks and other financial institutions		2,751,390	2,298,588
Financial assets at fair value through profit or loss ('Financial assets FVTPL')	A13	3,420,738	2,930,681
Financial investments available-for-sale ('AFS')	A14	21,674,975	19,602,176
Financial investments held-to-maturity ('HTM')	A15	18,990,880	20,469,831
Loans, advances and financing	A16	142,998,448	140,693,003
Clients' and brokers' balances		2,117,372	1,525,147
Reinsurance assets		343,413	332,113
Other assets	A17	1,509,323	1,541,989
Derivative assets	B8	1,957,657	1,285,230
Statutory deposits		5,391,039	5,421,007
Tax recoverable		171,569	162,181
Deferred tax assets		31,837	38,465
Investments in joint ventures		21,940	21,021
Property, plant and equipment		1,024,498	1,030,681
Goodwill and intangible assets		5,303,868	5,273,905
TOTAL ASSETS		223,239,049	219,354,436
LIABILITIES AND EQUITY			
Deposits from customers	A18/B7(a)	157,166,785	157,133,993
Deposits and placements of banks and other financial institutions	A19/B7(a)	20,077,417	21,349,618
Obligations on securities sold under repurchase agreements		2,741,979	508,416
Obligations on securities borrowed		44,183	113,780
Bills and acceptances payable		1,429,431	614,031
Clients' and brokers' balances		1,831,782	1,214,065
General insurance contract liabilities		829,703	775,699
Other liabilities	A20	1,525,718	1,714,098
Derivative liabilities	B8	1,796,098	1,224,684
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')		3,221,635	3,315,335
Tax liabilities		34,005	57,321
Deferred tax liabilities		63,506	53,041
Borrowings	B7(b)	2,766,601	2,874,697
Subordinated obligations	B7(c)	5,895,372	6,099,402
Hybrid Tier-1 Capital Securities	B7(d)	601,558	601,515
Senior debt securities	B7(e)	3,034,526	2,810,655
TOTAL LIABILITIES		203,060,299	200,460,350
Share capital		2,588,481	2,572,457
Reserves		17,446,703	16,221,840
		20,035,184	18,794,297
Non-controlling interests ('NCI')		143,566	99,789
TOTAL EQUITY		20,178,750	18,894,086
TOTAL LIABILITIES AND EQUITY		223,239,049	219,354,436
COMMITMENTS AND CONTINGENCIES	A25(a)	148,523,422	133,504,271
NET ASSETS PER SHARE ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY (RM)		7.74	7.31

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



**RHB CAPITAL BERHAD (312952 – H)
 INTERIM FINANCIAL STATEMENTS
 UNAUDITED STATEMENT OF FINANCIAL POSITION
 AS AT 30 JUNE 2015**

	Note	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
Company			
ASSETS			
Cash and short term funds		2,886	24,940
Deposits and placements with banks and other financial institutions		1,035	1,017
Other assets	A17	1,018	3,637
Amounts due from subsidiaries		6,999	93
Tax recoverable		94,209	94,219
Investments in subsidiaries		11,479,799	11,042,345
Property, plant and equipment		480	322
TOTAL ASSETS		11,586,426	11,166,573
LIABILITIES AND EQUITY			
Other liabilities	A20	937	12,340
Amounts due to subsidiaries		2,195	1,799
Deferred tax liabilities		20	20
Borrowings	B7(b)	3,043,002	3,111,433
TOTAL LIABILITIES		3,046,154	3,125,592
Share capital		2,588,481	2,572,457
Reserves		5,951,791	5,468,524
TOTAL EQUITY		8,540,272	8,040,981
TOTAL LIABILITIES AND EQUITY		11,586,426	11,166,573

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



**RHB CAPITAL BERHAD (312952 – H)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	← Attributable to equity holders of the Company →								Non- controlling Interests	Total Equity	
	Share Capital	Share Premium	Statutory Reserve	Other Reserves	AFS Reserves	Translation Reserves	Regulatory Reserve	Retained Profits			Sub-total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000			RM'000
Group											
Balance as at 1 January 2015	2,572,457	5,053,063	3,817,799	28,196	191,619	191,334	-	6,939,829	18,794,297	99,789	18,894,086
Net profit for the financial period	-	-	-	-	-	-	-	1,000,871	1,000,871	5,522	1,006,393
Currency translation differences	-	-	-	1,122	-	219,632	-	-	220,754	1,857	222,611
Financial investments AFS											
- Unrealised net gain/(loss) on revaluation	-	-	-	-	125,817	-	-	-	125,817	(40)	125,777
- Net transfer to income statements on disposal or impairment	-	-	-	-	(45,072)	-	-	-	(45,072)	-	(45,072)
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	-	-	227	227	3	230
Income tax relating to components of other comprehensive income	-	-	-	-	(20,315)	-	-	(57)	(20,372)	(1)	(20,373)
Other comprehensive income, net of tax, for the financial period	-	-	-	1,122	60,430	219,632	-	170	281,354	1,819	283,173
Total comprehensive income for the financial period	-	-	-	1,122	60,430	219,632	-	1,001,041	1,282,225	7,341	1,289,566
Transfer to statutory reserve	-	-	63,296	-	-	-	-	(63,296)	-	-	-
Transfer to regulatory reserve	-	-	-	-	-	-	502,060	(502,060)	-	-	-
Dividends paid	-	-	-	-	-	-	-	(154,347)	(154,347)	(1,325)	(155,672)
Shares issued pursuant to Dividend Reinvestment Plan ('DRP')	16,024	96,628	-	-	-	-	-	-	112,652	-	112,652
Accretion of interest in a subsidiary	-	-	-	(609)	-	961	-	5	357	(357)	-
Acquisition of additional interests by NCI	-	-	-	-	-	-	-	-	-	38,118	38,118
Balance as at 30 June 2015	2,588,481	5,149,691	3,881,095	28,709	252,049	411,927	502,060	7,221,172	20,035,184	143,566	20,178,750

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



RHB CAPITAL BERHAD (312952 – H)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	← Attributable to equity holders of the Company →									
	Share Capital	Share Premium	Statutory Reserve	Other Reserves	AFS Reserves	Translation Reserves	Retained Profits	Sub-total	Non- controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group										
Balance as at 1 January 2014	2,546,910	4,888,541	3,577,647	28,196	122,389	12,211	5,563,177	16,739,071	203,656	16,942,727
Net profit for the financial period	-	-	-	-	-	-	1,007,199	1,007,199	5,551	1,012,750
Currency translation differences	-	-	-	-	-	(39,938)	(6)	(39,944)	(1,418)	(41,362)
Financial investments AFS										
- Unrealised net gain/(loss) on revaluation	-	-	-	-	67,908	-	-	67,908	(4,329)	63,579
- Net transfer to income statements on disposal or impairment	-	-	-	-	(3,601)	-	-	(3,601)	-	(3,601)
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	-	1,251	1,251	9	1,260
Income tax relating to components of other comprehensive income	-	-	-	-	(17,252)	-	(315)	(17,567)	-	(17,567)
Other comprehensive income/(loss), net of tax, for the financial period	-	-	-	-	47,055	(39,938)	930	8,047	(5,738)	2,309
Total comprehensive income/(loss) for the financial period	-	-	-	-	47,055	(39,938)	1,008,129	1,015,246	(187)	1,015,059
Transfer to statutory reserve	-	-	80,050	-	-	-	(80,050)	-	-	-
Dividends paid	-	-	-	-	-	-	-	-	(993)	(993)
Acquisition of additional interests by NCI	-	-	-	-	-	-	-	-	(95)	(95)
Disposal of a subsidiary	-	-	-	-	-	1,708	(1,708)	-	-	-
Balance as at 30 June 2014	2,546,910	4,888,541	3,657,697	28,196	169,444	(26,019)	6,489,548	17,754,317	202,381	17,956,698

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



RHB CAPITAL BERHAD (312952 – H)
INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	<u>Share Capital</u> RM'000	<u>Non- distributable Share Premium</u> RM'000	<u>Distributable Retained Profits</u> RM'000	<u>Total</u> RM'000
<u>Company</u>				
Balance as at 1 January 2015	2,572,457	5,053,063	415,461	8,040,981
Net profit for the financial period	-	-	540,986	540,986
Dividends paid	-	-	(154,347)	(154,347)
Shares issued pursuant to DRP	16,024	96,628	-	112,652
Balance as at 30 June 2015	<u>2,588,481</u>	<u>5,149,691</u>	<u>802,100</u>	<u>8,540,272</u>
Balance as at 1 January 2014	2,546,910	4,888,541	646,471	8,081,922
Net loss for the financial period	-	-	(79,249)	(79,249)
Balance as at 30 June 2014	<u>2,546,910</u>	<u>4,888,541</u>	<u>567,222</u>	<u>8,002,673</u>

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



**RHB CAPITAL BERHAD (312952 – H)
INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Six months ended	
	30 June 2015	30 June 2014
	RM'000	RM'000
Group		
Cash flows from operating activities		
Profit before taxation	1,337,202	1,376,535
Adjustments for:		
Allowance for impairment on loans, financing and other losses	141,442	228,518
Property, plant and equipment		
- Depreciation	60,643	57,290
- Gain on disposal	(6,508)	(41)
- Written off	29	125
- Impairment losses written back	(33)	-
Intangible assets		
- Amortisation	37,029	33,168
Net impairment written back on financial investments AFS and HTM	(13,664)	(120,283)
Share of results of associates and joint ventures	(125)	(70)
Net gain arising from sale/early redemption of financial assets FVTPL, financial investments AFS and HTM	(64,655)	(39,195)
Net gain on fair value hedges	(1,070)	(2,445)
Net unrealised loss on revaluation of financial assets FVTPL and derivatives	301,146	88,126
Net unrealised foreign exchange (gain)/loss	(126,727)	52,188
Gross dividend income from financial assets FVTPL, financial investments AFS and HTM	(27,159)	(16,400)
(Amortisation of premium)/accretion of discount for borrowings and subordinated obligations	(133)	8,419
Other non-cash items	(810,064)	(765,413)
Operating profit before working capital changes	<u>827,352</u>	<u>900,522</u>
(Increase)/decrease in operating assets:		
Securities purchased under resale agreements	(142,254)	(45,897)
Deposits and placements with banks and other financial institutions	(439,317)	(1,525,818)
Financial assets FVTPL	(395,706)	1,164,718
Loans, advances and financing	(1,690,165)	(11,047,567)
Clients' and brokers' balances	(592,225)	781,183
Other assets	64,712	(271,387)
Statutory deposits	45,616	(784,979)
	<u>(3,149,339)</u>	<u>(11,729,747)</u>
Increase/(decrease) in operating liabilities:		
Deposits from customers	(763,486)	11,918,118
Deposits and placements of banks and other financial institutions	(1,475,366)	1,965,709
Obligations on securities sold under repurchase agreements	2,233,563	(310,647)
Obligations on securities borrowed	(71,036)	325,284
Bills and acceptances payable	815,143	(61,226)
Clients' and brokers' balances	617,717	(861,291)
Other liabilities	(367,771)	14,538
Recourse obligation on loans sold to Cagamas	(93,700)	(91,202)
	<u>895,064</u>	<u>12,899,283</u>
Cash (used in)/generated from operations	(1,426,923)	2,070,058
Net tax paid	(373,945)	(259,509)
Net cash (used in)/generated from operating activities	<u>(1,800,868)</u>	<u>1,810,549</u>

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



RHB CAPITAL BERHAD (312952 – H)
INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended	
	30 June 2015	30 June 2014
	RM'000	RM'000
Group		
Cash flows from investing activities		
Net purchase of financial investments AFS and HTM	(71,209)	(1,338,701)
Property, plant and equipment:		
- Purchase	(41,750)	(41,588)
- Proceeds from disposal	8,759	100
Purchase of intangible assets	(67,242)	(42,814)
Financial investments AFS and HTM:		
- Interest received	697,123	656,764
- Investment income received	98,291	85,340
Dividend income received from financial assets FVTPL and financial investments AFS	15,691	16,400
Net cash inflow from disposal of a subsidiary	-	265
Net cash outflow from acquisition by NCI	-	(95)
Net cash generated from/(used in) investing activities	<u>639,662</u>	<u>(664,329)</u>
Cash flows from financing activities		
Net (repayment)/drawdown of borrowings	(174,322)	89,208
Proceeds from issuance of subordinated notes	700,000	-
Redemption of subordinated notes	(900,000)	-
Proceeds from issuance of Subordinated Sukuk Murabahah	-	500,000
Proceeds from shares issued pursuant to DRP	112,652	-
Dividends paid to equity holders of the Company	(154,347)	-
Dividends paid to NCI	(1,325)	(993)
Net cash (used in)/generated from financing activities	<u>(417,342)</u>	<u>588,215</u>
Net (decrease)/increase in cash and cash equivalents	(1,578,548)	1,734,435
Effects of exchange rate differences	218,722	4,006
Cash and cash equivalents:		
- at the beginning of the financial period	<u>16,236,908</u>	<u>9,998,667</u>
- at the end of the financial period	<u>14,877,082</u>	<u>11,737,108</u>
Cash and cash equivalents comprise the following:		
- Cash and short term funds	14,877,082	11,737,126
- Overdrafts	-	(18)
	<u>14,877,082</u>	<u>11,737,108</u>

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



RHB CAPITAL BERHAD (312952 – H)
INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six months ended	
	30 June 2015	30 June 2014
	RM'000	RM'000
Company		
Cash flows from operating activities		
Profit/(loss) before taxation	541,055	(77,840)
Adjustments for:		
Interest expense	65,770	60,446
Unrealised foreign exchange loss	-	80
Property, plant and equipment		
- Depreciation	102	105
Dividend income	(614,163)	(17,756)
Interest income	(408)	(6,270)
Operating loss before working capital changes	(7,644)	(41,235)
Increase in deposits and placements with banks and other financial institutions	(18)	(17)
Decrease/(Increase) in inter-company balances	384	(2,047)
(Increase)/Decrease in other assets	(360)	21,403
Decrease in other liabilities	(11,402)	(4,043)
Cash used in operations	(19,040)	(25,939)
Net tax paid	(59)	-
Net cash used in operating activities	(19,099)	(25,939)
Cash flows from investing activities		
Dividend income received from subsidiaries	607,269	17,756
Interest income received	421	6,241
Purchase of property, plant and equipment	(260)	(172)
Increase in investments in subsidiaries	(437,454)	-
Net cash generated from investing activities	169,976	23,825
Cash flows from financing activities		
Net (repayment)/drawdown of borrowings	(56,000)	107,000
Interest expense paid	(75,236)	(52,058)
Dividends paid to equity holders of the Company	(154,347)	-
Proceeds from shares issued pursuant to DRP	112,652	-
Net cash (used in)/generated from financing activities	(172,931)	54,942
Net (decrease)/increase in cash and cash equivalents	(22,054)	52,828
Cash and cash equivalents:		
- at the beginning of the financial period	24,940	16,973
- at the end of the financial period	2,886	69,801
Cash and cash equivalents comprise the following:		
- Cash and short term funds	2,886	69,819
- Overdrafts	-	(18)
	2,886	69,801

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



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A1. Basis of Preparation

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

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

(a) Annual Improvements to MFRS 2012 - 2014 Cycle

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

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

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

- (i) Classification of a loan/financing as impaired when the loan/financing is classified as rescheduled and restructured ('R&R') in BNM's Central Credit Reference Information System ('CCRIS') effective on or after 1 April 2015. The R&R loan/financing shall only be reclassified from impaired to non-impaired when repayments based on revised and restructured terms have been observed continuously for a period of at least 6 months; and
- (ii) Banking institutions are required to maintain, in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances, effective beginning 31 December 2015.

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

A2. Auditors' Report

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

A3. Seasonal or Cyclical Factors

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

A4. Exceptional or Unusual Items

There were no exceptional or unusual items for the six months ended 30 June 2015.

A5. Changes in Estimates

There were no material changes in estimates of amount reported in prior financial years that have a material effect for the six months ended 30 June 2015.



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A6. Changes in Debt and Equity Securities

There were no issuances and repayments of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the six months ended 30 June 2015, other than as disclosed below:

(a) Changes in equity securities

- (i) On 24 April 2015, the Company increased its issued and paid up share capital from RM2,572,456,783 to 2,588,481,428 via the issuance of 16,024,645 new ordinary shares of RM1.00 each arising from the DRP pursuant to the single-tier interim dividend of 6.0% in respect of financial year ended 31 December 2014.

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

(b) Changes in debt securities

- (i) On 6 April 2015 and 25 May 2015, RHB Investment Bank Berhad ('RHB Investment Bank') had respectively fully redeemed its existing subordinated notes of 7.25% RM125.0 million and 7.15% RM75.0 million in nominal value.
- (ii) On 29 April 2015, RHB Bank Berhad ('RHB Bank') has fully redeemed its existing subordinated notes of 5.00% RM700.0 million in nominal value.
- (iii) On 16 April 2015, RHB Investment Bank issued RM200.0 million subordinated notes in nominal value under its RM1.0 billion Multi-Currency Medium Term Note Programme ('MCMTN Programme'). The subordinated notes are issued for a tenure of 10 non-callable 5 years with a fixed coupon rate of 4.95% per annum, payable semi-annually throughout the entire tenure.
- (iv) On 8 May 2015, RHB Bank completed its first issuance of RM500.0 million subordinated notes in nominal value under its RM5.0 billion MCMTN Programme. The subordinated notes are issued for a tenure of 10 non-callable 5 years with a fixed coupon rate of 4.75% per annum, payable semi-annually throughout the entire tenure.

The new subordinated notes issued under Note A6(b)(iii) and A6(b)(iv) above qualify as Tier II capital in accordance with the Capital Adequacy Framework (Capital Components) issued by BNM on 28 November 2012.

A7. Dividends Paid

During the six months ended 30 June 2015, the Company paid a single-tier interim dividend of 6.0% amounting to RM154.3 million in respect of the financial year ended 31 December 2014 on 24 April 2015. The reinvestment rate for the DRP was 73.01%.



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	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
A8. Interest Income				
<u>Group</u>				
Loans and advances	1,552,273	1,448,485	3,124,311	2,821,402
Money at call and deposits and placements with banks and other financial institutions	26,829	40,826	83,728	89,128
Securities purchased under resale agreements	749	27	1,116	75
Financial assets FVTPL	19,825	13,588	33,175	23,151
Financial investments AFS	159,765	141,356	318,801	270,863
Financial investments HTM	171,785	188,199	354,206	382,095
Others	6,449	2,909	13,264	6,790
	<u>1,937,675</u>	<u>1,835,390</u>	<u>3,928,601</u>	<u>3,593,504</u>
Of which:				
Interest income accrued on impaired financial assets	<u>36,590</u>	<u>40,330</u>	<u>88,778</u>	<u>86,372</u>
<u>Company</u>				
Money at call and deposits and placements with banks and other financial institutions	350	80	408	135
Others	-	6,135	-	6,135
	<u>350</u>	<u>6,215</u>	<u>408</u>	<u>6,270</u>
A9. Interest Expense				
<u>Group</u>				
Deposits and placements of banks and other financial institutions	108,227	134,585	236,274	193,700
Deposits from customers	871,912	743,342	1,763,774	1,491,470
Borrowings	25,103	25,830	51,671	51,289
Senior debt securities	23,508	13,079	46,935	26,446
Subordinated obligations	64,514	52,320	131,439	104,031
Hybrid Tier-1 Capital Securities	11,251	11,245	22,375	22,363
Recourse obligation on loans sold to Cagamas	24,700	10,615	49,037	21,138
Others	24,044	16,647	42,901	33,156
	<u>1,153,259</u>	<u>1,007,663</u>	<u>2,344,406</u>	<u>1,943,593</u>
<u>Company</u>				
Borrowings	<u>32,461</u>	<u>30,568</u>	<u>65,770</u>	<u>60,446</u>



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	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
A10. Other Operating Income				
Group				
Fee income				
- Service charges and fees	54,015	57,146	119,231	122,927
- Commission	38,554	36,679	74,169	74,997
- Guarantee fees	14,288	18,736	39,532	42,115
- Commitment fees	15,049	13,261	29,403	27,340
- Net brokerage income	87,930	88,490	174,366	173,133
- Fund management fees	31,469	26,346	57,682	51,026
- Unit trust fee income	24,395	7,844	36,405	19,326
- Corporate advisory fees	9,749	14,454	24,072	29,790
- Underwriting and arrangement fees	25,747	10,332	43,106	22,527
- Other fee income	14,840	25,462	33,742	56,681
	316,036	298,750	631,708	619,862
Net gain arising from financial assets FVTPL				
- Net gain on disposal	17,513	17,369	18,512	38,205
- Unrealised net (loss)/gain on revaluation	(11,402)	1,691	(1,935)	5,150
- Gross dividend income	2,295	2,166	11,468	3,929
	8,406	21,226	28,045	47,284
Net loss on revaluation of derivatives	(14,334)	(13,125)	(2,144)	(10,421)
Net gain on fair value hedges	743	1,287	1,070	2,445
Net gain arising from financial investments AFS				
- Net gain on disposal	21,581	5,154	41,495	4,403
- Gross dividend income	9,952	6,547	15,691	12,471
	31,533	11,701	57,186	16,874
Net gain arising from financial investments HTM				
- Net gain on early redemption	249	179	249	221



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	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
A10. Other Operating Income (continued)				
Other income				
- Net foreign exchange gain/(loss)				
- Realised	97,891	79,186	39,495	183,284
- Unrealised	(5,234)	(23,164)	126,727	(52,188)
- Insurance underwriting surplus before management expenses	27,874	35,952	65,988	72,185
- Net gain on disposal of property, plant and equipment	6,454	36	6,508	41
- Rental income	323	251	584	712
- Net loss on disposal of a subsidiary	-	-	-	(247)
- Other operating income	16,004	20,237	35,739	42,842
- Other non-operating income	2,047	1,382	3,324	3,108
	<u>145,359</u>	<u>113,880</u>	<u>278,365</u>	<u>249,737</u>
	<u>487,992</u>	<u>433,898</u>	<u>994,479</u>	<u>926,002</u>
Company				
Gross dividend income from:				
- Subsidiaries	<u>614,163</u>	<u>17,756</u>	<u>614,163</u>	<u>17,756</u>
Other income				
- Net foreign exchange loss				
- Realised	-	(28,040)	-	(28,040)
- Unrealised	-	(12)	-	(80)
- Other non-operating income	100	-	100	-
	<u>100</u>	<u>(28,052)</u>	<u>100</u>	<u>(28,120)</u>
	<u>614,263</u>	<u>(10,296)</u>	<u>614,263</u>	<u>(10,364)</u>



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	2nd quarter ended		Six months ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
A11. Other Operating Expenses				
Group				
Personnel costs				
- Salaries, bonus, wages and allowances	407,335	383,578	815,794	770,984
- Defined contribution plan	56,635	55,664	110,853	109,123
- Other staff related costs	35,392	45,288	75,208	78,799
	499,362	484,530	1,001,855	958,906
Establishment costs				
- Property, plant and equipment				
- Depreciation	28,296	28,805	60,643	57,290
- Written off	13	124	29	125
- Intangible assets				
- Amortisation	18,671	14,857	37,029	33,168
- Information technology expenses	38,913	42,256	79,968	73,481
- Repair and maintenance	7,817	10,160	16,652	19,069
- Security and escorting charges	12,517	12,955	24,913	23,234
- Rental of premises	37,493	36,707	74,619	73,405
- Water and electricity	8,675	9,793	18,367	18,676
- Rental of equipment	3,582	2,682	6,349	5,122
- Insurance	13,076	5,245	20,808	11,941
- Others	3,661	4,658	7,306	9,173
	172,714	168,242	346,683	324,684
Marketing expenses				
- Sales commission	34,826	22,946	62,764	46,889
- Advertisements and publicity	15,347	14,511	23,946	29,203
- Others	38,585	31,654	64,367	61,255
	88,758	69,111	151,077	137,347
Administration and general expenses				
- Communication expenses	38,606	38,081	77,116	76,772
- Legal and professional fee	7,236	8,967	15,421	16,938
- Others	35,850	27,984	70,285	68,613
	81,692	75,032	162,822	162,323
	842,526	796,915	1,662,437	1,583,260



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	2nd quarter ended		Six months ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
A11. Other Operating Expenses (continued)				
<u>Company</u>				
Personnel costs				
- Salaries, bonus, wages and allowances	2,043	516	2,512	7,770
- Defined contribution plan	327	89	402	1,027
- Other staff related costs	27	30	84	224
	2,397	635	2,998	9,021
Establishment costs				
- Rental of premises	25	16	50	230
- Depreciation of property, plant and equipment	49	57	102	105
- Information technology expenses	3	3	3	4
- Repair and maintenance	7	7	16	36
- Security and escorting charges	-	7	-	16
- Water and electricity	12	7	24	33
	96	97	195	424
Marketing expenses				
- Advertisements and publicity	187	66	533	527
- Others	15	23	26	99
	202	89	559	626
Administration and general expenses				
- Communication expenses	25	14	50	100
- Legal and professional fee	46	867	2,933	1,764
- Others	610	790	1,111	1,365
	681	1,671	4,094	3,229
	3,376	2,492	7,846	13,300

**A12. Allowance for Impairment on Loans,
 Financing and Other Losses**

Group

Allowance for impaired loans and financing

- Individual impairment allowance made	52,029	(42,367)	59,572	(35,318)
- Collective impairment allowance made	(65,905)	77,549	9,275	168,025
Impaired loans and financing recovered	(64,846)	(68,600)	(131,984)	(156,961)
Bad debts written off	32,913	51,612	68,491	99,512
Allowance made/(written back) for impairment on other debtors	5,054	(846)	4,104	(3,701)
	(40,755)	17,348	9,458	71,557



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	Group	
	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000
A13. Financial Assets at Fair Value Through Profit or Loss ('Financial assets FVTPL')		
(a) Designated as fair value through profit or loss	57,517	-
(b) Held-for-trading	3,363,221	2,930,681
	3,420,738	2,930,681
(a) Financial assets designated as fair value through profit or loss		
<u>Quoted securities:</u>		
In Malaysia		
Unit trusts	57,517	-
	57,517	-
(b) Financial assets held-for-trading		
At fair value		
<u>Money market instrument:</u>		
Malaysian Government Securities	501,056	557,950
Malaysian Government Investment Issues	1,020,418	728,287
Cagamas bonds	32,258	6,968
Sukuk Perumahan Kerajaan ('SPK') bonds	278,703	20,116
Singapore Government Treasury Bills	560,491	502,281
Thailand Government bonds	23,429	-
<u>Quoted securities:</u>		
In Malaysia		
Shares, exchange traded funds and warrants	139,509	155,976
Unit trusts	1,084	56,483
Private debt securities	4,049	3,841
Outside Malaysia		
Shares, exchange traded funds and warrants	182,280	150,145
Unit trusts	111,271	82,994
<u>Unquoted securities:</u>		
In Malaysia		
Private debt securities	508,673	424,192
Commercial paper	-	49,870
Outside Malaysia		
Private debt securities	-	17,588
Credit link notes	-	173,990
	3,363,221	2,930,681



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A13. Financial Assets at Fair Value Through Profit or Loss ('Financial assets FVTPL') (continued)

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

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

	Group	
	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000
<u>Carrying amount</u>		
Reclassified from financial assets FVTPL to financial investments AFS	30,001	29,823
Reclassified from financial assets FVTPL to financial investments HTM	-	21,140
	30,001	50,963
<u>Fair value</u>		
Reclassified from financial assets FVTPL to financial investments AFS	29,872	29,450
Reclassified from financial assets FVTPL to financial investments HTM	-	21,409
	29,872	50,859
Fair value loss that would have been recognised if the financial assets FVTPL had not been reclassified	(129)	(104)



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	Group	
	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000
A14. Financial Investments Available-for-sale ('AFS')		
At fair value		
<u>Money market instrument:</u>		
Malaysian Government Securities	1,419,681	1,168,982
Malaysian Government Investment Issues	2,221,451	2,413,705
Cagamas Bonds	150,930	176,532
Khazanah bonds	59,804	58,123
1 Malaysia Sukuk	-	330,256
Wakala Global Sukuk	90,867	84,587
Bankers' acceptances and Islamic acceptable bills	543,129	73,627
Negotiable instruments of deposits	498,482	649,516
SPK bonds	235,120	125,034
Malaysia Sovereign Sukuk	37,619	-
Singapore Government Securities	334,423	161,233
Singapore Government Treasury Bills	742,762	409,666
Thailand Government bonds	245,500	120,895
<u>Quoted securities:</u>		
In Malaysia		
Shares and warrants	6,262	15,830
Unit trusts	13,000	12,976
Outside Malaysia		
Shares and warrants	9,644	1,800
Unit trusts	30,188	30,368
<u>Unquoted securities:</u>		
In Malaysia		
Private and Islamic debt securities	13,520,875	12,664,877
Shares and warrants	718,882	609,194
Corporate loan stocks	18,128	17,843
Prasarana bonds	125,556	35,185
Perpetual notes/Sukuk	286,052	286,084
Outside Malaysia		
Private and Islamic debt securities	653,267	442,042
Corporate loan stocks	2,322	2,151
Shares	418	396
	21,964,362	19,890,902
Accumulated impairment losses	(289,387)	(288,726)
	21,674,975	19,602,176

Included in financial investments AFS are private and Islamic debt securities, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RMNil (31 December 2014: RM20,484,000).



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	Group	
	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000
A15. Financial Investments Held-to-maturity ('HTM')		
At amortised cost		
<u>Money market instrument:</u>		
Malaysian Government Securities	2,240,251	2,343,015
Malaysian Government Investment Issues	5,500,820	5,710,589
Cagamas bonds	1,429,124	1,846,208
Khazanah bonds	104,061	101,835
Negotiable instruments of deposits	1,304,444	2,027,550
Bankers' acceptances	158,996	-
Wakala Global Sukuk	270,476	249,958
SPK bonds	111,148	111,178
Singapore Government Securities	198,826	187,519
Thailand Government Securities	170,913	275,711
Sukuk (Brunei) Incorporation	42,069	39,689
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private and Islamic debt securities	6,799,873	6,868,950
Corporate loan stocks	64,945	70,171
Bonds	883	883
Prasarana bonds	809,388	810,498
Credit link notes	45,052	45,058
<u>Outside Malaysia</u>		
Private and Islamic debt securities	768	37,222
Credit link notes	-	17,891
	19,252,037	20,743,925
Accumulated impairment losses	(261,157)	(274,094)
	18,990,880	20,469,831

Included in financial investments HTM are private and Islamic debt securities, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM2,761,100,000 (31 December 2014: RM500,000,000).



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	Group	
	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000
A16. Loans, Advances and Financing		
At amortised cost		
Overdrafts	6,414,581	6,327,913
Term loans/financing		
- Housing loans/financing	35,282,489	31,988,629
- Syndicated term loans/financing	6,412,876	5,581,599
- Hire purchase receivables	12,533,796	13,348,197
- Lease receivables	27,811	33,706
- Other term loans/financing	65,705,930	66,671,673
Bills receivables	2,789,727	2,452,642
Trust receipts	728,220	626,381
Claims on customers under acceptance credits	3,844,280	3,662,085
Staff loans/financing	207,344	221,146
Credit/charge card receivables	1,952,147	1,994,710
Revolving credits/financing	8,782,257	9,577,509
Gross loans, advances and financing	144,681,458	142,486,190
Fair value changes arising from fair value hedges	(12,890)	(26,870)
	144,668,568	142,459,320
Allowance for impaired loans, advances and financing		
- Individual impairment allowance	(476,961)	(417,232)
- Collective impairment allowance	(1,193,159)	(1,349,085)
Net loans, advances and financing	142,998,448	140,693,003

Included in loans, advances and financing are housing loans, hire purchase receivables and other term loans/financing sold to Cagamas with recourse amounting to RM3,211,513,000 (31 December 2014: RM3,304,749,000).



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	Group	
	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
A16. Loans, Advances and Financing (continued)		
(a) By type of customer		
Domestic non-bank financial institutions		
- Others	1,909,728	2,048,118
Domestic business enterprises		
- Small and medium enterprises	20,760,847	16,255,916
- Others	32,543,916	36,538,619
Government and statutory bodies	5,330,660	7,457,968
Individuals	66,736,364	64,275,120
Other domestic entities	136,501	124,840
Foreign entities	17,263,442	15,785,609
	<u>144,681,458</u>	<u>142,486,190</u>
(b) By geographical distribution		
Malaysia	126,782,086	125,761,783
Labuan Offshore	3,533,249	3,585,654
Singapore	12,030,419	11,017,471
Thailand	850,747	1,061,038
Brunei	135,157	114,997
Indonesia	15,848	7,209
Hong Kong	339,677	143,844
Cambodia	927,625	758,885
Lao	66,650	35,309
	<u>144,681,458</u>	<u>142,486,190</u>
(c) By interest/profit rate sensitivity		
Fixed rate		
- Housing loans/financing	1,271,815	1,522,767
- Hire purchase receivables/financing	12,533,796	13,348,197
- Other fixed rate loans/financing	17,110,109	19,506,915
Variable rate		
- Base lending/financing rate plus	67,177,720	63,266,561
- Cost-plus	35,776,637	36,418,784
- Other variable rates	10,811,381	8,422,966
	<u>144,681,458</u>	<u>142,486,190</u>



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Group	
As at 30 June 2015	As at 31 December 2014
RM'000	RM'000

A16. Loans, Advances and Financing (continued)

(d) By purpose

Purchase of securities	15,251,823	15,606,564
Purchase of transport vehicles	11,456,548	12,222,831
Purchase of landed property		
- Residential	34,915,540	31,469,445
- Non-residential	11,758,259	10,633,960
Purchase of property, plant and equipment other than land and building	3,782,564	3,675,777
Personal use	7,901,985	7,650,256
Credit card	1,952,147	1,994,710
Purchase of consumer durables	33,354	28,926
Construction	5,745,342	4,929,162
Working capital	35,412,609	35,060,938
Merger and acquisition	2,307,072	3,227,805
Other purpose	14,164,215	15,985,816
	<u>144,681,458</u>	<u>142,486,190</u>

(e) By remaining contractual maturities

Maturity within one year	44,692,866	48,168,576
One year to three years	9,128,950	8,693,192
Three years to five years	11,800,645	11,464,772
Over five years	79,058,997	74,159,650
	<u>144,681,458</u>	<u>142,486,190</u>



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Group	
As at 30 June 2015	As at 31 December 2014
RM'000	RM'000

A16. Loans, Advances and Financing (continued)

(f) Impaired loans, advances and financing

(i) Movements in impaired loans, advances and financing

Balance as at the beginning of the financial period/year	2,892,367	3,426,629
Classified as impaired	2,157,691	3,704,991
Reclassified as non-impaired	(1,262,972)	(2,497,162)
Amount recovered	(596,123)	(765,732)
Amount written off	(239,509)	(1,021,213)
Transfer from financial investments AFS	-	39,543
Exchange differences	8,320	5,311
Balance as at the end of the financial period/year	2,959,774	2,892,367

(ii) By purpose

Purchase of securities	98,531	218,313
Purchase of transport vehicles	164,834	180,120
Purchase of landed property		
- Residential	753,384	783,908
- Non-residential	224,621	181,589
Purchase of property, plant and equipment other than land and building	51,224	38,834
Personal use	156,130	153,432
Credit card	44,305	36,911
Purchase of consumer durables	1,519	1,425
Construction	124,308	115,694
Working capital	1,275,263	1,139,887
Other purpose	65,655	42,254
	2,959,774	2,892,367



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Group	
As at 30 June 2015	As at 31 December 2014
RM'000	RM'000

A16. Loans, Advances and Financing (continued)

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

(iii) By geographical distribution

Malaysia	2,761,919	2,754,303
Labuan Offshore	12,591	-
Singapore	143,693	104,211
Thailand	23,091	21,872
Brunei	8,793	8,245
Cambodia	9,687	3,736
	<u>2,959,774</u>	<u>2,892,367</u>

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

Individual impairment allowance

Balance as at the beginning of the financial period/year	417,232	903,388
Net allowance made/(written back)	59,572	(27,937)
Amount written off	(3,249)	(482,988)
Reclassified to collective impairment allowance	-	(64)
Transfer to impairment of financial investments HTM	-	(9,871)
Transfer from impairment of financial investments AFS	-	29,666
Exchange differences	3,406	5,038
Balance as at the end of the financial period/year	<u>476,961</u>	<u>417,232</u>

Collective impairment allowance

Balance as at the beginning of the financial period/year	1,349,085	1,280,266
Net allowance made	9,275	405,898
Amount written off	(169,427)	(339,584)
Reclassified from individual impairment allowance	-	64
Exchange differences	4,226	2,441
Balance as at the end of the financial period/year	<u>1,193,159</u>	<u>1,349,085</u>



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	Group		Company	
	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
A17. Other Assets				
Other debtors	502,980	770,176	4	2
Collateral pledged for derivative transactions	812,056	620,577	-	-
Deposits	97,316	87,536	-	-
Prepayments	96,971	63,700	1,014	3,635
	<u>1,509,323</u>	<u>1,541,989</u>	<u>1,018</u>	<u>3,637</u>

	Group	
	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
A18. Deposits from Customers		
(a) By type of deposits		
Demand deposits	28,595,494	26,239,569
Savings deposits	8,186,899	7,927,118
Fixed/investment deposits	120,351,974	122,935,277
Negotiable instruments of deposits	32,418	32,029
	<u>157,166,785</u>	<u>157,133,993</u>
(b) By type of customer		
Government and statutory bodies	12,023,070	11,148,094
Business enterprises	95,483,342	97,051,175
Individuals	43,245,681	42,913,486
Others	6,414,692	6,021,238
	<u>157,166,785</u>	<u>157,133,993</u>
(c) By maturity structure of fixed/investment deposits and negotiable instruments of deposits		
Due within six months	102,142,778	101,842,151
Six months to one year	17,733,046	20,318,902
One year to three years	477,889	788,624
Three years to five years	30,679	17,629
	<u>120,384,392</u>	<u>122,967,306</u>



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Group	
As at 30 June 2015	As at 31 December 2014
RM'000	RM'000

A19. Deposits and Placements of Banks and Other Financial Institutions

Licensed banks	13,045,890	14,973,762
Licensed Islamic banks	1,754,111	221,130
Licensed investment banks	2,211,201	1,607,590
BNM	538,835	515,027
Other financial institutions	2,527,380	4,032,109
	<u>20,077,417</u>	<u>21,349,618</u>

Group		Company	
As at 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014
RM'000	RM'000	RM'000	RM'000

A20. Other Liabilities

Other creditors and accruals	1,149,699	1,134,903	937	7,925
Short term employee benefits	203,295	402,475	-	4,415
Prepaid instalments	70,150	71,037	-	-
Remisiers' trust deposits	60,123	59,480	-	-
Amount due to Danaharta	2,045	1,935	-	-
Amount due to trust funds	40,406	44,268	-	-
	<u>1,525,718</u>	<u>1,714,098</u>	<u>937</u>	<u>12,340</u>



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A21. Segment Reporting

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

Pursuant to the Group's refinement on internal fund transfer-pricing methodology and internal management reporting framework that transfers funding center to the purview and responsibility of Group Treasury, the Group has restated the corresponding segment information in all affected business segments retrospectively. The funding center was previously categorised under 'Support Center and Others' segment.

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

(a) Corporate and Investment Banking ('CIB')

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

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

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

(b) Retail Banking

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

(c) Business Banking

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

(d) Group Treasury

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



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NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
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A21. Segment Reporting (continued)

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

(e) Group International Business

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

(f) Support Center and Others

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

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



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A21. Segment Reporting (continued)

Six months ended 30 June 2015

	CIB	Retail Banking	Business Banking	Group Treasury	Group International Business	Support Center and Others	Inter-segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	848,454	1,242,182	461,084	217,049	258,352	(31,846)	-	2,995,275
Inter-segment revenue	20,634	19,024	-	7,313	2,990	(1,106)	(48,855)	-
Segment revenue	<u>869,088</u>	<u>1,261,206</u>	<u>461,084</u>	<u>224,362</u>	<u>261,342</u>	<u>(32,952)</u>	<u>(48,855)</u>	<u>2,995,275</u>
Other operating expenses	(534,849)	(653,162)	(230,150)	(63,318)	(167,468)	(62,345)	48,855	(1,662,437)
Including:								
Depreciation of property, plant and equipment	(14,350)	(30,492)	(3,496)	(1,404)	(6,022)	(4,879)	-	(60,643)
Amortisation of intangible assets	(11,688)	(13,781)	(5,090)	(3,466)	(3,004)	-	-	(37,029)
Allowance for impairment on loans, financing and other losses	(14,004)	63,166	(49,407)	(1,978)	(8,752)	1,517	-	(9,458)
Impairment losses written back on other assets	13,427	-	-	-	270	-	-	13,697
	<u>333,662</u>	<u>671,210</u>	<u>181,527</u>	<u>159,066</u>	<u>85,392</u>	<u>(93,780)</u>	<u>-</u>	<u>1,337,077</u>
Share of results of joint ventures								125
Profit before taxation								<u>1,337,202</u>
Taxation								<u>(330,809)</u>
Net profit for the financial period								<u><u>1,006,393</u></u>



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A21. Segment Reporting (continued)

As at 30 June 2015

	CIB	Retail Banking	Business Banking	Group Treasury	Group International Business	Support Center and Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	53,071,903	71,214,142	19,543,987	52,236,939	25,219,674	774,241	222,060,886
Investments in joint ventures							21,940
Tax recoverable							171,569
Deferred tax assets							31,837
Unallocated assets							952,817
Total assets							<u>223,239,049</u>
Segment liabilities	41,148,044	56,148,087	17,085,489	55,332,942	18,684,580	1,673,475	190,072,617
Tax liabilities							34,005
Deferred tax liabilities							63,506
Borrowings							2,766,601
Subordinated obligations							5,895,372
Hybrid Tier-1 Capital Securities							601,558
Senior debt securities							3,034,526
Unallocated liabilities							592,114
Total liabilities							<u>203,060,299</u>



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A21. Segment Reporting (continued)

Six months ended 30 June 2014

	CTB	Retail Banking	Business Banking	Group Treasury	Group International Business	Support Center and Others	Inter-segment Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	903,075	1,282,712	435,106	179,313	196,478	(85,685)	-	2,910,999
Inter-segment revenue	23,857	8,081	-	13,133	(9,062)	2,771	(38,780)	-
Segment revenue	926,932	1,290,793	435,106	192,446	187,416	(82,914)	(38,780)	2,910,999
Other operating expenses	(481,524)	(662,844)	(207,607)	(70,932)	(140,797)	(58,336)	38,780	(1,583,260)
Including:								
Depreciation of property, plant and equipment	(12,204)	(32,130)	(3,085)	(1,236)	(4,230)	(4,405)	-	(57,290)
Amortisation of intangible assets	(12,182)	(12,371)	(4,758)	(2,585)	(1,272)	-	-	(33,168)
Allowance for impairment on loans, financing and other losses	94,155	(158,986)	2,460	(14,311)	827	4,298	-	(71,557)
Impairment losses written back/(made) on other assets	123,477	21	623	(3,363)	5	(480)	-	120,283
	663,040	468,984	230,582	103,840	47,451	(137,432)	-	1,376,465
Share of results of associates								(112)
Share of results of joint ventures								182
Profit before taxation								1,376,535
Taxation								(363,785)
Net profit for the financial period								1,012,750



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A21. Segment Reporting (continued)

As at 31 December 2014

	CIB	Retail Banking	Business Banking	Group Treasury	Group International Business	Support Center and Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	52,942,278	68,038,286	18,890,063	54,626,228	22,755,613	727,195	217,979,663
Investments in joint ventures							21,021
Tax recoverable							162,181
Deferred tax assets							38,465
Unallocated assets							1,153,106
Total assets							<u>219,354,436</u>
Segment liabilities	34,908,688	44,883,328	13,671,396	74,765,021	16,568,209	2,404,930	187,201,572
Tax liabilities							57,321
Deferred tax liabilities							53,041
Borrowings							2,874,697
Subordinated obligations							6,099,402
Hybrid Tier-1 Capital Securities							601,515
Senior debt securities							2,810,655
Unallocated liabilities							762,147
Total liabilities							<u>200,460,350</u>



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A22. Valuation of Property, Plant and Equipment

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

A23. Material Events Subsequent to the Balance Sheet Date

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

- (a) Proposed Subscription in Digital Financial Lab Limited ('DFLL'), by RHB Finexasia.Com Sdn Bhd ('RHB Finex') and Silverlake International Capital Market Solution Limited ('Silverlake Capital').

RHB Finex, a company in which RHB Capital holds a 100% effective equity interest in through its 59.95% direct shareholding and 40.05% indirect shareholding through RHB Investment Bank, which in turn is a wholly-owned subsidiary of RHB Capital, had on 6 August 2015 entered into a subscription agreement ('Agreement') with Silverlake Capital, to subscribe for redeemable convertible preference shares of USD1.00 each ('RCPS') at par in DFLL.

Pursuant to the Agreement, RHB Finex and Silverlake Capital will each subscribe for 50% RCPS in DFLL for RM10 million each ('Proposed Subscription'). The Proposed Subscription by RHB Finex will be funded by its internally generated funds. The RCPS shall rank *pari passu* with the existing ordinary shares of USD1.00 each ('Ordinary Shares') in DFLL in respect with the rights attached to the Ordinary Shares and shall be convertible at any time into Ordinary Shares at no extra cost.

The completion of the Proposed Subscription is subject to regulatory approval.

- (b) Bancatakaful Service Arrangement between RHB Islamic Bank Berhad ('RHB Islamic Bank') and Syarikat Takaful Malaysia Berhad ('STMB') ('Bancatakaful Service Arrangement')

RHB Islamic Bank, a wholly-owned subsidiary of RHB Bank, which in turn is a wholly-owned subsidiary of RHB Capital, has on 26 August 2015 entered into an exclusive bancatakaful service arrangement agreement ('Bancatakaful Service Agreement') with STMB.

Pursuant to the terms of the Bancatakaful Service Agreement, STMB shall pay RHB Islamic Bank a total service fee of RM110 million and in consideration thereof, RHB Islamic Bank shall commit to a 10-year bancatakaful relationship with STMB to distribute Family and General takaful products developed by STMB.

A24. Changes in Composition of the Group

There are no significant changes in the composition of the Group for the six months ended 30 June 2015 other than the following:

- (a) On 30 January 2015, RHB Bank injected additional capital to its wholly-owned commercial bank subsidiary, RHB Indochina Bank Limited ('RHB Indochina Bank'), which is incorporated in Cambodia, amounting to USD15,000,000 (equivalent to RM54,375,000). As a result, RHB Indochina Bank's share capital increased from USD52,000,000 to USD67,000,000.
- (b) On 3 April 2015, the Company has recapitalised 75% of the second interim dividend income from RHB Bank amounting to RM437,454,000 as cost of investment. The recapitalisation is via the issuance of rights issue of 190,197,391 new RHB Bank ordinary shares of RM0.50 per share at an issue price of RM2.30 per share.
- (c) On 30 June 2015, RHB Investment Bank subscribed for SGD3,000,000 new ordinary shares in RHB OSK International Investments Pte Ltd ('ROII'). The issued and paid-up share capital of ROII increased from SGD9,000,000 to SGD12,000,000. The rationale for the increase is to facilitate the subscription of additional shares in RHB OSK Asset Management Pte Ltd ('ROAM') as disclosed in Note A24(d).
- (d) On 30 June 2015, ROII subscribed for SGD3,000,000 new ordinary shares in ROAM. The issued and paid-up share capital of ROAM increased from SGD9,100,000 to SGD12,100,000 with details as follows:
- (i) SGD1,000,000 of Base Capital Requirement as set out by Monetary Authority of Singapore for applying the Capital Market Service Licence under the Securities and Futures Act; and
 - (ii) SGD2,000,000 for working capital to support the growth and establishment of Singapore as a Regional Hub for Group Asset Management.

ROAM is a wholly-owned subsidiary of ROII which in turn is a wholly-owned subsidiary of RHB Investment Bank. Upon completion of the subscription, the equity interest held by ROII in ROAM remains the same.



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

(a) Commitments and Contingencies

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

The commitments and contingencies comprise the following:

Group	As at 30 June 2015			As at 31 December 2014		
	Principal amount	Credit equivalent amount*	Risk weighted amount	Principal amount	Credit equivalent amount*	Risk weighted amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Direct credit substitutes	2,343,957	2,313,933	1,345,560	2,659,088	2,628,097	1,656,364
Transaction-related contingent items	4,684,298	2,318,673	1,307,440	4,829,166	2,388,120	1,308,323
Short term self-liquidating trade-related contingencies	1,994,372	396,984	189,125	1,822,569	362,511	177,431
Obligations under underwriting agreements	291,408	145,704	145,704	-	2,990,608	-
Lending of banking subsidiaries' securities or the posting of securities as collateral by subsidiaries, including instances where these arise out of repo-style transactions banking	2,650,135	2,650,135	39,710	517,610	517,610	27,897
Irrevocable commitments to extend credit						
- maturity not exceeding one year	2,231,468	443,825	168,266	2,701,468	399,169	144,743
- maturity exceeding one year	29,580,805	20,527,709	10,356,903	30,652,168	14,280,346	9,878,218
Foreign exchange related contracts^						
- less than one year	41,373,988	1,440,734	837,035	28,493,237	922,273	556,942
- one year to less than five years	11,181,115	2,056,420	864,805	11,522,508	1,679,778	760,665
- more than five years	526,992	148,329	96,735	469,108	596,943	444,525
Equity related contracts^						
- less than one year	254	19	19	15,508	5,844	5,844
Interest rate related contracts^						
- less than one year	6,771,645	17,843	6,946	5,959,805	14,442	4,211
- one year to less than five years	28,345,380	800,668	284,585	27,736,220	814,933	281,190
- more than five years	1,383,554	131,016	72,356	987,920	73,660	34,400
Any commitments that are unconditionally cancelled at any time by the banking subsidiaries without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	15,164,051	607,919	245,238	15,137,896	605,393	240,215
	148,523,422	33,999,911	15,960,427	133,504,271	28,279,727	15,520,968

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

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



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

(a) Commitments and Contingencies (continued)

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

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

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

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



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

(b) Guarantees Issued by Group and Company

	As at 30 June 2015 <u>RM'000</u>	As at 31 December 2014 <u>RM'000</u>
<u>Group</u>		
Corporate guarantee in favour of client's trading facilities granted by a subsidiary	<u>68,000</u>	<u>68,000</u>
<u>Company</u>		
Corporate guarantee provided to licensed banks for credit facilities granted to subsidiaries	231,378	214,243
Corporate guarantee in favour of client's trading facilities granted by a subsidiary	68,000	68,000
Letter of undertaking in favour of Monetary Authority of Singapore provided for a subsidiary	<u>140,265</u>	<u>132,315</u>
	<u>439,643</u>	<u>414,558</u>

A26. Capital Commitments

	Group	
	As at 30 June 2015 <u>RM'000</u>	As at 31 December 2014 <u>RM'000</u>
Capital expenditure for property, plant and equipment:		
- authorised and contracted for	119,833	109,535
- authorised but not contracted for	<u>308,118</u>	<u>202,131</u>
	<u>427,951</u>	<u>311,666</u>



RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

A27. Capital Adequacy Ratio

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

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

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

	RHB Bank[®]	
	As at	As at
	30 June	31 December
	2015	2014
	RM'000	RM'000
Common Equity Tier 1 ('CET 1')/Tier I Capital		
Paid-up ordinary share capital	3,460,585	3,365,486
Share premium	478,517	136,162
Retained profits	6,740,572	6,860,657
Other reserves	3,737,387	3,589,300
AFS reserves	250,093	218,816
	14,667,154	14,170,421
Less:		
Goodwill	(905,519)	(905,519)
Intangible assets (include associated deferred tax liabilities)	(181,744)	(166,462)
55% of cumulative gains of AFS financial instruments	(137,551)	(120,349)
Shortfall of eligible provisions to expected losses under the IRB approach	(187,705)	(307,612)
Investments in subsidiaries*	(687,429)	(332,839)
Other deductions#	(39,786)	(29,667)
Total CET 1 Capital	12,527,420	12,307,973
Hybrid Tier-I Capital Securities**	420,000	480,000
Total Tier I Capital	12,947,420	12,787,973
Tier II Capital		
Subordinated obligations***	2,800,000	3,200,000
Subordinated obligations meeting all inclusion ⁺	1,499,497	1,000,000
Collective impairment allowance and regulatory reserves [^]	332,532	258,406
	4,632,029	4,458,406
Less:		
Investments in subsidiaries*	(1,031,143)	(1,331,358)
Total Tier II Capital	3,600,886	3,127,048
Total Capital	16,548,306	15,915,021
Capital ratios		
Before proposed dividends:		
CET I Capital Ratio	12.006%	11.678%
Tier I Capital Ratio	12.409%	12.133%
Total Capital Ratio	15.860%	15.100%
After proposed dividends:		
CET I Capital Ratio	12.006%	11.124%
Tier I Capital Ratio	12.409%	11.580%
Total Capital Ratio	15.860%	14.547%



RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

A27. Capital Adequacy Ratio (continued)

- @ The capital adequacy ratios of RHB Bank consist of capital base and risk-weighted assets derived from RHB Bank and its wholly-owned offshore banking subsidiary, RHB Bank (L) Ltd.
- * Investments in subsidiaries are subject to the gradual deduction in the calculation under CET 1 Capital effective from 1 January 2014 as prescribed under paragraph 36.15 of the BNM's Capital Adequacy Framework (Capital Components).
- # 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-1 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).
- + Qualify as Tier II capital as specified in the BNM's Capital Adequacy Framework (Capital Components).
- ^ Excludes collective impairment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on 'Classification and Impairment Provisions for Loans/Financing'.

Includes the qualifying regulatory reserves for non-impaired loans of RHB Bank of RM348,551,000 (31 December 2014: Nil).



RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

A27. Capital Adequacy Ratio (continued)

	RHB Islamic Bank	
	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000
CET 1/Tier I Capital		
Paid-up ordinary share capital	1,173,424	1,173,424
Retained profits	493,766	553,560
Other reserves	617,060	553,765
AFS reserves	(16,525)	(28,352)
	<u>2,267,725</u>	<u>2,252,397</u>
Less:		
Net deferred tax assets	(10,156)	(15,497)
Intangible assets (include associated deferred tax liabilities)	(602)	(1,119)
Other deductions#	(121)	(551)
Total CET I Capital/Total Tier I Capital	<u>2,256,846</u>	<u>2,235,230</u>
Tier II Capital		
Subordinated sukuk*	500,000	500,000
Collective impairment allowance and regulatory reserves^	<u>224,682</u>	<u>100,832</u>
Total Tier II Capital	<u>724,682</u>	<u>600,832</u>
Total Capital	<u>2,981,528</u>	<u>2,836,062</u>
<u>Capital ratios</u>		
Before proposed dividends:		
CET I Capital Ratio	11.490%	12.875%
Tier I Capital Ratio	11.490%	12.875%
Total Capital Ratio	15.180%	16.336%
After proposed dividends:		
CET I Capital Ratio	11.490%	12.875%
Tier I Capital Ratio	11.490%	12.875%
Total Capital Ratio	15.180%	16.336%

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

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

Includes the qualifying regulatory reserves for non-impaired loans of RHB Islamic Bank of RM123,089,000 (31 December 2014: Nil).

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



RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

A27. Capital Adequacy Ratio (continued)

	RHB Investment Bank	
	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000
CET I/Tier I capital		
Paid-up ordinary share capital	818,646	818,646
Share premium	1,515,150	1,515,150
Retained profits	282,777	290,106
Other reserves	406,544	406,544
AFS reserves	2,113	(11,933)
	3,025,230	3,018,513
Less:		
Goodwill	(1,118,418)	(1,118,418)
Investments in subsidiaries*	(569,571)	(283,162)
Intangible assets (include associated deferred tax liabilities)	(31,274)	(29,718)
55% of cumulative gains of AFS financial instruments	(1,162)	-
Other deductions	(74)	(234)
Deferred tax assets	(11,681)	(23,891)
Reduction in excess of Tier II capital due to insufficient Tier II Capital#	(293,148)	(581,966)
Total CET I Capital/Tier I Capital	999,902	981,124
Tier II Capital		
Subordinated obligations**	345,000	539,765
Subordinated obligations meeting all relevant criteria	200,000	-
Collective impairment allowance and regulatory reserves^	16,209	10,916
	561,209	550,681
Less:		
Investments in subsidiaries and associates	(561,209)	(550,681)
Total Tier II Capital	-	-
Total Capital	999,902	981,124
<u>Capital ratios</u>		
Before proposed dividends:		
CET I Capital Ratio	23.325%	26.337%
Tier I Capital Ratio	23.325%	26.337%
Total Capital Ratio	23.325%	26.337%
After proposed dividends:		
CET I Capital Ratio	23.325%	26.337%
Tier I Capital Ratio	23.325%	26.337%
Total Capital Ratio	23.325%	26.337%



RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

A27. Capital Adequacy Ratio (continued)

- * Investments in subsidiaries are subject to the gradual deduction in the calculation under CET 1 Capital effective from 1 January 2014 as prescribed under paragraph 36.15 of the BNM's Capital Adequacy Framework (Capital Components).
- # The remaining portion of regulatory adjustments not deducted in the calculation of Tier II capital shall be deducted in the next higher tier of capital as prescribed under paragraph 31.1 of the BNM's Capital Adequacy Framework (Capital Components).
- ** 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).
- ^ Excludes collective impairment allowance attributable to loans, advances and financing classified as impaired but not individually assessed for impairment pursuant to BNM's Guideline on 'Classification and Impairment Provisions for Loans/Financing'.

Includes the qualifying regulatory reserves for non-impaired loans of RHB Investment Bank of RM7,329,000 (31 December 2014: RMNil).



RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE CONDENSED FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

A27. Capital Adequacy Ratio (continued)

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

	RHB Bank[@]	RHB Islamic Bank	RHB Investment Bank
<u>30 June 2015</u>			
Credit risk	92,355,999	18,447,278	2,402,332
Market risk	3,909,561	228,586	806,522
Operational risk	8,072,763	964,330	1,077,959
Total risk-weighted assets	<u>104,338,323</u>	<u>19,640,194</u>	<u>4,286,813</u>
<u>31 December 2014</u>			
Credit risk	94,067,828	16,316,757	2,448,720
Market risk	3,369,497	124,357	284,376
Operational risk	7,957,062	918,886	992,064
Total risk-weighted assets	<u>105,394,387</u>	<u>17,360,000</u>	<u>3,725,160</u>

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

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

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

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

(c) **RHB Indochina Bank**

	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
Before proposed dividends:		
Core capital ratio	#	#
Solvency ratio	19.990%	17.042%
After proposed dividends:		
Core capital ratio	#	#
Solvency ratio	19.990%	17.042%

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

No equivalent ratio in Cambodia.



RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Group	
	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000

A28. Operations of Islamic Banking

(a) Unaudited Statement of Financial Position as at 30 June 2015

ASSETS

Cash and short-term funds	4,710,059	4,022,466
Deposits and placements with banks and other financial institutions	1,002,807	893,146
Financial assets held-for-trading	193,991	351,888
Financial investments AFS	2,812,450	2,389,447
Financial investments HTM	2,141,512	1,965,362
Financing and advances	27,470,405	25,290,635
Other assets	217,100	81,394
Derivative assets	39,903	26,167
Statutory deposits	1,070,000	1,063,700
Deferred tax assets	4,777	9,942
Property, plant and equipment	9,337	12,339
Intangible assets	5,981	6,673
Total assets	<u>39,678,322</u>	<u>36,113,159</u>

LIABILITIES

Deposits from customers	25,466,178	24,370,954
Deposits and placements of banks and other financial institutions	3,401,764	1,720,900
Bills and acceptances payable	7,134	8,836
Recourse obligation on financing sold to Cagamas	1,065,446	1,147,677
Other liabilities	79,217	196,973
Derivative liabilities	495	46
Tax liabilities	10,765	10,414
Subordinated obligations	503,187	503,051
Total liabilities	<u>30,534,186</u>	<u>27,958,851</u>

Islamic Banking Funds	9,144,136	8,154,308
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Total liabilities and Islamic Banking Funds	<u>39,678,322</u>	<u>36,113,159</u>
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Commitments and contingencies	<u>8,493,887</u>	<u>6,445,224</u>
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RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
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2nd quarter ended		Six months ended	
30 June	30 June	30 June	30 June
2015	2014	2015	2014
<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>

A28. Operations of Islamic Banking (continued)

(b) Unaudited Income Statement for the Six Months Ended 30 June 2015

Group

Income derived from investment of depositors' funds	422,292	309,014	818,125	592,087
Income derived from investment of shareholder's funds	35,050	36,516	67,627	63,891
Allowance for impairment on financing and advances	605	(13,556)	(18,123)	(12,403)
Impairment losses on other assets	-	(480)	-	143
Total distributable income	<u>457,947</u>	<u>331,494</u>	<u>867,629</u>	<u>643,718</u>
Income attributable to depositors	<u>(243,231)</u>	<u>(162,193)</u>	<u>(469,151)</u>	<u>(320,892)</u>
	214,716	169,301	398,478	322,826
Personnel expenses	(11,340)	(17,178)	(22,358)	(38,274)
Other overheads and expenditures	(46,070)	(43,984)	(86,473)	(82,026)
Profit before taxation	<u>157,306</u>	<u>108,139</u>	<u>289,647</u>	<u>202,526</u>
Taxation	(24,363)	(15,415)	(42,248)	(31,357)
Net profit for the financial period	<u><u>132,943</u></u>	<u><u>92,724</u></u>	<u><u>247,399</u></u>	<u><u>171,169</u></u>



RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000

A28. Operations of Islamic Banking (continued)

**(c) Unaudited Statement of Comprehensive Income for the
Six Months Ended 30 June 2015**

Group				
Net profit for the financial period	<u>132,943</u>	<u>92,724</u>	<u>247,399</u>	<u>171,169</u>
Other comprehensive income/(loss) in respect of:				
Items that will be reclassified subsequently to profit or loss				
- Unrealised net gain/(loss) on revaluation of financial investments AFS	3,082	988	21,210	(6,517)
- Net transfer to income statement on disposal or impairment of financial investments AFS	(3,555)	146	(5,441)	2,501
- Income tax relating to components of other comprehensive (income)/loss	<u>119</u>	<u>(283)</u>	<u>(3,942)</u>	<u>1,004</u>
Other comprehensive income/(loss) net of tax, for the financial period	<u>(354)</u>	<u>851</u>	<u>11,827</u>	<u>(3,012)</u>
Total comprehensive income for the financial period	<u><u>132,589</u></u>	<u><u>93,575</u></u>	<u><u>259,226</u></u>	<u><u>168,157</u></u>



**RHB CAPITAL BERHAD (312952 – H)
 NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
 FOR THE SIX MONTHS ENDED 30 JUNE 2015**

	Group	
	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000
A28. Operations of Islamic Banking (continued)		
(d) Financing and Advances		
At amortised cost		
Cashline	279,833	255,115
Term financing		
- Housing financing	6,980,385	6,253,140
- Syndicated term financing	1,083,055	105,752
- Hire purchase receivables	5,890,022	5,883,027
- Other term financing	11,644,794	10,340,396
Bills receivable	533,607	469,596
Trust receipts	20,075	20,859
Staff financing	4,762	5,279
Credit/charge card receivables	234,059	223,916
Revolving financing	1,017,741	1,946,151
Gross financing and advances	<u>27,688,333</u>	<u>25,503,231</u>
Less: Allowance for impaired financing and advances		
- Individual impairment allowance	(22,228)	(25,289)
- Collective impairment allowance	(195,700)	(187,307)
Net financing and advances	<u><u>27,470,405</u></u>	<u><u>25,290,635</u></u>



RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Group	
	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000
A28. Operations of Islamic Banking (continued)		
(d) Financing and Advances (continued)		
(i) Movements in impaired financing and advances		
Balance as at the beginning of the financial period/year	330,701	431,267
Classified as impaired	370,311	480,870
Reclassified as non-impaired	(209,906)	(360,795)
Amount recovered	(38,115)	(111,964)
Amount written off	(21,352)	(109,706)
Exchange differences	-	1,029
Balance as at the end of the financial period/year	431,639	330,701
(ii) Movements in allowance for impaired financing and advances		
<u>Individual impairment allowance</u>		
Balance as at the beginning of the financial period/year	25,289	111,703
Net allowance written back	(3,061)	(21,538)
Amount written off	-	(63,135)
Reclassified to collective impairment allowance	-	(1,741)
Balance as at the end of the financial period/year	22,228	25,289
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial period/year	187,307	145,769
Net allowance made	27,260	69,650
Amount written off	(18,867)	(29,853)
Reclassified from individual impairment allowance	-	1,741
Balance as at the end of the financial period/year	195,700	187,307



RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Group	
	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000
A28. Operations of Islamic Banking (continued)		
(e) Other Assets		
Prepayments	7,738	3,349
Deposits	1,293	1,221
Other debtors	208,069	76,824
	217,100	81,394
(f) Deposits from Customers		
Saving Deposits		
- Wadiah	1,127,965	1,054,313
Demand Deposits		
- Wadiah	3,887,320	2,813,680
Term Deposits		
- Commodity Murabahah	8,733,881	5,435,819
- Wadiah Corporate Deposit	8,548,270	11,573,684
Specific Investment Account		
- Murabahah	2,954,227	3,134,728
- Mudharabah	-	51,577
General Investment Account		
- Mudharabah	214,515	307,153
	25,466,178	24,370,954



**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

B1. Review of Group Results

(a) Current Financial Year vs Previous Financial Year

The Group reported a net profit of RM1,000.9 million for the first half of 2015, compared to RM1,007.2 million in the previous year corresponding period. Pre-tax profit was at RM1,337.2 million, 2.9% lower than the first half of 2014. Excluding a one-off impairment write-back on other assets of RM112.4 million in 2014, the Group's normalised pre-tax profit was higher by 5.8%. The higher normalised earnings was mainly contributed by higher total income and lower loan impairment charges, partially offset by higher other operating expenses.

On a year-on-year comparison, net fund based income grew by 0.4% to RM1,954.0 million. Gross fund based income increased by 13.2% on the back of 9.2% growth in gross loans and financing. Funding and interest expense was however, higher by 24.2% mainly due to higher customer deposits base as well as higher cost of deposits, coupled with higher funding expense arising from issuance of sukuk and sub-debts totaling RM1.5 billion and USD300 million senior unsecured notes in the second half of 2014. Net interest margin was at 2.13% for the current quarter.

Other operating income and non-fund based income recorded 8.0% growth to RM1,041.3 million, underpinned by higher investment income and higher fee income. The Group's other operating income and non-fund based income to total income ratio stood at 34.8%.

Other operating expenses was higher by 5.0% to RM1,662.4 million, mainly due to a 4.5% increase in personnel costs and increase in establishment costs and marketing expenses. Cost-to-income ratio stood at 55.5%.

Allowance for impairment on loans and financing for the period decreased to RM9.5 million from RM71.6 million recorded in the same period last year. This was primarily due to lower collective allowance and lower bad debts written off, partially offset by higher individual allowance and lower impaired loans and financing recovered.

Total assets rose by 1.8% or RM3.9 billion to RM223.2 billion as at 30 June 2015, whilst shareholders' equity strengthened to RM20.0 billion. Net assets per share improved to RM7.74 compared to RM7.31 as at 31 December 2014.

The Group's gross loans grew by 1.5% for the first half of 2015, and 9.2% year-on-year to RM144.7 billion. Excluding one large corporate repayment during the period, gross loans growth was at 3.0% for the first six months. The growth was broad based, predominantly from purchase of residential and non-residential properties, construction and working capital. The group's domestic loan market share stood at 9.4% as at 30 June 2015.

Customer deposits remained relatively stable for the first six months and grew by 5.1% year-on-year to RM157.2 billion. Over the same period, current and savings accounts ('CASA') balances increased by 7.7% and 5.5% respectively. CASA composition improved to 23.4% as at 30 June 2015 from 21.7% in December 2014.

Gross impaired loans ratio increased to 2.05% from 2.03% in December 2014, arising from certain accounts that have been classified as impaired but without loss during the period, and classification of rescheduled and restructured accounts as impaired in accordance with the new BNM guidelines. However, there are no major signs of portfolio deterioration and the Group remains comfortable with its asset quality.



**RHB CAPITAL BERHAD (312952 – H)
NOTES TO THE UNAUDITED INTERIM FINANCIAL STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015**

B1. Review of Group Results (continued)

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

Performance by Operating Segment

(i) Corporate and Investment Banking

For the first half of 2015, Corporate and Investment Banking pre-tax profit was lower by 49.7% to RM333.7 million, mainly attributable to non-recurrence of one-off impairment write back on other assets amounting to RM112.4 million. Performance was also affected by higher impairment charge on allowance for loans, advances and financing, lower net fund based income, lower other fee income and higher operating expenses. The lower fee income was primarily attributable to lower investment banking revenues as a result of subdued capital market activities and volatile market environment. Gross loans, advances and financing was lower by 5.1% for the first six months of 2015 to RM45.5 billion mainly due to a large corporate customer loan repayment. Deposits grew by 29.5% to RM49.4 billion with fixed deposits and current deposits growing by 31.0% and 22.3%, respectively.

(ii) Retail Banking

Retail Banking recorded pre-tax profit of RM671.2 million for the six months ended 30 June 2015, 43.1% higher than previous year corresponding period. This was mainly due to higher write back on allowance for loans, advances and financing, higher fee income and lower overhead expenses. Gross loans, advances and financing grew by 3.9% for the first six months of 2015 to RM66.7 billion mainly driven by mortgage and commercial property financing, partially offset by lower auto loans. Deposits was stable given growth in current and savings account of 3.6%, offset by a decrease in fixed deposits by 1.3%.

(iii) Business Banking

Business Banking pre-tax profit was lower by 21.3% to RM181.5 million, mainly attributable to higher allowance for loans, advances and financing and higher overhead expenses, partially offset by higher net fund based income and other operating income. Gross loans, advances and financing grew by 6.3% for the first six months of 2015 to RM18.9 billion driven mainly by programme lending and wholesale business loans and financing. Deposits increased by 1.1% for the first six months of 2015 to RM21.2 billion driven mainly by current deposits which increased by 5.2%.

(iv) Group Treasury

Treasury pre-tax profit increased by 53.2% to RM159.1 million, mainly due to higher investment income and higher net foreign exchange gain, partially offset by lower net fund based income.

(v) Group International Business

Group International Business pre-tax profit increased by 79.9% to RM85.4 million. The largest Group International Business contributor, Singapore, recorded pre-tax profit growth of 76.1% to SGD31.8 million in the first six months of 2015 compared to SGD18.0 million in the first six months of 2014. Singapore gross loans and advances grew by 9.8% for the first six months of 2015 while deposits grew by 14.8%.

B2. Current Quarter vs Previous Quarter

Pre-tax profit for the second quarter of 2015 was at RM692.4 million, 7.4% higher as compared to RM644.8 million recorded in the preceding quarter ended 31 March 2015. The higher profitability recorded in the current quarter was mainly due to higher impairment write back on loans, advances and financing, partially offset by higher operating expenses and lower other operating income.



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B3. Prospects for Financial Year 2015

Economic growth will remain challenging in the second half of 2015. Domestic loan growth should moderate, on the back of softer consumer spending and private investment, while capital market and wholesale banking activities are expected to remain modest.

In view of the challenging operating environment, the Group will continue to focus on optimizing cost and capital efficiency. Meanwhile, our IGNITE 2017 Transformation Programme continues to gain traction and produce positive results. Barring unforeseen circumstances, the Group's 2015 performance will be satisfactory.

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

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

B5. Taxation

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Group				
Income tax based on profit for the financial period				
- Malaysian income tax	190,577	185,538	312,701	338,351
- Overseas tax	6,026	4,906	15,044	10,271
Deferred tax	(30,777)	(9,330)	(2,094)	20,766
	165,826	181,114	325,651	369,388
(Over)/under provision in respect of prior financial years				
- Taxation	(318)	(1,266)	5,158	(5,603)
	165,508	179,848	330,809	363,785

The effective tax rate of the Group for the second quarter and six months ended 30 June 2015 was lower than the statutory tax rate mainly due to certain income not subject to tax.

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
	RM'000	RM'000	RM'000	RM'000
Company				
Income tax based on profit for the financial period				
- Malaysian income tax	69	675	69	675
Deferred tax	-	241	-	734
	69	916	69	1,409

The effective tax rate of the Company for the second quarter and six months ended 30 June 2015 was lower than the statutory tax rate mainly due to certain income not subject to tax.



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B6. Status of Corporate Proposals

(a) Internal reorganisation exercise involving the proposed acquisition of the entire equity interest in RHB OSK Indochina Securities Limited ('RHBISL') from RHB Indochina Bank

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

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

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

Upon completion of the Acquisition, RHBISL will become a wholly-owned subsidiary of RHB Investment Bank, which in turn is a wholly-owned subsidiary of RHB Capital.

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

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

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

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

The winding-up of the above subsidiaries will not have any material effect on the Group's performance for the financial year 2015.



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B6. Status of Corporate Proposals (continued)

(c) Proposed Rights Issue, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments (collectively referred to as the ‘Proposals’)

RHB Capital had announced that it proposes to undertake the following proposals:

(i) Proposed Rights Issue

RHB Capital is proposing to undertake a renounceable rights issue of new RHB Capital Shares (‘Rights Shares’) to entitled shareholders whose names appear in the Record of Depositors (‘ROD’) of the Company on an entitlement date to be determined later.

The Proposed Rights Issue is intended to raise gross proceeds of up to RM2.5 billion (‘Intended Gross Proceeds’). The quantum of the Intended Gross Proceeds has been determined upfront while the entitlement basis for the Proposed Rights Issue and issue price for the Rights Shares have not been determined at this juncture to provide flexibility to the Board in respect of the pricing of the Rights Shares at a later date.

The Intended Gross Proceeds has been determined upfront to provide an indication to the shareholders of RHB Capital with respect to the capital outlay they require to fully subscribe for their respective entitlements under the Proposed Rights Issue, which can be approximated by multiplying the Intended Gross Proceeds with their respective percentage shareholdings in RHB Capital.

It is the intention of the Company to inject the Intended Gross Proceeds to be raised from the Proposed Rights Issue into RHB Bank to further capitalise RHB Bank and to finance the working capital requirements of RHB Bank and its subsidiaries (‘RHB Bank Group’), only if the relevant approvals for the Proposed Internal Reorganisation are obtained and the Proposed Internal Reorganisation is implemented (‘Capital Injection’).

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

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

In the event that the Proposed Internal Reorganisation is not implemented, the Intended Gross Proceeds shall be utilised to repay the bank borrowings of the Company and/or injected as equity into RHB Bank to further capitalise RHB Bank, if required. In the event that the Intended Gross Proceeds is utilised to repay the bank borrowings of the Company, the Company will firstly repay its external bank borrowings and then followed by repayment of its bank borrowings from RHB Bank.

The Proposed Rights Issue will enable the Company to raise funds to further strengthen the capital position of RHB Bank, via the Capital Injection, to support the continuous business growth of RHB Bank Group and meeting the requirements of Basel III.

(ii) Proposed Internal Reorganisation

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

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B6. Status of Corporate Proposals (continued)

(c) Proposed Rights Issue, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments (collectively referred to as the ‘Proposals’) (continued)

(ii) Proposed Internal Reorganisation (continued)

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

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

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

(iii) Proposed Distribution and Capital Repayment

The Proposed Distribution and Capital Repayment will entail the distribution of the entire shareholdings of the Company in RHB Bank after the Proposed Rights Issue and Proposed Internal Reorganisation to entitled shareholders of the Company whose names appear in the ROD of RHB Capital on an entitlement date to be determined and announced later upon completion of the Proposed Rights Issue and Proposed Internal Reorganisation and the receipt of all relevant approvals for the Proposed Distribution and Capital Repayment (‘Distribution Entitlement Date’).

The basis for the Proposed Distribution and Capital Repayment can only be determined upon the completion of the Proposed Rights Issue and the Proposed Internal Reorganisation but prior to the announcement of the Distribution Entitlement Date and will depend on the issued and paid-up share capital of the Company as well as the actual number of Consolidated RHB Bank Shares held by the Company after the Capital Injection, Proposed Internal Reorganisation and injection of the Excess Cash, if any.

The Proposed Distribution and Capital Repayment will be implemented via a reduction of the entire share premium account of the Company and a reduction in the share capital of the Company in accordance with Sections 60(2) and 64 of the Companies Act, 1965, and the remaining balance via a distribution of the Company’s retained earnings. For the purposes of the reduction in the share capital of the Company, the par value of all the existing RHB Capital Shares shall be reduced from RM1.00 to RM0.05.

Upon completion of the Proposed Distribution and Capital Repayment, the existing shareholders of RHB Capital will continue to hold shares in the Company with par value of RM0.05 each, in the proportion of their shareholdings as at the Distribution Entitlement Date. Upon receiving the approval of the shareholders of the Company for the proposed winding up of RHB Capital (‘Proposed Winding Up’) at a separate extraordinary general meeting (‘EGM’) to be convened later, RHB Capital will appoint a liquidator to liquidate the Company and any surplus cash (after the settlement of all liabilities and defrayment of expenses) thereafter will be returned to the shareholders.



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B6. Status of Corporate Proposals (continued)

(c) Proposed Rights Issue, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments (collectively referred to as the 'Proposals') (continued)

(iii) Proposed Distribution and Capital Repayment (continued)

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

The Board is proposing to undertake the Proposed Distribution and Capital Repayment to facilitate the distribution of all of RHB Capital's shareholdings in RHB Bank to the entitled shareholders.

(iv) Proposed Transfer of Listing Status

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

The Proposed Transfer of Listing Status will enable RHB Capital's shareholders to have a direct participation in the equity and envisaged growth of RHB Bank Group as well as enable RHB Bank Group to gain direct access to the capital markets to raise funds for its continued growth, to gain recognition and corporate stature through its listing status and further enhance its corporate reputation and assist RHB Bank Group in expanding its customer base.

In addition to the above, RHB Capital also proposes to undertake the Proposed M&A Amendments which entails the consequential amendments to the memorandum and articles of association of the Company to facilitate the Proposed Distribution and Capital Repayment and Proposed Transfer of Listing Status.

The inter-conditionality of the Proposals are as follows:

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

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

The Proposals are subject to the approvals being obtained from SC, Bursa Securities, Ministry of Finance ('MoF') (via BNM), BNM, Ministry of Home Affairs, sanction of the High Court of Malaya, shareholders of RHB Capital, shareholder of RHB Bank, lenders of the Group and Identified Assets (if required), foreign regulators (if required) and waivers and/or consents of any other relevant authorities and/or parties (if required).



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

- (c) **Proposed Rights Issue, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments (collectively referred to as the ‘Proposals’) (continued)**

RHB Capital had on 30 April 2015 submitted an application to BNM to seek the approval of BNM and/or its recommendations to MoF for approval for the Proposals. BNM had vide its letter dated 23 July 2015 informed that MOF and/or BNM (as the case may be) have granted their approval for the Proposed Rights Issue, Proposed Internal Reorganisation and the Proposed Distribution and Capital Repayment under the Financial Services Act, 2013.

On 28 May 2015, RHB Capital had submitted an application to Bursa Securities for the listing of and quotation for the Rights Shares to be issued pursuant to the Proposed Rights Issue. Bursa Securities had vide its letter dated 30 July 2015, approved the listing of and quotation for the Rights Shares to be issued pursuant to the Proposed Rights Issue, on the Main Market of Bursa Securities.

On 30 June 2015, RHB Capital had also submitted an application to Bursa Securities for the Proposed Transfer of Listing Status. The decision from Bursa Securities for the Proposed Transfer of Listing Status is currently pending.

The shareholders of the Company had at the EGM of the Company held on 27 August 2015, approved the Proposed Rights Issue, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments.



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

	Group	
	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
(a) Deposits from customers and placements of banks and other financial institutions		
Deposits from customers		
- one year or less	156,658,217	156,327,740
- more than one year	508,568	806,253
	<u>157,166,785</u>	<u>157,133,993</u>
Deposits and placements of banks and other financial institutions		
- one year or less	19,146,077	20,461,232
- more than one year	931,340	888,386
	<u>20,077,417</u>	<u>21,349,618</u>
(b) Borrowings		
Secured		
Revolving credits:		
- Hong Kong Dollar	186,530	13,524
Unsecured		
Revolving credits:		
- Ringgit Malaysia ('RM')	396,922	404,196
- United States Dollar ('USD')	94,414	174,863
- Thai Baht	11,177	-
Term loans:		
- RM	1,051,579	1,051,674
- USD	473,115	495,029
- Singapore Dollar	50,595	119,089
- Indonesia Rupiah	-	14,115
- Japanese Yen	2,223	2,115
RM1.1 billion 7 years Commercial Papers/Medium Term Notes	500,046	600,092
	<u>2,766,601</u>	<u>2,874,697</u>
Schedule repayment of borrowings:		
Within one year	2,393,770	2,494,452
One year to three years	226,530	227,273
Three years to five years	146,301	135,489
Over five years	-	17,483
	<u>2,766,601</u>	<u>2,874,697</u>



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

	Company	
	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000
(b) Borrowings (continued)		
Unsecured:		
Revolving credits - RM	1,491,377	1,194,481
Term loans - RM	1,051,579	1,316,860
RM1.1 billion 7 years Commercial Papers/Medium Term Notes	500,046	600,092
	3,043,002	3,111,433
Schedule repayment of borrowings:		
Within one year	3,043,002	3,111,433

	Group	
	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000
(c) Subordinated obligations		
5.50% RM700 million Tier II Subordinated Notes 2007/2022	703,480	703,586
5.00% RM700 million Tier II Subordinated Notes 2010/2020	-	706,137
5.60% RM300 million Tier II Subordinated Notes 2010/2025	302,900	302,946
4.25% RM250 million Tier II Subordinated Notes 2011/2021	251,417	251,276
4.30% RM750 million Tier II Subordinated Notes 2012/2022	754,467	754,367
4.40% RM1,300 million Tier II Subordinated Notes 2012/2022	1,304,508	1,304,537
4.40% RM245 million Tier II Subordinated Notes 2012/2022	245,620	245,650
7.25% RM125 million Tier II Subordinated Notes 2010/2020	-	127,135
7.15% RM75 million Tier II Subordinated Notes 2010/2020	-	75,543
5.20% RM100 million Tier II Subordinated Notes 2011/2021	101,097	101,112
4.95% RM500 million Tier II Subordinated Sukuk Murabahah 2014/2024	503,187	503,051
4.99% RM1.0 billion Tier II Subordinated Notes 2014/2024	1,023,651	1,024,062
4.75% RM500 million Tier II Subordinated Notes 2015/2025	503,011	-
4.95% RM200 million Tier II Subordinated Notes 2015/2025	202,034	-
	5,895,372	6,099,402

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



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

(d) Hybrid Tier-1 Capital Securities

	Group	
	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000
RM370 million 8.00% Hybrid Tier-1 Capital Securities due in 2039, callable with step-up coupon rate at 9.00% in 2019	368,192	368,107
RM230 million 6.75% Hybrid Tier-1 Capital Securities due in 2039, callable with step-up coupon rate at 7.75% in 2019	233,366	233,408
	<u>601,558</u>	<u>601,515</u>

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

(e) Senior Debt Securities

	Group	
	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000
USD300 million 3.25% senior debt securities due in 2017	1,134,721	1,049,892
USD200 million 3.25% senior debt securities due in 2017	762,768	707,214
USD300 million 3.088% senior debt securities due in 2019	1,137,037	1,053,549
	<u>3,034,526</u>	<u>2,810,655</u>



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B8. Derivative Financial Instruments

Details of derivative financial instruments outstanding are as follows:

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

Group	As at 30 June 2015			As at 31 December 2014		
	Contract/ Notional Amount	Fair Value		Contract/ Notional Amount	Fair Value	
		Assets	Liabilities		Assets	Liabilities
By type	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- forwards/swaps	32,452,712	669,326	484,734	23,827,241	454,871	393,667
- options	9,351,749	146,733	147,288	4,954,671	42,665	43,381
- cross-currency interest rate swaps	11,552,842	1,017,006	1,031,706	11,838,652	640,085	637,832
	<u>53,357,303</u>	<u>1,833,065</u>	<u>1,663,728</u>	<u>40,620,564</u>	<u>1,137,621</u>	<u>1,074,880</u>
Interest rate related contracts						
- swaps	34,375,243	118,586	117,880	32,558,945	127,082	136,691
	<u>34,375,579</u>	<u>118,586</u>	<u>117,928</u>	<u>32,558,945</u>	<u>127,082</u>	<u>136,691</u>
Equity related contracts						
- options	254	4	-	15,508	4,914	-
	<u>254</u>	<u>4</u>	<u>-</u>	<u>15,508</u>	<u>4,914</u>	<u>-</u>
Structured warrants						
	74,740	-	11,116	50,412	-	13,113
	<u>74,740</u>	<u>-</u>	<u>11,116</u>	<u>50,412</u>	<u>-</u>	<u>13,113</u>
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- swaps	2,125,000	6,002	3,326	2,125,000	15,613	-
	<u>2,125,000</u>	<u>6,002</u>	<u>3,326</u>	<u>2,125,000</u>	<u>15,613</u>	<u>-</u>
Total	<u>89,932,876</u>	<u>1,957,657</u>	<u>1,796,098</u>	<u>75,370,429</u>	<u>1,285,230</u>	<u>1,224,684</u>



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B8. Derivative Financial Instruments (continued)

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

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

<u>Group</u>	As at 30 June 2015			As at 31 December 2014		
	<u>Contract/ Notional Amount</u>	<u>Fair Value</u>		<u>Contract/ Notional Amount</u>	<u>Fair Value</u>	
		<u>Assets</u>	<u>Liabilities</u>		<u>Assets</u>	<u>Liabilities</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
By remaining period to maturity/next re-pricing date						
<u>Trading Derivatives:</u>						
Foreign exchange related contracts						
- Less than 1 year	41,649,195	836,324	662,398	28,628,947	475,739	457,701
- 1 year to 3 years	6,854,629	678,312	690,585	6,965,870	467,257	423,199
- More than 3 years	4,853,479	318,429	310,745	5,025,747	194,625	193,980
	<u>53,357,303</u>	<u>1,833,065</u>	<u>1,663,728</u>	<u>40,620,564</u>	<u>1,137,621</u>	<u>1,074,880</u>
Interest rate related contracts						
- Less than 1 year	6,771,647	5,622	6,883	5,959,805	4,838	12,034
- 1 year to 3 years	14,491,676	55,990	50,252	12,293,637	53,264	45,517
- More than 3 years	13,112,256	56,974	60,793	14,305,503	68,980	79,140
	<u>34,375,579</u>	<u>118,586</u>	<u>117,928</u>	<u>32,558,945</u>	<u>127,082</u>	<u>136,691</u>
Equity related contracts						
- Less than 1 year	254	4	-	15,508	4,914	-
	<u>254</u>	<u>4</u>	<u>-</u>	<u>15,508</u>	<u>4,914</u>	<u>-</u>
Structured warrants						
- Less than 1 year	74,740	-	11,116	49,390	-	11,864
- 1 year to 3 years	-	-	-	1,022	-	1,249
	<u>74,740</u>	<u>-</u>	<u>11,116</u>	<u>50,412</u>	<u>-</u>	<u>13,113</u>
<u>Fair Value Hedging Derivatives:</u>						
Interest rate related contracts						
- 1 year to 3 years	1,000,000	4,295	1,317	1,000,000	9,104	-
- More than three years	1,125,000	1,707	2,009	1,125,000	6,509	-
	<u>2,125,000</u>	<u>6,002</u>	<u>3,326</u>	<u>2,125,000</u>	<u>15,613</u>	<u>-</u>
Total	<u>89,932,876</u>	<u>1,957,657</u>	<u>1,796,098</u>	<u>75,370,429</u>	<u>1,285,230</u>	<u>1,224,684</u>

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B8. Derivative Financial Instruments (continued)

ii) Related accounting policies

Derivative financial instruments and hedge accounting

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

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

(a) Fair value

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

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

(b) Cash flow hedge

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

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

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

(c) Derivatives that do not qualify for hedge accounting

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



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B9. Fair Value of Financial Instruments

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

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

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

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

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

<u>Group</u>	<u>Level 1</u> <u>RM'000</u>	<u>Level 2</u> <u>RM'000</u>	<u>Level 3</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
<u>As at 30 June 2015</u>				
<u>Financial assets</u>				
Financial assets FVTPL:	495,710	2,885,028	40,000	3,420,738
- Money market instruments	-	2,416,355	-	2,416,355
- Quoted securities	495,710	-	-	495,710
- Unquoted securities	-	468,673	40,000	508,673
Financial investments AFS:	46,777	20,513,607	1,114,591	21,674,975
- Money market instruments	-	6,579,768	-	6,579,768
- Quoted securities	46,777	-	7,740	54,517
- Unquoted securities	-	13,933,839	1,106,851	15,040,690
Derivative assets	-	1,957,657	-	1,957,657
- Money market instruments	-	1,957,657	-	1,957,657
	542,487	25,356,293	1,154,591	27,053,371
<u>Financial liabilities</u>				
Derivative liabilities				
- Money market instruments	11,160	1,784,938	-	1,796,098
<u>As at 31 December 2014</u>				
<u>Financial assets</u>				
Financial assets FVTPL:	449,439	2,441,242	40,000	2,930,681
- Money market instruments	-	1,815,602	-	1,815,602
- Quoted securities	449,439	-	-	449,439
- Unquoted securities	-	625,640	40,000	665,640
Financial investments AFS:	56,360	18,554,674	991,142	19,602,176
- Money market instruments	-	5,772,156	-	5,772,156
- Quoted securities	56,360	-	-	56,360
- Unquoted securities	-	12,782,518	991,142	13,773,660
Derivative assets	-	1,285,230	-	1,285,230
- Money market instruments	-	1,285,230	-	1,285,230
	505,799	22,281,146	1,031,142	23,818,087
<u>Financial liabilities</u>				
Derivative liabilities				
- Money market instruments	13,114	1,211,570	-	1,224,684



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B9. Fair Value of Financial Instruments (Continued)

Valuation techniques

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

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that 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 and unquoted corporate loan stocks. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. For unquoted corporate loan stocks, discounted cash flow analysis have been performed to determine the recoverability of the instruments, in accordance with the Group's impairment losses policy.

Reconciliation of fair value measurements in Level 3

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

	Financial assets FVTPL		Financial investments AFS	
	30 June 2015	31 December 2014	30 June 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000
Group				
Balance as at the beginning of the financial period/year	40,000	33,295	991,142	1,062,016
Total net gains recognised in other comprehensive income	-	-	55,607	72,290
Total net gains/(losses) recognised in income statements	-	9,153	(157)	(29,006)
Purchases/Accrued interest	-	-	69,824	15,897
Settlements	-	(2,448)	(8,057)	(224,446)
Sales	-	-	-	(3,459)
Impairment losses written back	-	-	-	102,946
Transfer to loans	-	-	-	(9,877)
Exchange differences	-	-	6,232	4,781
Balance as at the end of the financial period/year	40,000	40,000	1,114,591	991,142



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B10. Realised and Unrealised Profits

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

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

	As at 30 June 2015		
<u>Group</u>	Realised Profits/ (Losses) RM'000	Unrealised Profits RM'000	Total RM'000
Operating subsidiaries	6,994,376	2,000,547	8,994,923
Dormant subsidiaries*	(7,875,549)	-	(7,875,549)
Total retained profits/(accumulated losses) of the Group	(881,173)	2,000,547	1,119,374
Total share of retained profits from joint ventures	3,561	-	3,561
	<u>(877,612)</u>	<u>2,000,547</u>	<u>1,122,935</u>
Less: Consolidation adjustments			6,098,237
Total Group retained profits			<u><u>7,221,172</u></u>

	As at 31 December 2014		
<u>Group</u>	Realised Profits/ (Losses) RM'000	Unrealised Profits RM'000	Total RM'000
Operating subsidiaries	7,411,253	1,311,014	8,722,267
Dormant subsidiaries*	(7,875,504)	-	(7,875,504)
Total retained profits/(accumulated losses) of the Group	(464,251)	1,311,014	846,763
Total share of retained profits from joint ventures	3,436	-	3,436
	<u>(460,815)</u>	<u>1,311,014</u>	<u>850,199</u>
Less: Consolidation adjustments			6,089,630
Total Group retained profits			<u><u>6,939,829</u></u>

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

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

	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
<u>Company</u>		
Realised profits	802,120	415,481
Unrealised loss	(20)	(20)
Total Company retained profits	<u><u>802,100</u></u>	<u><u>415,461</u></u>

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

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

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



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B11. Dividends

No dividend has been declared for the second quarter ended 30 June 2015.

B12. Earnings per Share

	2nd quarter ended		Six months ended	
	30 June	30 June	30 June	30 June
	2015	2014	2015	2014
Basic/diluted earnings per share				
Profit attributable to equity holders of the Company (RM'000)	<u>524,594</u>	<u>556,508</u>	<u>1,000,871</u>	<u>1,007,199</u>
Weighted average number of ordinary shares in issue ('000)	<u>2,584,432</u>	<u>2,546,910</u>	<u>2,578,477</u>	<u>2,546,910</u>
Earnings per share (sen)				
- Basic	<u>20.3</u>	<u>21.9</u>	<u>38.8</u>	<u>39.5</u>
- Fully diluted	<u>20.3</u>	<u>21.9</u>	<u>38.8</u>	<u>39.5</u>

There were no dilutive potential ordinary shares outstanding as at 30 June 2015. As a result, the diluted earnings per share equal to the basic earnings per share for the six months ended 30 June 2015.

BY ORDER OF THE BOARD

AZMAN SHAH MD YAMAN
(License No. LS0006901)

Company Secretary
28 August 2015