

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2012

Note	Group			Bank		
	As at 30.06.2012 RM'000	Restated As at 31.12.2011 RM'000	Restated As at 1.1.2011 RM'000	As at 30.06.2012 RM'000	Restated As at 31.12.2011 RM'000	Restated As at 1.1.2011 RM'000
ASSETS						
	1,317,992	2,080,685	1,907,199	1,230,599	2,013,729	1,841,694
Cash and short term funds						
Deposits and placements with banks and other financial institutions	250,155	250,227	250,275	250,155	250,227	250,275
Financial assets held-for-trading	8 205,128	116,884	350,330	205,128	116,884	350,330
Financial investments available-for-sale	9 1,352,189	2,412,247	3,272,231	1,336,994	2,395,884	3,257,686
Financial investments held-to-maturity	10 627,450	608,354	184,918	627,450	608,354	184,918
Loans and advances	11 33,283	43,582	50,651	33,283	43,582	50,651
Clients' and brokers' balances	492,609	234,834	422,937	492,609	234,834	422,937
Other assets	12 30,617	30,108	29,099	19,054	19,349	17,277
Derivative assets	14,465	18,759	19,094	14,465	18,759	19,094
Tax recoverable	15,791	11,062	8,542	14,297	10,049	8,516
Deferred tax assets	1,836	1,919	776	-	-	-
Statutory deposits with Bank Negara Malaysia	70,150	114,250	33,250	70,150	114,250	33,250
Investments in subsidiaries	-	-	-	84,970	84,970	84,970
Investment in a joint venture	19,509	19,020	25,044	21,463	21,463	27,399
Property, plant and equipment	14,769	14,053	14,075	12,796	12,167	12,334
Goodwill	172,844	172,844	172,844	159,280	159,280	159,280
TOTAL ASSETS	4,618,787	6,128,828	6,741,265	4,572,693	6,103,781	6,720,611
LIABILITIES AND EQUITY						
Deposits from customers	13 1,767,132	2,468,315	2,646,421	1,767,132	2,468,315	2,646,421
Deposits and placements of banks and other financial institutions	14 1,063,867	2,135,890	2,485,881	1,063,867	2,135,890	2,485,881
Clients' and brokers' balances	819,966	562,393	610,360	819,966	562,393	610,360
Other liabilities	15 82,842	77,480	73,722	38,652	54,586	60,052
Derivative liabilities	15,339	19,040	20,144	15,339	19,040	20,144
Taxation	1,884	2,046	2,033	-	-	-
Deferred tax liabilities	2,742	3,287	2,893	2,741	3,000	2,893
Subordinated obligations	246,049	246,069	246,127	246,049	246,069	246,127
TOTAL LIABILITIES	3,999,821	5,514,520	6,087,581	3,953,746	5,489,293	6,071,878
Ordinary share capital	263,646	263,646	263,646	263,646	263,646	263,646
Reserves	355,320	350,662	390,038	355,301	350,842	385,087
TOTAL EQUITY	618,966	614,308	653,684	618,947	614,488	648,733
TOTAL LIABILITIES AND EQUITY	4,618,787	6,128,828	6,741,265	4,572,693	6,103,781	6,720,611
COMMITMENTS AND CONTINGENCIES	2,044,689	2,223,953	2,289,842	2,044,689	2,223,953	2,289,842

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 2011.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

<u>Group</u>	Note	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
		Current Financial Quarter Ended 30.06.2012 RM'000	Restated Preceding Corresponding Quarter Ended 30.06.2011 RM'000	Current Financial Half Year Ended 30.06.2012 RM'000	Restated Preceding Corresponding Half Year Ended 30.06.2011 RM'000
Interest income	16	32,090	46,180	72,021	92,003
Interest expense	17	(27,534)	(38,764)	(62,623)	(77,038)
Net interest income		4,556	7,416	9,398	14,965
Other operating income	18	53,679	70,747	117,939	117,151
Other operating expenses	19	58,235 (41,939)	78,163 (38,111)	127,337 (79,577)	132,116 (84,756)
Operating profit before allowances		16,296	40,052	47,760	47,360
Allowance (made)/write-back of for impairment on loans, advances and other losses	20	723	(716)	411	(864)
Impairment losses on financial investments		-	6,382	55	6,382
Share of results of a joint venture		17,019 249	45,718 12	48,226 393	52,878 144
Profit before taxation		17,268	45,730	48,619	53,022
Taxation		(4,701)	(11,916)	(12,519)	(13,378)
Net profit for the financial period		12,567	33,814	36,100	39,644
Earnings per share (sen)					
- basic		4.8	12.8	13.7	15.0

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 2011.

RHB INVESTMENT BANK BERHAD (19663-P)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

Bank	Note	Individual Quarter		Cumulative Six Months	
		Current Financial Quarter Ended 30.06.2012 RM'000	Restated Preceding Corresponding Quarter Ended 30.06.2011 RM'000	Current Financial Half Year Ended 30.06.2012 RM'000	Restated Preceding Corresponding Half Year Ended 30.06.2011 RM'000
Interest income	16	31,855	45,945	71,547	91,495
Interest expense	17	(27,534)	(38,764)	(62,623)	(77,038)
Net interest income		4,321	7,181	8,924	14,457
Other operating income	18	46,328	70,434	105,454	109,827
Other operating expenses	19	50,649 (34,392)	77,615 (31,185)	114,378 (67,520)	124,284 (69,870)
Operating profit before allowances		16,257	46,430	46,858	54,414
Allowance (made)/write-back of for impairment on loans, advances and other losses	20	723	(716)	411	(864)
Impairment losses on financial investments		-	6,382	55	6,382
		16,980	52,096	47,324	59,932
Profit before taxation		16,980	52,096	47,324	59,932
Taxation		(4,735)	(13,265)	(12,224)	(14,885)
Net profit for the financial period		12,245	38,831	35,100	45,047
Earnings per share (sen)					
- basic		4.6	14.7	13.3	17.1

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 2011.

RHB INVESTMENT BANK BERHAD (19663-P)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012

<u>Group</u>	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
	Current Financial Quarter Ended 30.06.2012 RM'000	Restated Preceding Corresponding Quarter Ended 30.06.2011 RM'000	Current Financial Half Year Ended 30.06.2012 RM'000	Restated Preceding Corresponding Half Year Ended 30.06.2011 RM'000
Net profit for the financial period	12,567	33,814	36,100	39,644
Other comprehensive income/(loss):				
Currency translation differences	596	131	81	(1,062)
Financial investments available-for-sale ('AFS')	-			
- Unrealised net gain/(loss) on revaluation	6,295	10,671	14,574	3,906
- Net transfer to income statements on disposal or impairment	(3,289)	(3,937)	(17,578)	(6,335)
Income tax relating to components of other comprehensive income	(763)	(1,687)	746	604
Other comprehensive loss for the financial period, net of tax	2,839	5,179	(2,177)	(2,887)
Total comprehensive income/(loss) for the financial period	15,406	38,993	33,923	36,757

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RHB INVESTMENT BANK BERHAD (19663-P)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
	Current Financial Quarter Ended 30.06.2012 RM'000	Restated Preceding Corresponding Quarter Ended 30.06.2011 RM'000	Current Financial Half Year Ended 30.06.2012 RM'000	Restated Preceding Corresponding Half Year Ended 30.06.2011 RM'000
<u>Bank</u>				
Net profit for the financial period	<u>12,245</u>	38,831	<u>35,100</u>	<u>45,047</u>
Other comprehensive income/(loss):				
Financial investments available-for-sale ('AFS')				
- Unrealised net gain/(loss) on revaluation	6,340	10,685	15,744	2,770
- Net transfer to income statements on disposal or impairment	(3,289)	(3,937)	(17,578)	(6,335)
Income tax relating to components of other comprehensive income	-	-	-	-
	<u>(763)</u>	<u>(1,687)</u>	<u>458</u>	<u>891</u>
Other comprehensive loss for the financial period, net of tax	<u>2,288</u>	5,061	<u>(1,376)</u>	<u>(2,674)</u>
Total comprehensive income/(loss) for the financial period	<u><u>14,533</u></u>	<u><u>43,892</u></u>	<u><u>33,724</u></u>	<u><u>42,373</u></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 2011.

RHB INVESTMENT BANK BERHAD (19663-P)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2012

<u>Group</u>	Share capital RM'000	Statutory reserve RM'000	Translation reserve RM'000	AFS reserve RM'000	Retained profits RM'000	Total RM'000
Balance as at 1 January 2012						
- As previously stated	263,646	278,549	(5,394)	17,813	57,585	612,199
- Effect on adoption of FRS 139	-	-	-	-	2,109	2,109
As restated	<u>263,646</u>	<u>278,549</u>	<u>(5,394)</u>	<u>17,813</u>	<u>59,694</u>	<u>614,308</u>
Net profit for the financial period	-	-	-	-	36,100	36,100
Currency translation differences	-	-	81	-	-	81
Financial investments AFS						
- Unrealised net gain on revaluation	-	-	-	14,574	-	14,574
- Net transfer to income statement on disposal or impairment	-	-	-	(17,578)	-	(17,578)
Income tax relating to components of other comprehensive income/(loss)	-	-	-	746	-	746
Total other comprehensive loss for the financial period	<u>-</u>	<u>-</u>	<u>81</u>	<u>(2,258)</u>	<u>-</u>	<u>(2,177)</u>
Total comprehensive (loss)/income for the financial period	-	-	81	(2,258)	36,100	33,923
Ordinary dividends paid during the financial period	-	-	-	-	(29,265)	(29,265)
Balance as at 30 June 2012	<u>263,646</u>	<u>278,549</u>	<u>(5,313)</u>	<u>15,555</u>	<u>66,529</u>	<u>618,966</u>

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RHB INVESTMENT BANK BERHAD (19663-P)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2011

<u>Group</u>	Share capital RM'000	Statutory reserve RM'000	Translation reserve RM'000	AFS reserve RM'000	Retained profits RM'000	Total RM'000
Balance as at 1 January 2011						
- As previously stated	263,646	278,549	(4,954)	10,698	103,817	651,756
- Effect on adoption of FRS 139	-	-	-	-	1,928	1,928
As restated	<u>263,646</u>	<u>278,549</u>	<u>(4,954)</u>	<u>10,698</u>	<u>105,745</u>	<u>653,684</u>
Net profit for the financial period	-	-	-	-	39,644	39,644
Currency translation differences	-	-	(1,062)	-	-	(1,062)
Financial investments AFS						
- Unrealised net loss on revaluation	-	-	-	3,906	-	3,906
- Net transfer to income statement on disposal or impairment	-	-	-	(6,335)	-	(6,335)
Income tax relating to components of other comprehensive income/(loss)	-	-	-	604	-	604
Total other comprehensive loss) for the financial period	<u>-</u>	<u>-</u>	<u>(1,062)</u>	<u>(1,825)</u>	<u>-</u>	<u>(2,887)</u>
Total comprehensive (loss)/income for the financial period	-	-	(1,062)	(1,825)	39,644	36,757
Ordinary dividends	-	-	-	-	(69,998)	(69,998)
Balance as at 30 June 2011	<u><u>263,646</u></u>	<u><u>278,549</u></u>	<u><u>(6,016)</u></u>	<u><u>8,873</u></u>	<u><u>75,391</u></u>	<u><u>620,443</u></u>

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RHB INVESTMENT BANK BERHAD (19663-P)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2012

Bank	← Share capital RM'000	Non-distributable Statutory reserve RM'000	→ AFS reserve RM'000	Distributable Retained profits RM'000	Total RM'000
Balance as at 1 January 2012					
- As previously stated	263,646	278,549	16,986	53,198	612,379
- Effect on adoption of FRS 139	-	-	-	2,109	2,109
As restated	<u>263,646</u>	<u>278,549</u>	<u>16,986</u>	<u>55,307</u>	<u>614,488</u>
Net profit for the financial period	-	-	-	35,100	35,100
Other comprehensive income/(loss) for the financial Financial investments AFS					
- Unrealised net gain on revaluation	-	-	15,744	-	15,744
- Net transfer to income statement on disposal or impairment	-	-	(17,578)	-	(17,578)
Income tax relating to components of other comprehensive income	-	-	458	-	458
Total comprehensive (loss)/income for the financial	-	-	(1,376)	35,100	33,724
Ordinary dividends	-	-	-	(29,265)	(29,265)
Balance as at 30 June 2012	<u>263,646</u>	<u>278,549</u>	<u>15,610</u>	<u>61,142</u>	<u>618,947</u>

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RHB INVESTMENT BANK BERHAD (19663-P)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2011

Bank	← Share capital RM'000	Non-distributable Statutory reserve RM'000	→ AFS reserve RM'000	Distributable Retained profits RM'000	Total RM'000
Balance as at 1 January 2011					
- As previously stated	263,646	278,549	10,698	93,912	646,805
- Effect on adoption of FRS 139	-	-	-	1,928	1,928
As restated	<u>263,646</u>	<u>278,549</u>	<u>10,698</u>	<u>95,840</u>	<u>648,733</u>
Net profit for the financial period	-	-	-	45,047	45,047
Other comprehensive income/(loss) for the financial					
Financial investments AFS					
- Unrealised net loss on revaluation	-	-	2,770	-	2,770
- Net transfer to income statement on disposal or impairment	-	-	(6,335)	-	(6,335)
Income tax relating to components of other comprehensive income	-	-	891	-	891
Total comprehensive (loss)/income for the financial	-	-	(2,674)	45,047	42,373
Ordinary dividends	-	-	-	(69,998)	(69,998)
Balance as at 30 June 2011	<u><u>263,646</u></u>	<u><u>278,549</u></u>	<u><u>8,024</u></u>	<u><u>70,889</u></u>	<u><u>621,108</u></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 2011.

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 2012

	Six months ended	
	30.06.2012	Restated 30.06.2011
	RM '000	RM '000
<u>Group</u>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	48,619	53,022
Adjustment for non-cash items	(72,974)	(68,950)
Operating loss before working capital changes	(24,355)	(15,928)
Changes in working capital:		
Net changes in operating assets	(298,404)	335
Net changes in operating liabilities	(1,514,585)	(874,034)
Cash used in operations	(1,837,344)	(889,627)
Taxation paid	(17,127)	(11,981)
Net cash used in operating activities	(1,854,471)	(901,608)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchase)/redemption of financial investments held-to-maturity	(19,077)	(53,379)
Net sale of financial investments available-for-sale	1,074,668	764,092
Interest received from financial investments held-to-maturity	34,652	3,407
Interest received from financial investments available-for-sale	33,344	64,716
Property, plant and equipment:		
- Purchase	(2,713)	(1,986)
- Proceeds from disposal	129	81
Dividend income received	135	135
Net cash generated from investing activities	1,121,138	777,066
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to shareholder	(29,265)	(69,998)
Net cash used in financing activities	(29,265)	(69,998)
Net (decrease)/increase in cash and cash equivalents	(762,598)	(194,540)
Effects of exchange rate differences	(95)	806
Cash and cash equivalents		
- at the beginning of the financial period	2,080,685	1,907,199
- at the end of the financial period	1,317,992	1,713,465
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	1,317,992	1,713,465

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RHB INVESTMENT BANK BERHAD (19663-P)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2012

	Six months ended	
	30.06.2012	Restated 30.06.2011
	RM '000	RM '000
<u>Bank</u>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	47,324	59,932
Adjustment for non-cash items	(66,237)	(75,671)
Operating loss before working capital changes	(18,913)	(15,739)
Changes in working capital:		
Net changes in operating assets	(297,019)	(5,593)
Net changes in operating liabilities	(1,535,288)	(910,879)
Cash used in operations	(1,851,220)	(932,211)
Taxation paid	(16,272)	(11,377)
Net cash used in operating activities	(1,867,492)	(943,588)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchase)/redemption of financial investments held-to-maturity	(18,579)	(53,379)
Net sale of financial investments available-for-sale	1,074,634	764,735
Interest received from financial investments held-to-maturity	11,805	3,407
Interest received from financial investments available-for-sale	47,887	64,716
Property, plant and equipment:		
- Purchase	(2,383)	(1,714)
- Proceeds from disposal	129	81
- Dividend income	135	135
- Dividend income received from subsidiary	-	5,000
Net cash generated from investing activities	1,113,628	782,981
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividends paid to shareholder	(29,266)	(69,998)
Net cash used in financing activities	(29,266)	(69,998)
Net (decrease)/increase in cash and cash equivalents	(783,130)	(230,605)
Cash and cash equivalents		
- at the beginning of the financial period	2,013,729	1,841,694
- at the end of the financial period	1,230,599	1,611,089
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	1,230,599	1,611,089

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 2011.

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

1 Basis of Preparation

The Malaysian Accounting Standard Board ('MASB') has announced on 19 November 2011 that Malaysian reporting entities are required to comply with the new International Financial Reporting Standards ('IFRS') compliant framework, Malaysia Financial Reporting Standards ('MFRS') for financial year commencing on or after 1 January 2012.

The Group and the Bank revised its accounting policies on 1 January 2012 to enable the preparation of financial statements that comply with MFRS. This condensed financial statements is the Group's and Bank's first financial report prepared in accordance with MFRS and MFRS 1: 'First Time Adoption of MFRS', and has been applied retrospectively as if the requirements of MFRSs have always been applied by the Group and the Bank from transition date of 1 January 2011. The Group and the Bank does not take advantage on certain mandatory exceptions and optional exceptions provided in MFRS 1 for first time adoption of MFRS

The interim financial statements are unaudited and has been prepared in compliance with Malaysian Financial Reporting Standard ('MFRS') 134, 'Interim Financial Reporting' issued by MASB and should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2011.

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 2011, except for the adoption of the following relevant accounting standards, amendments to published accounting standards and interpretations to existing accounting standards which are effective from 1 January 2012:

- MFRS 1	First-Time Adoption of MFRS
- MFRS 139	Financial Instruments: Recognition and Measurement
- Revised MFRS 124	Related Party Disclosures
- Amendment to MFRS 112	Income Taxes
- Amendment to MFRS 1	First Time Adoption on Fixed Dates and Hyperinflation
- Amendment to MFRS 7	Financial Instruments: Disclosures on Transfers of Financial Assets
- Amendment to MFRS 101	Presentation of Items of Other Comprehensive Income
- IC Interpretation 19	Extinguishing Financial Liabilities with Equity Instruments

The adoption of the above accounting standards, amendments to published accounting standards and interpretations to existing accounting standards does not give rise to any material financial effects to the Group and the Bank, except for the adoption of MFRS 139.

Previously, the Group applied the Amendment to FRS 139, which included an additional transitional arrangement for financial sectors, whereby the Bank Negara Malaysia ('BNM') may prescribed the use of an alternative basis for collective assessment of impairments in loan, advances and financing. This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010 and subsequently updated on 26 January 2010 and 17 December 2010, whereby banking institutions are required to maintain collective allowances of at least 1.5% of total outstanding loans/financing, net of individual impairment allowances under the transitional provisions in the guidelines.

With effective from 1 January 2012, BNM has removed the transitional provision for banking institution on collective evaluation of loan impairment assessment and loan loss provisioning to comply with MFRS 139 requirements. Exposures not individually known to be impaired are placed into pools of similar assets with similar risk characteristics to be collectively assessed for losses that have been incurred but not identified yet. The required loan loss allowance is estimated on the basis of historical loss experience for assets with credit risk characteristics similar to those in the collective pool. The historical loss experience is adjusted based on current observable data.

Previously, when a collectively assessed loans and receivable is deemed impaired, the Group reversed out the interest income recognised in income statements and set off against the interest receivable in the statements of financial position.

Upon the adoption of MFRS 139, with effect from 1 January 2012, once a collectively assessed loans and receivables has been written down as a result of an impairment loss, interest income is thereafter recognised using the original effective interest rate in the income statements.

The change in accounting policies mentioned above have been accounted for retrospectively by re-measuring the relevant financial assets, as appropriate, and recording any adjustments to the previous carrying amounts to the Group's and Bank's opening retained profits. As such, comparatives have been restated to conform with current year's presentation. The principal effects of the changes in accounting policies arising from the adoption of MFRS 139 are disclosed in Note 31.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012

2 Audit Report

The auditors' report for the financial year ended 31 December 2011 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 2012.

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 2012.

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

7 Dividends Paid

The dividends paid by the Bank since 31 December 2011 were as follows:

In respect of the financial year ended 31 December 2011:	RM'000
Final dividend of 14.80% less 25% income tax, paid on 7 June 2012	<u>29,265</u>

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8 Financial Assets Held-For-Trading

At fair value	Group and Bank	
	Unaudited	Audited
	As at 30.06.2012	As at 31.12.2011
	RM'000	RM'000
<u>Money market instruments:</u>		
Malaysian Government Securities	42,310	-
Malaysian Government Investment Issues	61,023	21,119
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	101,795	95,765
	205,128	116,884

9 Financial Investments Available-For-Sale

At fair value	Group		Bank	
	Unaudited	Audited	Unaudited	Audited
	As at 30.06.2012	As at 31.12.2011	As at 30.06.2012	As at 31.12.2011
	RM'000	RM'000	RM'000	RM'000
<u>Money market instruments:</u>				
Malaysian Government Investment Issue	284,345	942,089	284,345	942,089
Malaysian Government Securities	359,298	692,753	359,298	692,753
Cagamas bonds	25,339	-	25,339	-
Khazanah bonds	12,871	12,638	12,871	12,638
<u>Quoted securities:</u>				
<u>In Malaysia</u>				
Shares	640	744	-	85
Loan stocks	908	1,255	908	1,255
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Shares	21,801	21,801	21,801	21,801
Private debt securities	614,850	704,601	614,850	704,601
Loan stocks	17,582	20,662	17,582	20,662
Redeemable convertible preference shares	13,980	15,130	-	-
<u>Outside Malaysia</u>				
Loan stocks	575	574	-	-
	1,352,189	2,412,247	1,336,994	2,395,884

As at 30 June 2012, the carrying value of financial investments available-for-sale, which was transferred from financial assets held-for-trading and financial investment held-to-maturity in previous financial years, for the Group and the Bank are RM131,012,000 (2011: RM357,555,000) and RM19,601,000 (2011: RM19,601,000) respectively.

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10 Financial Investments Held-To-Maturity

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.06.2012	31.12.2011
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Securities	45,871	45,864
Malaysian Government Investment Issue	438,212	312,857
Cagamas bonds	50,974	51,171
Banker's acceptances	-	101,809
<u>Unquoted Securities:</u>		
<u>In Malaysia</u>		
Bonds	23	23
Prasarana bonds	40,655	40,690
Private debt securities	151,256	156,481
	726,991	708,895
Accumulated impairment losses	(99,541)	(100,541)
	627,450	608,354

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012 (cont'd)

11 Loans and Advances (cont'd)

	Group and Bank	
	Unaudited	Audited
	As at 30.06.2012	As at 31.12.2011
	RM'000	RM'000
(vi) Impaired Loans and Advances		
(a) Movements in impaired loans and advances		
Balance as at the beginning of financial period/year	619	918
Classified as impaired during the financial period/year	-	8
Amount recovered	(43)	(122)
Amount written off	-	(185)
	<u>576</u>	<u>619</u>
(b) By purpose		
Purchase of securities	<u>576</u>	<u>619</u>
(c) Movements in allowances for impaired loans and advances		
Individual impairment allowance		
Balance as at the beginning of the financial period/year	584	882
Allowance made	-	9
Amount recovered	(43)	(122)
Amount written off	-	(185)
	<u>541</u>	<u>584</u>
Collective impairment allowance		
Balance as at the beginning of the financial period/year		
- As previously stated	654	760
- Effect on adoption of FRS 139	(654)	(760)
As restated	-	-
Net allowance written back	-	-
	<u>-</u>	<u>-</u>

12 Other Assets

	Group		Bank	
	Unaudited	Audited	Unaudited	Audited
	As at 30.06.2012	As at 31.12.2011	As at 30.06.2012	As at 31.12.2011
	RM'000	RM'000	RM'000	RM'000
Amounts due from holding company	985	1,876	985	1,876
Amounts due from subsidiaries	-	-	2,226	1,510
Amounts due from related companies	2,213	1,592	792	792
Other debtors, deposits and prepayments	<u>27,419</u>	<u>26,640</u>	<u>15,051</u>	<u>15,171</u>
	<u>30,617</u>	<u>30,108</u>	<u>19,054</u>	<u>19,349</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012 (cont'd)

13 Deposits from Customers

	Group and Bank	
	Unaudited As at 30.06.2012 RM'000	Audited As at 31.12.2011 RM'000
(i) By type of deposits:		
Fixed deposits	904,795	1,149,421
Short term deposits	862,337	1,318,894
	<u>1,767,132</u>	<u>2,468,315</u>
(ii) The maturity structure of total deposits are as follows:		
Due within six months	<u>1,767,132</u>	<u>2,468,315</u>
(iii) The deposits are sourced from the following customers:		
Federal government and statutory bodies	175,247	219,327
Business enterprises	1,591,885	2,248,988
	<u>1,767,132</u>	<u>2,468,315</u>

14 Deposits and Placements of Banks and Other Financial Institutions

Licensed banks	-	100,320
Other financial institutions	1,063,867	2,035,570
	<u>1,063,867</u>	<u>2,135,890</u>

15 Other Liabilities

	Group		Bank	
	Unaudited As at 30.06.2012 RM'000	Audited As at 31.12.2011 RM'000	Unaudited As at 30.06.2012 RM'000	Audited As at 31.12.2011 RM'000
Amount due to immediate holding company	491	380	474	363
Amounts due to subsidiaries	-	-	2,611	2,002
Amounts due to related companies	6,110	15,190	4,532	13,788
Amount payable for creation of units due to funds	25,445	13,685	-	-
Amount payable for redemption units	810	548	-	-
Remisiers' trust deposits	8,931	9,198	8,931	9,198
Accrued personnel costs	13,131	15,692	9,916	11,133
Other creditors and accruals	27,924	22,787	12,188	18,102
	<u>82,842</u>	<u>77,480</u>	<u>38,652</u>	<u>54,586</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012 (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
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM'000	RM'000	RM'000	RM'000
Loans and advances	654	1,089	1,526	2,307
Money at call and deposit placements with banks and other financial institutions	8,181	12,108	16,217	22,056
Financial assets held-for-trading	1,106	3,296	4,669	5,243
Financial investments available-for-sale	14,543	26,737	35,720	56,734
Financial investments held-to-maturity	7,367	1,834	12,873	3,401
Others	239	1,116	1,016	2,262
	<u>32,090</u>	<u>46,180</u>	<u>72,021</u>	<u>92,003</u>

<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
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM'000	RM'000	RM'000	RM'000
Loans and advances	654	1,089	1,526	2,307
Money at call and deposit placements with banks and other financial institutions	7,946	11,873	15,743	21,548
Financial assets held-for-trading	1,106	3,296	4,669	5,243
Financial investments available-for-sale	14,543	26,737	35,720	56,734
Financial investments held-to-maturity	7,367	1,834	12,873	3,401
Others	239	1,116	1,016	2,262
	<u>31,855</u>	<u>45,945</u>	<u>71,547</u>	<u>91,495</u>

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
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	12,426	16,697	30,620	33,765
Deposits from customers	11,848	18,807	25,483	36,789
Subordinated obligations	3,260	3,260	6,520	6,484
	<u>27,534</u>	<u>38,764</u>	<u>62,623</u>	<u>77,038</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012 (cont'd)

18 Other Operating Income

Group	Individual Quarter		Cumulative Six Months	
	Current Financial Quarter Ended 30.06.2012	Preceding Corresponding Quarter Ended 30.06.2011	Current Financial Half Year Ended 30.06.2012	Preceding Corresponding Half Year Ended 30.06.2011
	RM'000	RM'000	RM'000	RM'000
a) Fee Income:				
Brokerage	18,010	21,283	40,197	48,682
Fund management fees	5,450	5,783	10,486	11,217
Fee on loans and advances	463	890	875	1,320
Corporate advisory fees	4,195	2,821	5,635	6,211
Underwriting fees	-	2,756	-	2,923
Unit trust fee income	1,738	882	1,802	2,305
Other fee income	18,279	16,555	40,045	19,721
	48,135	50,970	99,040	92,379
b) Net gain/(loss) arising from financial assets held-for-trading - net gain/(loss) on revaluation	1,051	13,571	673	15,766
c) Net (loss)/gain on revaluation of derivatives	(621)	574	(871)	(312)
d) Net gain arising from financial investments AFS - gross dividend income	3,289 135	3,937 135	17,578 150	6,335 135
	3,424	4,072	17,728	6,470
e) Net gain arising from financial investments held-to-maturity - net gain on redemption	517	538	517	1,638
	517	538	517	1,638
f) Other income:				
Foreign exchange (loss)/gain				
- Realised	1,033	509	488	492
- Unrealised	(55)	107	96	283
Gain on disposal of property, plant and equipment	129	-	129	81
Other non-operating income	66	406	139	354
	1,173	1,022	852	1,210
	53,679	70,747	117,939	117,151

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18 Other Operating Income (cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
	Current Financial Quarter Ended	Preceding Corresponding Quarter Ended	Current Financial Half Year Ended	Preceding Corresponding Half Year Ended
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
<u>Bank</u>	RM'000	RM'000	RM'000	RM'000
a) Fee Income:				
Brokerage	18,010	21,283	40,197	48,682
Fee on loans and advances	463	890	875	1,320
Corporate advisory fees	4,195	2,821	5,635	6,211
Underwriting fees	-	2,756	-	2,923
Other fee income	18,065	16,424	39,967	19,617
	<u>40,733</u>	<u>44,174</u>	<u>86,674</u>	<u>78,753</u>
b) Net gain arising from financial assets held-for-trading				
- net gain on revaluation	1,051	13,571	673	15,766
c) Net (loss)/gain on revaluation of derivatives	(621)	574	(871)	(312)
d) Net gain arising from financial investments AFS				
- gross dividend income	3,289	3,937	17,578	6,335
	<u>135</u>	<u>135</u>	<u>135</u>	<u>135</u>
	<u>3,424</u>	<u>4,072</u>	<u>17,713</u>	<u>6,470</u>
e) Net gain arising from financial investments held-to-maturity				
- net gain on redemption	517	538	517	1,638
	<u>517</u>	<u>538</u>	<u>517</u>	<u>1,638</u>
f) Other income:				
Foreign exchange (loss)/gain				
- Realised	1,033	509	488	499
Gain on disposal of property, plant and equipment	129	-	129	81
Gross dividend income from subsidiary	-	6,609	-	6,609
Other non-operating (loss)/income	62	387	131	323
	<u>1,224</u>	<u>7,505</u>	<u>748</u>	<u>7,512</u>
	<u>46,328</u>	<u>70,434</u>	<u>105,454</u>	<u>109,827</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012 (cont'd)

19 Other Operating Expenses

<u>Group</u>	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
	<u>Current</u>	<u>Preceding</u>	<u>Current</u>	<u>Preceding</u>
	<u>Financial</u>	<u>Corresponding</u>	<u>Financial</u>	<u>Corresponding</u>
	<u>Quarter Ended</u>	<u>Quarter Ended</u>	<u>Half Year Ended</u>	<u>Half Year Ended</u>
	<u>30.06.2012</u>	<u>30.06.2011</u>	<u>30.06.2012</u>	<u>30.06.2011</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	21,264	19,162	41,026	42,402
- Contributions to Employees Provident Fund	3,374	2,935	6,466	6,566
- Other staff related costs	1,843	1,067	4,058	4,055
	<u>26,481</u>	<u>23,164</u>	<u>51,550</u>	<u>53,023</u>
<u>Establishment costs</u>				
- Depreciation	986	1,025	1,998	2,077
- Rental of premises	1,877	1,782	3,738	3,653
- Information technology expenses	1,733	1,606	1,717	2,186
- Others	1,737	1,886	3,610	4,395
	<u>6,333</u>	<u>6,299</u>	<u>11,063</u>	<u>12,311</u>
<u>Marketing expenses</u>				
- Sales commission	1,688	762	1,748	2,007
- Advertisement and publicity	1,761	1,641	4,096	4,229
- Others	1,297	1,513	3,031	3,181
	<u>4,746</u>	<u>3,916</u>	<u>8,875</u>	<u>9,417</u>
<u>Administration and general expenses</u>				
- Communication expenses	1,861	1,787	3,224	3,265
- Legal and professional fees	440	387	835	497
- Others	2,078	2,558	4,030	6,243
	<u>4,379</u>	<u>4,732</u>	<u>8,089</u>	<u>10,005</u>
	<u>41,939</u>	<u>38,111</u>	<u>79,577</u>	<u>84,756</u>

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19 Other Operating Expenses (cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
	Current Financial Quarter Ended	Preceding Corresponding Quarter Ended	Current Financial Half Year Ended	Preceding Corresponding Half Year Ended
	30.06.2012	30.06.2011	30.06.2012	30.06.2011
<u>Bank</u>	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	15,703	14,231	30,980	31,937
- Contributions to Employees Provident Fund	2,508	2,159	4,902	4,861
- Other staff related costs	1,609	824	3,653	3,590
	<u>19,820</u>	<u>17,214</u>	<u>39,535</u>	<u>40,388</u>
<u>Establishment costs</u>				
- Depreciation	863	896	1,754	1,822
- Rental of premises	1,587	1,495	3,159	3,090
- Information technology expenses	1,599	1,495	1,461	2,199
- Others	1,671	1,850	3,497	4,269
	<u>5,720</u>	<u>5,736</u>	<u>9,871</u>	<u>11,380</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	1,755	1,554	4,021	4,113
- Others	1,092	1,194	2,669	2,559
	<u>2,847</u>	<u>2,748</u>	<u>6,690</u>	<u>6,672</u>
<u>Administration and general expenses</u>				
- Communication expenses	1,712	1,463	2,846	2,798
- Legal and professional fees	13	343	58	428
- Others	4,280	3,681	8,520	8,204
	<u>6,005</u>	<u>5,487</u>	<u>11,424</u>	<u>11,430</u>
	<u>34,392</u>	<u>31,185</u>	<u>67,520</u>	<u>69,870</u>

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20 Allowance for Impairment on Loans, Advances and Other Losses

	<u>Individual Quarter</u>		<u>Cumulative Six Months</u>	
	<u>Current Financial Quarter Ended 30.06.2012 RM'000</u>	<u>Restated Preceding Corresponding Quarter Ended 30.06.2011 RM'000</u>	<u>Current Financial Half Year Ended 30.06.2012 RM'000</u>	<u>Restated Preceding Corresponding Half Year Ended 30.06.2011 RM'000</u>
Allowance made/(written back) for impairment - loans and advances:				
Individual impairment allowance	(22)	(22)	(44)	(64)
Allowance made/(written back) for impairment - other debtors	(701)	738	(367)	928
	<u>(723)</u>	<u>716</u>	<u>(411)</u>	<u>864</u>

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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 adequacy ratios of the Bank are as follows:

	Group		Bank	
	Unaudited As at 30.06.2012 RM'000	Audited As at 31.12.2011 [^] RM'000	Unaudited As at 30.06.2012 RM'000	Audited As at 31.12.2011 [^] RM'000
Tier I Capital				
Paid-up share capital	263,646	263,646	263,646	263,646
Statutory reserves	278,549	278,549	278,549	278,549
Retained profits	28,320	57,585	23,933	53,198
	<u>570,515</u>	599,780	<u>566,128</u>	595,393
Less: Deferred tax assets	(5,284)	(5,284)	(3,365)	(3,365)
Goodwill	(172,844)	(172,844)	(159,280)	(159,280)
Total Tier I capital	<u>392,387</u>	421,652	<u>403,483</u>	432,748
Tier II Capital				
Collective impairment allowance	24	893	24	893
Subordinated obligations	196,194	210,826	201,742	216,374
Total Tier II capital	<u>196,218</u>	211,719	<u>201,766</u>	217,267
Less: Investments in subsidiaries	-	-	(84,970)	(84,970)
Investment in a joint venture	(19,509)	(19,020)	(21,463)	(21,463)
Securitisation exposures subject to deductions	(7,423)	(7,781)	(7,423)	(7,781)
Other deductions *	(375)	(440)	(365)	(440)
Eligible Tier II Capital	<u>168,911</u>	184,478	<u>87,545</u>	102,613
Total Capital Base	<u>561,298</u>	606,130	<u>491,028</u>	535,361
Capital ratios				
Before proposed dividends:				
Core capital ratio	24.31%	32.69%	26.59%	36.43%
Risk-weighted capital adequacy ratio	34.78%	46.99%	32.36%	45.07%
After proposed dividends:				
Core capital ratio	24.31%	30.42%	26.59%	33.97%
Risk-weighted capital adequacy ratio	<u>34.78%</u>	<u>43.59%</u>	<u>32.36%</u>	<u>41.37%</u>

* 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.

[^] The above capital adequacy ratios has not been adjusted for the effect of the adoption of MFRS 139.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012 (cont'd)

21 Capital Adequacy (cont'd)

The breakdown of risk-weighted assets by each major risk category is as follows:

	Group		Bank	
	Unaudited	Audited	Unaudited	Audited
	As at	As at	As at	As at
	30.06.2012	31.12.2011[^]	30.06.2012	31.12.2011[^]
	RM'000	RM'000	RM'000	RM'000
Credit risk	1,027,444	709,331	981,298	658,111
Market risk	141,166	126,884	141,166	126,884
Operational risk	445,231	453,579	394,714	402,937
Total risk weighted assets	<u>1,613,841</u>	<u>1,289,794</u>	<u>1,517,178</u>	<u>1,187,932</u>

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 I capital and deferred tax assets are excluded from the calculation of risk weighted assets.

[^] The above capital adequacy ratios has not been adjusted for the effect of the adoption of MFRS 139.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012 (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.

Group and Bank	← Unaudited 30.06.2012 →			← Audited 31.12.2011 →		
	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	1,000	1,000	1,000	1,000	1,000	1,000
Transaction related contingent items	1,094	547	163	1,093	547	163
Obligations under an on-going underwriting agreements	14,250	7,125	7,125	121,000	60,500	21,250
Interest rate related contracts:						
- less than one year	500,000	5,344	1,069	150,000	235	47
- one year to less than five years	1,425,000	35,969	7,194	1,785,000	49,548	9,910
- five years and above	15,000	2,747	549	85,000	6,161	1,232
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	162	81	28	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	88,183	17,636	16,628	80,860	16,172	15,653
Total	2,044,689	70,449	33,756	2,223,953	134,163	49,255

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

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012 (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 the date of statements of financial position

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

25 Changes in the Composition of the Group

There are no significant changes in the composition of the Group for the six months ended 30 June 2012.

26 Credit Exposure Arising from Transactions with Connected Parties

Credit exposures with connected parties as per Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties are as follows:

	Group and Bank	Audited
	Unaudited	As at
	As at	As at
	30.6.2012	31.12.2011
Outstanding credit exposures with connected parties (RM'000)	20,000	-
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	1.93%	-
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	-	-

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

27 Changes in Profit for the Quarter

For the current financial quarter ended 30 June 2012, the Group recorded a pre-tax profit of RM17.3 million, a decrease of 45% as compared to the profit of RM31.4 million for the preceding quarter ended 31 March 2012. The lower profit was mainly due to lower other operating income by RM10.6 million and higher other operating expenses by RM4.3 million.

28 Performance Review

For the six months ended 30 June 2012, the Group recorded a pre-tax profit of RM48.6 million, 8% lower as compared to the previous corresponding six months ended 30 June 2011 of RM53 million. The lower profit was mainly due to lower net interest income by RM5.6 million and higher impairment losses on financial investments by RM6.3 million and partly offset by lower other operating expenses by RM5.2 million and lower allowance made for impairment on loans, and advances and other assets by RM1.3 million.

29 Prospects for 2012

The Malaysian economy continued to perform although the external economic environment remains challenging. The Economic Transformation Programme is envisaged to further strengthen and support this positive outlook. The Group expects that the Malaysian economy will grow at 4% to 5% in 2012.

With the volatility in the global market conditions, RHB Investment Bank is cautiously optimistic about the Malaysian capital market activities in 3Q 2012. The implementation of Entry Point Projects (EPP) will continue to drive loan growth and spur debt- and equity-funding opportunities. We will continue to intensify efforts to secure more mandates and achieve higher market share.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012 (cont'd)

30 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.

For the current financial year, the Group's business segments can be organised into the following main segments reflecting the Group's internal reporting structure:

(a) Investment Banking

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 cover facilities for equity share trading in local and foreign markets, share margin financing, futures broking products and services, custodian and nominees services, investment cash management and unit trust funds.

(a) Treasury

Treasury and money market operations is involved in proprietary trading of various financial products that include short-term money market instruments, long term securities and foreign exchange and derivatives products.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012 (cont'd)

30 Segment Reporting (continued)

Segment Profit and Loss for the Six Months Ended 30 June 2012

	Investment Banking	Treasury	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	88,779	45,078	-	133,857
Overhead expenses	(74,189)	(5,388)	-	(79,577)
Including:				
Depreciation of property, plant and equipment	(1,668)	(330)	-	(1,998)
Allowance made for impairment on loans, advances and other losses	411	-	-	411
Impairment (losses)/write back on other assets	55	-	-	55
Profit before unallocated expenses	15,056	39,690	-	54,746
Sub-debt interest				(6,520)
Profit after allocated expenses				48,226
Share of results of a joint venture				393
Profit before taxation				48,619
Taxation				(12,519)
Net profit for the financial period				<u>36,100</u>

Segment Assets As At 30 June 2012

	Investment Banking	Treasury	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	1,255,484	3,286,374	25,024	-	4,566,882
Investments in a joint venture					19,509
Tax recoverable					15,791
Deferred tax assets					1,836
Unallocated assets					14,769
Total assets					<u>4,618,787</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012 (cont'd)

30 Segment Reporting (continued)

Segment Profit and Loss for the Six Months Ended 30 June 2011 (Restated)

	Investment Banking	Treasury	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	100,881	37,719	-	138,600
Overhead expenses	(77,988)	(6,768)	-	(84,756)
Including:				
Depreciation of property, plant and equipment	(1,738)	(338)	-	(2,076)
Allowance made for impairment on loans, advances and other losses	(864)	-	-	(864)
Impairment (losses)/write back on other assets	6,382	-	-	6,382
Profit before unallocated expenses	28,411	30,951	-	59,362
Sub-debt interest				(6,484)
Profit after allocated expenses				52,878
Share of results of a joint venture				144
Profit before taxation				53,022
Taxation				(13,378)
Net profit for the financial period				39,644

Segment Assets As At 30 June 2011 (Restated)

	Investment Banking	Treasury	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	1,186,340	4,586,528	20,716	-	5,793,584
Investments in a joint venture					24,382
Tax recoverable					7,421
Deferred tax assets					1,040
Unallocated assets					13,984
Total assets					5,840,411

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2012 (cont'd)

31 Changes in Accounting Policies

(a) Impacts on the Group's Statements of Financial Position

	As previously reported	Effect on full adoption of MFRS 139	As restated
	RM'000	RM'000	RM'000
As at 1 January 2011			
Assets			
Loans and advances	49,891	760	50,651
- Gross loans and advances	51,533	-	51,533
- Collective impairment allowances	(760)	760	-
Clients' and brokers' balances	421,127	1,810	422,937
- Individual impairment allowances	(7,478)	6,022	(1,456)
- Collective impairment allowances	(357)	(4,212)	(4,569)
Liabilities			
Deferred tax liabilities	2,251	642	2,893
Shareholder's Fund	651,756	1,928	653,684
Retained profits	103,817	1,928	105,745
Loans and advances of which:			
- Impaired loans and advances	918	-	918
As at 31 December 2011			
Assets			
Loans and advances	42,928	654	43,582
- Gross loans and advances	44,166	-	44,166
- Collective impairment allowances	(654)	654	-
Clients' and brokers' balances	232,676	2,158	234,834
- Individual impairment allowances	(9,309)	7,777	(1,532)
- Collective impairment allowances	(240)	(5,619)	(5,859)
Liabilities			
Deferred tax liabilities	2,584	703	3,287
Shareholder's Fund	612,199	2,109	614,308
Retained profits	57,585	2,109	59,694
Loans and advances of which:			
- Impaired loans and advances	619	-	619

**(b) Impacts on the Group's Income Statements/ Statements of Comprehensive Income
For the Six Months Ended 30 June 2011**

	As previously reported	Effect on full adoption of MFRS 139	As restated
	RM'000	RM'000	RM'000
Allowance for impairment on loans, advances and other losses	(1,245)	381	(864)
Profit before taxation	52,641	381	53,022
Taxation	(13,473)	95	(13,378)
Net profit for the financial period	39,168	476	39,644
Earnings per share (sen) - basic	14.9		15.0