

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2010

	Note	Group		Bank	
		Unaudited	Audited	Unaudited	Audited
		As at 30.06.2010 RM'000	As at 31.12.2009 RM'000	As at 30.06.2010 RM'000	As at 31.12.2009 RM'000
ASSETS					
Cash and short-term funds		1,938,966	1,449,186	1,883,820	1,409,767
Deposits and placements with banks and other financial institutions		140,120	360,120	140,120	360,120
Financial assets held-for-trading	8	178,232	677,852	177,890	675,493
Financial investments available-for-sale ('AFS')	9	2,862,577	2,449,706	2,861,999	2,448,485
Financial investments held-to-maturity	10	204,224	206,241	204,224	206,241
Loans and advances	11	64,515	60,158	64,515	60,158
Clients' and brokers' balances		229,153	249,667	229,153	249,667
Other assets	12	94,739	64,880	84,901	55,409
Derivative assets		25,911	25,870	25,911	25,870
Statutory deposits		23,091	27,291	23,091	27,291
Tax recoverable		4,310	1,102	3,614	168
Deferred tax assets		609	5,974	-	5,466
Investments in subsidiaries		-	-	68,270	58,270
Investment in a joint venture		25,447	25,976	27,399	27,399
Property, plant and equipment		13,490	12,763	11,910	10,857
Goodwill		172,844	172,844	159,280	159,280
TOTAL ASSETS		5,978,228	5,789,630	5,966,097	5,779,941
LIABILITIES AND EQUITY					
Deposits from customers	13	2,783,024	3,219,748	2,783,024	3,219,748
Deposits and placements of banks and other financial institutions	14	1,526,224	1,085,570	1,526,224	1,085,570
Clients' and brokers' balances		701,587	401,857	701,587	401,857
Other liabilities	15	78,187	58,289	67,960	50,322
Derivative liabilities		29,950	34,764	29,950	34,764
Taxation		1,883	1,916	-	-
Deferred tax liabilities		2,333	-	2,333	-
Subordinated obligations		245,000	245,000	245,000	245,000
TOTAL LIABILITIES		5,368,188	5,047,144	5,356,078	5,037,261
Ordinary share capital		263,646	263,646	263,646	263,646
Reserves		346,394	478,840	346,373	479,034
TOTAL EQUITY		610,040	742,486	610,019	742,680
TOTAL LIABILITIES AND EQUITY		5,978,228	5,789,630	5,966,097	5,779,941
COMMITMENTS AND CONTINGENCIES	22	4,425,926	3,188,262	4,425,926	3,188,262

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

UNAUDITED INTERIM FINANCIAL STATEMENTS
INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

<u>Group</u>	<u>Note</u>	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
		Current	Preceding	Current	Preceding
		Financial	Corresponding	Financial	Corresponding
		Quarter Ended	Quarter Ended	Half Year Ended	Half Year Ended
		30.06.2010	30.06.2009	30.06.2010	30.06.2009
		RM'000	RM'000	RM'000	RM'000
Interest income	16	47,746	63,166	100,968	131,894
Interest expense	17	(33,285)	(33,624)	(68,526)	(78,098)
Net interest income		14,461	29,542	32,442	53,796
Other operating income	18	68,213	43,589	122,205	69,656
Other operating expenses	19	82,674 (38,926)	73,131 (33,023)	154,647 (83,315)	123,452 (65,329)
Operating profit before allowances		43,748	40,108	71,332	58,123
Allowance for impairment on loans, advances and other losses	20	100	338	457	159
Impairment losses on financial investments		(30,000)	-	(30,482)	519
Share of results in a joint venture		13,848 407	40,446 109	41,307 440	58,801 252
Profit before taxation		14,255	40,555	41,747	59,053
Taxation		(3,369)	(10,102)	(10,183)	(14,671)
Net profit for the financial period		10,886	30,453	31,564	44,382
Earnings per share (sen)					
- basic		4.1	11.6	12.0	16.8

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

UNAUDITED INTERIM FINANCIAL STATEMENTS
INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2010

Bank	Note	Individual Quarter		Cumulative Six Months	
		Current Financial Quarter Ended	Preceding Corresponding Quarter Ended	Current Financial Half Year Ended	Preceding Corresponding Half Year Ended
		30.06.2010	30.06.2009	30.06.2010	30.06.2009
		RM'000	RM'000	RM'000	RM'000
Interest income	16	47,593	63,014	100,700	131,616
Interest expense	17	(33,285)	(33,624)	(68,526)	(78,098)
Net interest income		14,308	29,390	32,174	53,518
Other operating income	18	62,530	37,119	108,110	56,772
Other operating expenses	19	76,838 (32,556)	66,509 (26,694)	140,284 (70,990)	110,290 (52,285)
Operating profit before allowances		44,282	39,815	69,294	58,005
Allowance for impairment on loans, advances and other losses	20	100	338	457	159
Impairment losses on financial investments		(30,000)	-	(30,000)	519
Profit before taxation		14,382	40,153	39,751	58,683
Taxation		(3,596)	(10,038)	(9,938)	(14,671)
Net profit for the financial period		10,786	30,115	29,813	44,012
Earnings per share (sen)					
- basic		4.1	11.4	11.3	16.7

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010

<u>Group</u>	<u>Note</u>	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
		Current Financial Quarter Ended 30.06.2010 RM'000	Preceding Corresponding Quarter Ended 30.06.2009 RM'000	Current Financial Half Year Ended 30.06.2010 RM'000	Preceding Corresponding Half Year Ended 30.06.2009 RM'000
Net profit for the financial period		10,886	30,453	31,564	44,382
Other comprehensive income/(loss):					
Currency translation differences		(379)	(810)	(1,536)	7
Financial investments available-for-sale					
- Unrealised net gain/(loss) on revaluation		36,492	(48,134)	44,006	(64,738)
- Net transfer to income statement on disposal or impairment		(15,160)	129	(24,802)	(949)
Income tax relating to components of other comprehensive income		(5,333)	12,001	(4,801)	16,422
Other comprehensive income/(loss) for the financial period		15,620	(36,814)	12,867	(49,258)
Total comprehensive income/(loss) for the financial period		26,506	(6,361)	44,431	(4,876)

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	<u>Note</u>	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
		Current Financial Quarter Ended 30.06.2010 RM'000	Preceding Corresponding Quarter Ended 30.06.2009 RM'000	Current Financial Half Year Ended 30.06.2010 RM'000	Preceding Corresponding Half Year Ended 30.06.2009 RM'000
<u>Bank</u>					
Net profit for the financial period		10,786	30,115	29,813	44,012
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net gain/(loss) on revaluation		36,492	(48,134)	44,006	(64,738)
- Net transfer to income statement on disposal or impairment		(15,160)	129	(24,802)	(949)
Income tax relating to components of other comprehensive income		(5,333)	12,001	(4,801)	16,422
Other comprehensive income/(loss) for the financial period		15,999	(36,004)	14,403	(49,265)
Total comprehensive income/(loss) for the financial period		26,785	(5,889)	44,216	(5,253)

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2010

<u>Group</u>	← Attributable to equity holders of the Bank →					Total RM'000
	Share capital RM'000	Statutory reserves RM'000	Translation reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2010						
- As previously stated	263,646	278,549	(2,477)	(19,684)	222,452	742,486
- Effect of adoption of FRS 139	-	-	-	8,994	-	8,994
- As restated	<u>263,646</u>	<u>278,549</u>	<u>(2,477)</u>	<u>(10,690)</u>	<u>222,452</u>	<u>751,480</u>
Net profit for the financial period					31,564	31,564
Other comprehensive (loss)/income for the financial period			(1,536)	14,403	-	12,867
Total comprehensive (loss)/income for the financial period	-	-	(1,536)	14,403	31,564	44,431
Ordinary dividends	-	-	-	-	(185,871)	(185,871)
Balance as at 30 June 2010	<u>263,646</u>	<u>278,549</u>	<u>(4,013)</u>	<u>3,713</u>	<u>68,145</u>	<u>610,040</u>
Balance as at 1 January 2009	263,646	278,549	(1,542)	7,731	169,716	718,100
Net profit for the financial period	-	-	-	-	44,382	44,382
Other comprehensive income/(loss) for the financial period	-	-	7	(49,265)	-	(49,258)
Total comprehensive income/(loss) for the financial period	-	-	7	(49,265)	44,382	(4,876)
Ordinary dividends	-	-	-	-	(60,507)	(60,507)
Balance as at 30 June 2009	<u>263,646</u>	<u>278,549</u>	<u>(1,535)</u>	<u>(41,534)</u>	<u>153,591</u>	<u>652,717</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2010

Bank	← Non-distributable Share capital RM'000	Statutory reserves RM'000	→ AFS reserves RM'000	Distributable Retained profits RM'000	Total RM'000
Balance as at 1 January 2010					
- As previously stated	263,646	278,549	(19,684)	220,169	742,680
- Effect of adoption of FRS 139	-	-	8,994	-	8,994
- As restated	<u>263,646</u>	<u>278,549</u>	<u>(10,690)</u>	<u>220,169</u>	<u>751,674</u>
Net profit for the financial period	-	-	-	29,813	29,813
Other comprehensive income for the financial period	-	-	14,403	-	14,403
Total comprehensive income for the financial period	-	-	14,403	29,813	44,216
Ordinary dividends	-	-	-	(185,871)	(185,871)
Balance as at 30 June 2010	<u>263,646</u>	<u>278,549</u>	<u>3,713</u>	<u>64,111</u>	<u>610,019</u>
Balance as at 1 January 2009	263,646	278,549	7,731	169,098	719,024
Net profit for the financial period	-	-	-	44,012	44,012
Other comprehensive loss for the financial period	-	-	(49,265)	-	(49,265)
Total comprehensive (loss)/income for the financial period	-	-	(49,265)	44,012	(5,253)
Ordinary dividends	-	-	-	(60,507)	(60,507)
Balance as at 30 June 2009	<u>263,646</u>	<u>278,549</u>	<u>(41,534)</u>	<u>152,603</u>	<u>653,264</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six Months Ended	
	30.06.2010	30.06.2009
	RM '000	RM '000
Group		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	41,747	59,053
Adjustment for non-cash items	(83,611)	(58,517)
Operating (loss)/profit before changes in working capital	(41,864)	536
Changes in working capital:		
Net changes in operating assets	720,283	899,291
Net changes in operating liabilities	318,743	(1,605,654)
Cash generated from/(used in) operations	997,162	(705,827)
Taxation paid	(13,771)	(15,815)
Taxation recovered	246	2
Net cash generated from/(used in) operating activities	983,637	(721,640)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of financial investments held-to-maturity	(2,198)	(467)
Net purchase of financial investments available-for-sale	(356,873)	(275,821)
Interest received from financial investments held-to-maturity	3,095	3,250
Interest received from financial investments available-for-sale	50,595	49,457
Property, plant and equipment:		
- Purchase	(3,712)	(5,082)
- Proceeds from disposal	73	2
Dividend income	65	40
Net cash used in investing activities	(308,955)	(228,621)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to shareholder	(185,871)	(60,507)
Net cash used in financing activities	(185,871)	(60,507)
Net increase/(decrease) in cash and cash equivalents	488,811	(1,010,768)
Effects of exchange rate differences	969	10
Cash and cash equivalents		
- at the beginning of the financial period	1,449,186	1,354,445
- at the end of the financial period	1,938,966	343,687
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	1,938,966	343,687

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2010

	Six Months Ended	
	<u>30.06.2010</u>	<u>30.06.2009</u>
	RM '000	RM '000
<u>Bank</u>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	39,751	58,683
Adjustment for non-cash items	(83,435)	(58,638)
Operating (loss)/profit before changes in working capital	(43,684)	45
Changes in working capital:		
Net changes in operating assets	720,136	914,019
Net changes in operating liabilities	316,482	(1,620,031)
Cash generated from/(used in) operations	992,934	(705,967)
Taxation paid	(13,384)	(15,381)
Net cash generated from/(used in) operating activities	979,550	(721,348)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of financial investments held-to-maturity	(2,198)	(467)
Net purchase of financial investments available-for-sale	(357,515)	(275,907)
Interest received from financial investments held-to-maturity	3,095	3,250
Interest received from financial investments available-for-sale	50,595	49,457
Property, plant and equipment:		
- Purchase	(3,648)	(4,965)
- Proceeds from disposal	-	1
Subscription of shares in a subsidiary company	(10,000)	-
Dividend income	45	40
Net cash used in investing activities	(319,626)	(228,591)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to shareholder	(185,871)	(60,507)
Net cash used in financing activities	(185,871)	(60,507)
Net increase/(decrease) in cash and cash equivalents	474,053	(1,010,446)
Cash and cash equivalents		
- at the beginning of the financial period	1,409,767	1,317,411
- at the end of the financial period	1,883,820	306,965
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	1,883,820	306,965

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010

1 Basis of Preparation

The interim financial statements are unaudited and has been prepared in compliance with Financial Reporting Standard ('FRS') 134, 'Interim Financial Reporting' issued by the Malaysian Accounting Standards Board ("MASB") and should be read in conjunction with the audited financial statements of the Group and the Bank for the last financial year ended 31 December 2009.

The accounting policies and presentation adopted by the Group and the Bank for the interim financial statements are consistent with those adopted in the audited financial statements for the financial year ended 31 December 2009, except for the adoption of the following standards, amendments to published standards and interpretations to existing standards which are effective from 1 January 2010:

- | | |
|------------------------|--|
| - FRS 101 | Presentation of Financial Statements |
| - Amendments to FRS 1 | First-time Adoption of Financial Reporting Standards |
| - FRS 7 | Financial Instruments: Disclosure |
| - FRS 139 | Financial Instruments: Recognition and Measurement |
| - IC Interpretation 9 | Reassessment of Embedded Derivatives |
| - IC Interpretation 10 | Interim Financial Reporting and Impairment |

The adoption of the above standards, amendments to published standards and interpretations does not give rise to any material financial effects to the Group and the Bank, other than the effects and change in accounting policies arising from the adoption of FRS 139 as disclosed in Note 25.

2 Audit Report

The auditors' report for the financial year ended 31 December 2009 was not subjected to any qualification.

3 Seasonal or Cyclical Factors

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

4 Exceptional or Extraordinary Items

There were no exceptional or extraordinary items for the six months ended 30 June 2010.

5 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the six months ended 30 June 2010.

6 Changes in Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the period under review.

7 Dividends Paid

During the six month ended 30 June 2010, a final dividend of 55.60% less 25% income tax amounting to RM109,940,382 and a special dividend of 38.40% less 25% income tax amounting to RM75,930,048 in respect of financial year ended 31 December 2009 were paid on 17 June 2010.

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

8 Financial Assets Held-For-Trading

	Group		Bank	
	Unaudited As at 30.06.2010	Audited As at 31.12.2009	Unaudited As at 30.06.2010	Audited As at 31.12.2009
At fair value	RM'000	RM'000	RM'000	RM'000
<u>Money market instruments:</u>				
Malaysian Government Securities	30,501	49,775	30,501	49,775
Malaysian Government Investment Issues	5,081	-	5,081	-
Negotiable instruments of deposits	51,036	452,193	51,036	452,193
<u>Quoted securities:</u>				
<u>Outside Malaysia</u>				
Shares	342	2,359	-	-
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Private debt securities	91,272	173,525	91,272	173,525
	178,232	677,852	177,890	675,493

9 Financial Investments Available-For-Sale

	Group		Bank	
	Unaudited As at 30.06.2010	Audited As at 31.12.2009	Unaudited As at 30.06.2010	Audited As at 31.12.2009
At fair value	RM'000	RM'000	RM'000	RM'000
<u>Money market instruments:</u>				
Malaysian Government Investment Issues	404,839	120,542	404,839	120,542
Malaysian Government Securities	1,030,685	652,863	1,030,685	652,863
Khazanah bonds	11,645	11,179	11,645	11,179
<u>Quoted securities:</u>				
<u>In Malaysia</u>				
Shares	31	30	31	30
Corporate loan stocks	1,122	935	1,122	935
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Shares	15,392	2,200	15,392	2,200
Private debt securities	1,377,623	1,640,074	1,377,623	1,640,074
Corporate loan stocks	20,662	20,662	20,662	20,662
<u>Outside Malaysia</u>				
Corporate loan stocks	578	1,221	-	-
	2,862,577	2,449,706	2,861,999	2,448,485

The carrying value of financial investments available-for-sale as at 30 June 2010, which was transferred from financial assets held-for-trading in previous financial year, for the Group and the Bank are RM809,435,000 (31.12.2009: RM1,038,472,000).

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

10 Financial Investments Held-To-Maturity

	Group and Bank	
	Unaudited As at 30.06.2010	Audited As at 31.12.2009
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Securities	44,709	44,647
<u>Unquoted Securities:</u>		
<u>In Malaysia</u>		
Bonds	23	23
Prasarana bonds	99,358	99,180
Private debt securities	138,504	140,761
	282,594	284,611
Accumulated impairment losses	(78,370)	(78,370)
	204,224	206,241

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

11 Loans and Advances

(i) By type

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.06.2010	31.12.2009
	RM'000	RM'000
At amortised cost		
Share margin financing	63,733	59,004
Staff loans	2,807	3,161
Gross loans and advances	66,540	62,165
Allowance for impaired loans and advances		
- collective assessment allowance	(982)	-
- individual assessment allowance	(1,043)	-
- general allowance	-	(916)
- specific allowance	-	(1,091)
Net loans and advances	64,515	60,158

(ii) By type of customer

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.06.2010	31.12.2009
	RM'000	RM'000
Domestic non-bank financial institutions		
- others	7,195	7,720
Individuals	58,125	53,372
Foreign entities	1,220	1,073
	66,540	62,165

(iii) By interest rate sensitivity

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.06.2010	31.12.2009
	RM'000	RM'000
Fixed rate		
- Other fixed rate loans/financing	66,540	62,165

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

11 Loans and Advances (cont'd)

(iv) By Purpose

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.06.2010	31.12.2009
	RM'000	RM'000
Purchase of securities	63,733	59,004
Purchase of transport vehicles	366	509
Purchase of landed property:		
- Residential	2,441	2,652
	66,540	62,165

(v) By remaining contractual maturities

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.06.2010	31.12.2009
	RM'000	RM'000
Maturity within one year	63,812	59,010
One year to three years	301	468
Three years to five years	138	153
Over five years	2,289	2,534
	66,540	62,165

(vi) Impaired Loans and Advances

(a) Movements in impaired loans and advances

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.06.2010	31.12.2009
	RM'000	RM'000
Balance as at the beginning of financial period/year	1,183	66,425
Amount vested over to RHB Bank Berhad	-	(67,279)
Classified as impaired during the financial period/year	-	3,150
Amount recovered	(50)	(1,113)
Balance as at the end of financial period/year	1,133	1,183

(b) By purpose

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.06.2010	31.12.2009
	RM'000	RM'000
Purchase of securities	1,133	1,183

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

11 Loans and Advances (cont'd)

(vi) Impaired Loans and Advances (cont'd)

(c) Movements in allowances for impaired loans and advances

	Group and Bank	
	Unaudited	Audited
	As at 30.06.2010 RM'000	As at 31.12.2009 RM'000
Collective assessment allowance		
Balance as at the beginning of financial period/year	-	-
- As previously stated	-	-
- Effect of adoption of FRS 139	916	-
- As restated	916	-
Net allowance made	66	-
Balance as at the end of financial period/year	982	-
Individual assessment allowance		
Balance as at the beginning of financial period/year	-	-
- As previously stated	-	-
- Effect of adoption of FRS 139	1,091	-
- As restated	1,091	-
Allowance made	2	-
Amount recovered	(50)	-
Balance as at the end of financial period/year	1,043	-
General Allowance		
Balance as at the beginning of financial period/year	-	-
- As previously stated	916	8,296
- Effect of adoption of FRS 139	(916)	-
- As restated	-	8,296
Net allowance written back	-	(7,380)
Balance as at the end of financial period/year	-	916
As % of gross loans and advances less specific allowance	-	1.50%
Specific allowance		
Balance as at the beginning of financial period/year	-	-
- As previously stated	1,091	44,909
- Effect of adoption of FRS 139	(1,091)	-
- As restated	-	44,909
Amount vested over to RHB Bank Berhad	-	(14,204)
Allowance written back	-	(56)
Amount recovered	-	(1,260)
Amount transferred to accumulated impairment loss in value of financial investments	-	(28,298)
Balance as at the end of financial period/year	-	1,091

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

12 Other Assets

	Group		Bank	
	Unaudited As at 30.06.2010	Audited As at 31.12.2009	Unaudited As at 30.06.2010	Audited As at 31.12.2009
	RM'000	RM'000	RM'000	RM'000
Amount due from ultimate holding body	-	785	-	-
Amount due from holding company	250	500	250	500
Amounts due from subsidiaries	-	-	1,372	1,353
Amounts due from related companies	2,495	1,601	974	39
Other debtors, deposits and prepayments	57,366	30,299	47,676	21,822
Accrued interest receivable	34,628	31,695	34,629	31,695
	94,739	64,880	84,901	55,409

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

13 Deposits from Customers

(i) By type of deposits

	Group and Bank	
	Unaudited As at 30.06.2010 RM'000	Audited As at 31.12.2009 RM'000
Call money	81,059	96,245
Fixed deposits	2,701,965	2,186,825
Short term deposits	-	936,678
	2,783,024	3,219,748

(ii) By type of customer

	Group and Bank	
	Unaudited As at 30.06.2010 RM'000	Audited As at 31.12.2009 RM'000
Federal government and statutory bodies	239,000	145,900
Business enterprises	2,544,024	3,073,848
	2,783,024	3,219,748

(iii) By maturity structure of the fixed and short term deposits

	Group and Bank	
	Unaudited As at 30.06.2010 RM'000	Audited As at 31.12.2009 RM'000
Due within six months	2,701,965	3,017,033
Six months to one year	-	106,470
	2,701,965	3,123,503

14 Deposits and Placements of Banks and Other Financial Institutions

	Group and Bank	
	Unaudited As at 30.06.2010 RM'000	Audited As at 31.12.2009 RM'000
Licensed banks	19,425	22,767
Other financial institutions	1,506,799	1,062,803
	1,526,224	1,085,570

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

15 Other Liabilities

	Group		Bank	
	Unaudited As at 30.06.2010	Audited As at 31.12.2009	Unaudited As at 30.06.2010	Audited As at 31.12.2009
	RM'000	RM'000	RM'000	RM'000
Accrued interest payable	10,692	12,352	10,693	12,352
Amounts due to related companies	22,872	1,871	21,217	1,704
Amount due to holding company	1,182	1,233	488	527
Amounts due to subsidiaries	-	-	125	4
Amount payable for creation of units due to funds	115	350	-	-
Amount payable for redemption units	98	463	-	-
Remisiers' trust deposits	7,930	7,965	7,930	7,965
Accrued personnel costs	8,767	11,666	6,558	8,550
Other creditors and accruals	26,531	22,389	20,949	19,220
	78,187	58,289	67,960	50,322

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

16 Interest Income

<u>Group</u>	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
	Current	Preceding	Current	Preceding
	Financial	Corresponding	Financial	Corresponding
	Quarter Ended	Quarter Ended	Half Year Ended	Half Year Ended
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	RM'000	RM'000	RM'000	RM'000
Loans and advances	1,240	8,561	2,558	15,862
Money at call and deposit placements with banks and other financial institutions	14,113	4,223	26,438	11,531
Financial assets held-for-trading	2,041	4,589	5,501	26,460
Financial investments available-for-sale	26,947	38,480	56,140	65,712
Financial investments held-to-maturity	1,525	1,729	3,053	3,448
Others	1,880	5,584	7,278	8,881
	47,746	63,166	100,968	131,894

<u>Bank</u>	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
	Current	Preceding	Current	Preceding
	Financial	Corresponding	Financial	Corresponding
	Quarter Ended	Quarter Ended	Half Year Ended	Half Year Ended
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	RM'000	RM'000	RM'000	RM'000
Loans and advances	1,240	8,561	2,558	15,862
Money at call and deposit placements with banks and other financial institutions	13,963	4,082	26,172	11,264
Financial assets held-for-trading	2,041	4,589	5,501	26,460
Financial investments available-for-sale	26,945	38,469	56,138	65,701
Financial investments held-to-maturity	1,525	1,729	3,053	3,448
Others	1,879	5,584	7,278	8,881
	47,593	63,014	100,700	131,616

17 Interest Expense

<u>Group and Bank</u>	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
	Current	Preceding	Current	Preceding
	Financial	Corresponding	Financial	Corresponding
	Quarter Ended	Quarter Ended	Half Year Ended	Half Year Ended
	30.06.2010	30.06.2009	30.06.2010	30.06.2009
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	12,140	7,867	17,761	23,759
Deposits from customers	17,881	17,496	39,134	39,914
Subordinated obligations	3,260	3,260	6,484	6,484
Others	4	5,001	5,147	7,941
	33,285	33,624	68,526	78,098

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

18 Other Operating Income

<u>Group</u>	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
	Current Financial Quarter Ended 30.06.2010	Preceding Corresponding Quarter Ended 30.06.2009	Current Financial Half Year Ended 30.06.2010	Preceding Corresponding Half Year Ended 30.06.2009
	RM'000	RM'000	RM'000	RM'000
a) Fee Income:				
Brokerage	17,759	23,073	38,954	31,880
Fund management fees	4,840	4,596	11,069	8,606
Fee on loans and advances	1,126	951	1,781	1,442
Corporate advisory fees	8,989	1,709	11,477	3,859
Guarantee fees	-	83	-	811
Underwriting fees	1,301	1,749	10,206	6,679
Unit trust fee income	214	994	358	1,585
Other fee income	16,055	10,640	17,237	17,074
	50,284	43,795	91,082	71,936
b) Net gain/(loss) arising on financial assets held-for-trading				
- net gain on disposal	860	170	1,763	7,532
- unrealised revaluation gain/(loss)	1,217	(1,185)	929	(5,337)
- gross dividend income	20	38	20	44
	2,097	(977)	2,712	2,239
c) Net gain/(loss) arising on derivatives				
- net loss on disposal	(2,529)	(1,855)	(4,094)	(3,646)
- unrealised revaluation gain/(loss)	2,043	1,520	4,855	(1,792)
	(486)	(335)	761	(5,438)
d) Net gain/(loss) arising on financial investments AFS				
- net gain/(loss) on disposal	15,160	(129)	24,802	949
- gross dividend income	-	1	-	1
	15,160	(128)	24,802	950
e) Net gain/(loss) arising on financial investments held-to-maturity				
- net gain/(loss) on redemption	-	-	20	(58)
- gross dividend income	-	-	45	-
	-	-	65	(58)
f) Other income:				
Foreign exchange gain/(loss)				
- Realised	484	127	922	170
- Unrealised	463	926	1,555	(389)
Gain on disposal of property, plant and equipment	73	35	73	39
Other non-operating income	138	146	233	207
	1,158	1,234	2,783	27
	68,213	43,589	122,205	69,656

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

18 Other Operating Income (cont'd)

Bank	Individual Quarter		Cumulative Six Months	
	Current Financial Quarter Ended 30.06.2010	Preceding Corresponding Quarter Ended 30.06.2009	Current Financial Half Year Ended 30.06.2010	Preceding Corresponding Half Year Ended 30.06.2009
	RM'000	RM'000	RM'000	RM'000
a) Fee Income:				
Brokerage	17,759	23,073	38,954	31,880
Fee on loans and advances	1,126	951	1,781	1,442
Corporate advisory fees	8,989	1,709	11,477	3,859
Guarantee fees	-	83	-	811
Underwriting fees	1,301	1,749	10,206	6,679
Other fee income	15,588	10,249	15,856	14,975
	44,763	37,814	78,274	59,646
b) Net gain/(loss) arising on financial assets held-for-trading				
- net gain on disposal	861	170	804	7,532
- unrealised revaluation gain/(loss)	1,288	(1,596)	896	(5,877)
- gross dividend income	-	38	-	44
	2,149	(1,388)	1,700	1,699
c) Net gain/(loss) arising on derivatives				
- net loss on disposal	(2,529)	(1,855)	(4,094)	(3,646)
- unrealised revaluation gain/(loss)	2,043	1,520	4,855	(1,792)
	(486)	(335)	761	(5,438)
d) Net gain/(loss) arising on financial investments AFS				
- net gain/(loss) on disposal	15,160	(129)	24,802	949
- gross dividend income	-	1	-	1
	15,160	(128)	24,802	950
e) Net gain/(loss) arising on financial investments held-to-maturity				
- net gain/(loss) on redemption	-	-	20	(58)
- gross dividend income	-	-	45	-
	-	-	65	(58)
f) Other income:				
Foreign exchange gain/(loss)				
- Realised	378	127	816	170
- Unrealised	428	883	1,459	(407)
Gain on disposal of property, plant and equipment	-	-	-	3
Other non-operating income	138	146	233	207
	944	1,156	2,508	(27)
	62,530	37,119	108,110	56,772

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

19 Other Operating Expenses

<u>Group</u>	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
	Current Financial Quarter Ended 30.06.2010	Preceding Corresponding Quarter Ended 30.06.2009	Current Financial Half Year Ended 30.06.2010	Preceding Corresponding Half Year Ended 30.06.2009
	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	18,636	15,804	44,266	31,873
- Contributions to Employees Provident Fund	2,922	2,423	6,384	4,944
- Other staff related costs	1,535	1,910	3,541	3,388
	23,093	20,137	54,191	40,205
<u>Establishment costs</u>				
- Depreciation	1,643	1,271	2,986	2,503
- Rental of premises	2,234	2,358	4,471	4,705
- Information technology expenses	1,876	1,002	3,110	1,949
- Others	1,634	1,674	3,126	2,640
	7,387	6,305	13,693	11,797
<u>Marketing expenses</u>				
- Sales commission	92	677	306	1,163
- Advertisement and publicity	2,607	305	2,790	723
- Others	640	1,296	2,566	2,465
	3,339	2,278	5,662	4,351
<u>Administration and general expenses</u>				
- Communication expenses	1,598	1,549	2,910	3,076
- Legal and professional fees	265	183	426	526
- Others	3,244	2,571	6,433	5,374
	5,107	4,303	9,769	8,976
	38,926	33,023	83,315	65,329

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

19 Other Operating Expenses (cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
	Current Financial Quarter Ended 30.06.2010	Preceding Corresponding Quarter Ended 30.06.2009	Current Financial Half Year Ended 30.06.2010	Preceding Corresponding Half Year Ended 30.06.2009
<u>Bank</u>	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	14,275	11,704	34,357	23,800
- Contributions to Employees Provident Fund	2,264	1,803	4,799	3,700
- Other staff related costs	1,207	1,531	3,078	2,974
	17,746	15,038	42,234	30,474
<u>Establishment costs</u>				
- Depreciation	1,436	1,073	2,596	2,130
- Rental of premises	1,793	1,969	3,666	3,913
- Information technology expenses	1,750	831	2,848	1,677
- Others	1,554	1,573	2,924	2,429
	6,533	5,446	12,034	10,149
<u>Marketing expenses</u>				
- Sales commission	-	-	-	-
- Advertisement and publicity	2,455	296	2,630	665
- Others	366	1,186	2,153	2,249
	2,821	1,482	4,783	2,914
<u>Administration and general expenses</u>				
- Communication expenses	1,383	1,401	2,470	2,803
- Legal and professional fees	146	158	286	415
- Others	3,927	3,169	9,183	5,530
	5,456	4,728	11,939	8,748
	32,556	26,694	70,990	52,285

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

20 Allowance for Impairment on Loans, Advances and Other Losses

	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
	Current Financial Quarter Ended 30.06.2010	Preceding Corresponding Quarter Ended 30.06.2009	Current Financial Half Year Ended 30.06.2010	Preceding Corresponding Half Year Ended 30.06.2009
<u>Group and Bank</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Allowance made/(written back) for impairment - loans and advances:				
Collective assessment allowance	54	-	66	-
Individual assessment allowance	(26)	-	(48)	-
Specific allowance	-	(40)	-	(994)
General allowance	-	(1,100)	-	(443)
Bad debts recovered	-	(6)	(58)	(28)
Bad debts written off	45	-	45	-
Allowance (written back)/ made for impairment - other debtors	(173)	808	(462)	1,306
	(100)	(338)	(457)	(159)

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

21 Capital Adequacy

The capital adequacy ratios of RHB Investment Bank Berhad are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

The capital component of the Bank are as follows:

	Bank	
	Unaudited	Audited
	As at	As at
	30.06.2010	31.12.2009
	RM'000	RM'000
Tier I Capital		
Paid-up share capital	263,646	263,646
Statutory reserves	278,549	278,549
Retained profits	34,298	220,169
	576,493	762,364
Less: Deferred tax assets	1,095	1,095
Goodwill	(159,280)	(159,280)
Total Tier I capital	418,308	604,179
Tier II Capital		
Collective assessment allowance	1,218	-
General allowance	-	1,137
Subordinated obligations	209,154	245,000
Total Tier II capital	210,372	246,137
Less: Investments in subsidiaries	(68,270)	(58,270)
Investment in a joint venture	(27,399)	(27,399)
Securitisation exposures subject to deductions #	(735)	-
Other deductions *	(450)	(422)
Total capital base	531,826	764,225
 The risk weighted assets of the Bank are as follows:		
- credit risk	1,751,266	1,118,845
- market risk	163,644	148,681
- indicator operational risk	427,381	430,394
Total risk weighted assets	2,342,291	1,697,920

Pursuant to Risk-Weighted Capital Adequacy Framework (Basel II - Risk Weighted Assets Computation), banking institutions that retain their own-originated securitisation positions rated below investment grade must deduct all of such exposures from its regulatory capital.

* Pursuant to the Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments/Reserves, the RWCR computation shall account for the ageing, liquidity and hold back adjustments/reserves on its trading portfolio.

Pursuant to BNM's circular, "Recognition of Deferred Tax Assets ('DTA') and Treatment of DTA for RWCR Purposes" dated 8 August 2003, deferred tax income/(expense) is excluded from the computation of Tier 1 capital and deferred tax assets are excluded from the calculation of risk weighted assets.

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

21 Capital Adequacy (cont'd)

The capital ratios of the Bank are as follows:

	Bank	
	Unaudited	Audited
	As at	As at
	30.06.2010	31.12.2009
	RM'000	RM'000
<u>Capital ratios</u>		
Before proposed dividends:		
Core capital ratio	17.86%	35.58%
Risk-weighted capital adequacy ratio	22.71%	45.01%
After proposed dividends:		
Core capital ratio	17.86%	24.64%
Risk-weighted capital adequacy ratio	22.71%	31.95%

RHB INVESTMENT BANK BERHAD (19663-P)
Incorporated in Malaysia

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

22 Commitments And Contingencies

In the normal course of business, the Group and the Bank makes various commitments and incur certain contingent liabilities with legal recourse to customers. No material losses are anticipated as a result of these transactions.

	← Unaudited 30.06.2010 →			← Audited 31.12.2009 →		
	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
Group and Bank						
Assets sold with recourse	840,197	840,197	549,388	-	-	-
Forward asset purchases	878,047	878,047	175,609	-	-	-
Obligations under an on-going underwriting agreements	142,660	71,330	30,745	147,660	73,830	21,995
Interest rate related contracts:						
- less than one year	670,000	910	182	1,020,000	1,785	357
- one year to less than five years	1,695,000	66,229	13,246	1,735,000	69,635	13,927
- five years and above	115,000	9,832	1,966	195,000	15,686	3,137
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	70	35	19	41	21	7
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provides for automatic cancellation due to deterioration in the borrowers' creditworthiness ^	84,952	-	-	90,561	-	-
Total	4,425,926	1,866,580	771,155	3,188,262	160,957	39,423

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

^ As a temporary measure to support lending activities of the banking industry:

- a) all banking institutions (Basel I and Basel II) are allowed to apply a 0% credit conversion factor ("CCF"), instead of 50% on the undrawn portion of credit facilities with an original maturity of more than one year, conditional upon the institution undertaking a credit review of the facility at least annually and having the right to withdraw the facility following an unsatisfactory assessment; and
- b) Basel II banking institutions can also apply a 0% CCF (instead of 20%) on the undrawn portion of credit facilities with an original maturity of less than a year.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

23 Valuation of Property, Plant and Equipment

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

24 Events subsequent to Balance Sheet Date

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

25 Changes in Accounting Policies

Effective 1 January 2005, the Group and the Bank have adopted BNM's Revised Guidelines on Financial Reporting for Licensed Institutions ('BNM/GP8'), whereby certain principles in connection with the recognition, derecognition and measurement of financial instruments and hedge accounting are similar to those prescribed by FRS 139. The adoption of FRS 139 has resulted in the following changes in the Group and the Bank's accounting policies:

a Impairment of loans and advances

Prior to 1 January 2010, the Group and the Bank's loan loss allowances were determined in accordance with BNM/GP3 Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ("BNM/GP3").

Under FRS 139, the Group and the Bank assess at each balance sheet date whether there is objective evidence that loans and advances are impaired. Impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

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

Loan impairment is calculated as the difference between the carrying amount and the present value of future expected cash flows discounted at the original effective interest rate ('EIR') of loans and advances. The carrying amount of the loans and advances is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

The Group and the Bank address impairment of loans and advances via either individually assessed allowance or collectively assessed allowance.

(i) Individually assessed allowance

The Group and the Bank determine the allowance appropriate for each individual significant loans and advances on an individual basis. The allowances are established based primarily on estimates of the realisable value of the collateral to secure the loans and advances and are measured as the difference between the carrying amount of the loans and advances and the present value of the expected future cash flows discounted at original EIR of the loans and advances.

All other loans and advances that have been individually evaluated, but not considered to be individually impaired are assessed collectively for impairment.

(ii) Collectively assessed allowance

Based on the collective assessment allowance requirement under FRS 139, collective allowances are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the balance sheet date. For the purposes of collective evaluation of impairment, exposures that are assessed collectively are placed into pools of similar loans and advances with similar credit risk.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

25 Changes in Accounting Policies (cont'd)

a Impairment of loans and advances (cont'd)

(ii) Collectively assessed allowance (cont'd)

In accordance with the transitional provisions under the Amendments to FRS 139 Financial Instruments: Recognition and Measurement, the financial services sector is granted a transitional period for the purpose of complying with the collective assessment of impairment required under FRS 139. Consequently, BNM may prescribe the use of an alternative basis for

This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective impairment allowances of at least 1.5% of total outstanding loans, net of individual impairment allowances under the transitional provisions in the guidelines.

As at the date of this report, the Group and the Bank have adopted the transitional provisions under the Amendments to FRS 139 – Financial Instruments: Recognition and Measurement and the collective assessment impairment allowance of the Group and the Bank has been determined based on the transitional arrangement issued by BNM.

There are no material effects to the Group and the Bank arising from the adoption of loans impairment basis under FRS 139 and the transitional provisions as explained above.

b Recognition of interest income

- (i) Prior to 1 January 2010, interest on loans and advances was recognised in the income statement at contracted interest rates. FRS 139 requires interest income to be recognised on an EIR basis. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

The adoption of the EIR basis has not resulted in any material effect to the financial results of the Group and the Bank.

- (ii) Prior to the adoption of FRS 139, where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of the income statement and set off against the accrued interest receivable account in the balance sheet. Subsequently, the interest earned on the non-performing loans shall be recognised as income on cash basis.

Upon adoption of FRS 139, once a loan has been written down due to impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring impairment loss.

There is no material effect to the results of the Group and the Bank arising from this change in accounting policy.

c Recognition of embedded derivatives

Upon adoption of FRS 139, embedded derivatives are to be separated from the host contract and accounted for as a derivative when the economic characteristics and risks of the embedded derivative are not closely related to the host contract.

There is no effect to the results as the Group and the Bank does not have any material embedded derivatives.

d Financial investments AFS

During the financial period, the Group and the Bank have reclassified certain financial investments held-to-maturity for investments in equity holdings in organisations which are set up for specific socio-economic reasons to financial investments AFS as allowed under the Revised Guidelines on Financial Reporting for Banking Institutions ('Revised BNM/GP8') when FRS 139 is first applied. Due to the reclassification, such unquoted equity securities are now measured at fair value, with the changes in fair value recognised directly to AFS reserve.

The effect of this reclassification has been accounted for as an adjustment to the opening balance of the AFS reserve of the Group and the Bank amounting to RM8,994,000.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2010 (cont'd)

26 Credit Exposure Arising from Transactions with Connected Parties

There is no credit exposures with connected parties as per Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties.

27 Changes in Profit for the Quarter

For the current financial quarter ended 30 June 2010, the Group recorded a pre-tax profit of RM14.3 million, 48% lower as compared to the pre-tax profit of RM27.5 million for the previous quarter ended 31 March 2010. The lower profit was mainly due to higher impairment loss on financial instruments by RM29.5 million and lower net interest income by RM3.5 million, partly offset by higher other operating income by RM14.2 million resulting mainly from higher fee income and higher net gain from sale of financial investment AFS, and lower other operating expenses by RM5.5 million.

28 Performance Review

For the six months ended 30 June 2010, the Group recorded a pre-tax profit of RM41.7 million, 29% lower as compared to the previous corresponding six months ended 30 June 2009 of RM59.1 million. This was mainly due to higher impairment loss on financial investments by RM31 million, lower net interest income by RM21.4 million, higher other operating expenses by RM18.0 million, and partly offset by higher other operating income by RM52.5 million resulting mainly from higher fee income and higher net gain from sale of financial investments AFS.

29 Prospects for the Financial Year Ending 31 December 2010

The Malaysian economy is expected to grow at over 6% in 2010 extending the positive momentum from the first half 2010 growth of 9.5%. The 10th Malaysian Plan is expected to provide a fresh impetus for the country to enhance and create a sustainable long term economic growth.

RHB Investment Bank expects the capital markets to remain steady in 2H2010. We will continue to strive for leading mandates in doing major deals. Given our current pipeline, we believe that we are able to maintain our top 3 position in the capital markets.