

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

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

Note	Group			Bank		
	As at 30.09.2012 RM'000	Restated As at 31.12.2011 RM'000	Restated As at 1.1.2011 RM'000	As at 30.09.2012 RM'000	Restated As at 31.12.2011 RM'000	Restated As at 1.1.2011 RM'000
ASSETS						
	1,672,472	2,080,685	1,907,199	1,602,163	2,013,729	1,841,694
Cash and short term funds						
Deposits and placements with banks and other financial institutions	250,065	250,227	250,275	250,065	250,227	250,275
Financial assets held-for-trading	8 550,732	116,884	350,330	550,732	116,884	350,330
Financial investments available-for-sale	9 907,335	2,412,247	3,272,231	892,896	2,395,884	3,257,686
Financial investments held-to-maturity	10 620,636	608,354	184,918	620,636	608,354	184,918
Loans and advances	11 31,001	43,582	50,651	31,001	43,582	50,651
Clients' and brokers' balances	349,508	234,834	422,937	349,508	234,834	422,937
Other assets	12 50,177	30,108	29,099	40,505	19,349	17,277
Derivative assets	11,725	18,759	19,094	11,725	18,759	19,094
Tax recoverable	14,108	11,062	8,542	12,349	10,049	8,516
Deferred tax assets	1,836	1,919	776	-	-	-
Statutory deposits with Bank Negara Malaysia	46,450	114,250	33,250	46,450	114,250	33,250
Investments in subsidiaries	-	-	-	84,970	84,970	84,970
Investment in a joint venture	19,230	19,020	25,044	21,463	21,463	27,399
Property, plant and equipment	14,537	14,053	14,075	12,340	12,167	12,334
Goodwill	172,844	172,844	172,844	159,280	159,280	159,280
TOTAL ASSETS	4,712,656	6,128,828	6,741,265	4,686,083	6,103,781	6,720,611
LIABILITIES AND EQUITY						
Deposits from customers	13 1,918,309	2,468,315	2,646,421	1,918,309	2,468,315	2,646,421
Deposits and placements of banks and other financial institutions	14 1,228,949	2,135,890	2,485,881	1,228,949	2,135,890	2,485,881
Clients' and brokers' balances	608,273	562,393	610,360	608,273	562,393	610,360
Other liabilities	15 62,256	77,480	73,722	38,213	54,586	60,052
Derivative liabilities	12,628	19,040	20,144	12,628	19,040	20,144
Taxation	1,891	2,046	2,033	-	-	-
Deferred tax liabilities	1,562	3,287	2,893	1,561	3,000	2,893
Subordinated obligations	249,344	246,069	246,127	249,344	246,069	246,127
TOTAL LIABILITIES	4,083,212	5,514,520	6,087,581	4,057,277	5,489,293	6,071,878
Ordinary share capital	263,646	263,646	263,646	263,646	263,646	263,646
Reserves	365,798	350,662	390,038	365,160	350,842	385,087
TOTAL EQUITY	629,444	614,308	653,684	628,806	614,488	648,733
TOTAL LIABILITIES AND EQUITY	4,712,656	6,128,828	6,741,265	4,686,083	6,103,781	6,720,611
COMMITMENTS AND CONTINGENCIES	23 2,227,800	2,223,953	2,289,842	2,227,800	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 NINE MONTHS ENDED 30 SEPTEMBER 2012

<u>Group</u>	Note	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
		Current Financial Quarter Ended 30.09.2012 RM'000	Restated Preceding Corresponding Quarter Ended 30.09.2011 RM'000	Current Financial Nine Months Ended 30.09.2012 RM'000	Restated Preceding Corresponding Nine Months Ended 30.09.2011 RM'000
Interest income	16	32,784	49,150	104,805	141,153
Interest expense	17	(27,688)	(42,474)	(90,311)	(119,512)
Net interest income		5,096	6,676	14,494	21,641
Other operating income	18	62,706	54,144	180,645	171,295
Other operating expenses	19	(41,207)	(40,347)	(120,784)	(125,103)
Operating profit before allowances		26,595	20,473	74,355	67,833
Allowance (made)/write-back of for impairment on loans, advances and other losses	20	22	420	433	(444)
Impairment (losses)/write-back on financial investments	21	(9,122)	(4,230)	(9,067)	2,152
Share of results of a joint venture		17,495	16,663	65,721	69,541
		139	143	532	287
Profit before taxation		17,634	16,806	66,253	69,828
Taxation		(4,783)	(6,717)	(17,302)	(20,095)
Net profit for the financial period		12,851	10,089	48,951	49,733
Earnings per share (sen)					
- basic		4.9	3.8	18.6	18.9

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 NINE MONTHS ENDED 30 SEPTEMBER 2012

		<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
		Current Financial Quarter Ended 30.09.2012 RM'000	Restated Preceding Corresponding Quarter Ended 30.09.2011 RM'000	Current Financial Nine Months Ended 30.09.2012 RM'000	Restated Preceding Corresponding Nine Months Ended 30.09.2011 RM'000
Bank	Note				
Interest income	16	32,560	48,932	104,107	140,427
Interest expense	17	<u>(27,688)</u>	<u>(42,474)</u>	<u>(90,311)</u>	<u>(119,512)</u>
Net interest income		4,872	6,458	13,796	20,915
Other operating income	18	<u>53,766</u>	<u>48,640</u>	<u>159,220</u>	<u>158,467</u>
Other operating expenses	19	<u>58,638</u> <u>(33,324)</u>	55,098 <u>(33,898)</u>	<u>173,016</u> <u>(100,844)</u>	179,382 <u>(103,768)</u>
Operating profit before allowances		25,314	21,200	72,172	75,614
Allowance (made)/write-back of for impairment on loans, advances and other losses	20	22	420	433	(444)
Impairment (losses)/write-back on financial investments	21	<u>(9,122)</u> <u>16,214</u>	<u>(4,230)</u> <u>17,390</u>	<u>(9,067)</u> <u>63,538</u>	<u>2,152</u> <u>77,322</u>
Profit before taxation		16,214	17,390	63,538	77,322
Taxation		<u>(4,582)</u>	<u>(6,623)</u>	<u>(16,806)</u>	<u>(21,508)</u>
Net profit for the financial period		<u>11,632</u>	<u>10,767</u>	<u>46,732</u>	<u>55,814</u>
Earnings per share (sen)					
- basic		<u>4.4</u>	<u>4.1</u>	<u>17.7</u>	<u>21.2</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
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

<u>Group</u>	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended 30.09.2012 RM'000	Restated Preceding Corresponding Quarter Ended 30.09.2011 RM'000	Current Financial Nine Months Ended 30.09.2012 RM'000	Restated Preceding Corresponding Nine Months Ended 30.09.2011 RM'000
Net profit for the financial period	12,851	10,089	48,951	49,733
Other comprehensive income/(loss):				
Currency translation differences	(656)	777	(576)	(285)
Financial investments available-for-sale ('AFS')				
- Unrealised net gain/(loss) on revaluation	-	16,538	14,837	20,444
- Net transfer to income statements on disposal or impairment	-	(7,264)	(20,148)	(13,599)
Income tax relating to components of other comprehensive income	-	(2,342)	1,337	(1,738)
Other comprehensive loss for the financial period, net of tax	(656)	7,709	(4,550)	4,822
Total comprehensive income for the financial period	12,195	17,798	44,401	54,555

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
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended 30.09.2012 RM'000	Restated Preceding Corresponding Quarter Ended 30.09.2011 RM'000	Current Financial Nine Months Ended 30.09.2012 RM'000	Restated Preceding Corresponding Nine Months Ended 30.09.2011 RM'000
<u>Bank</u>				
Net profit for the financial period	<u>11,632</u>	10,767	<u>46,732</u>	55,814
Other comprehensive income/(loss):				
Financial investments available-for-sale ('AFS')				
- Unrealised net gain/(loss) on revaluation	-	16,630	16,007	19,400
- Net transfer to income statements on disposal or impairment	-	(7,264)	(20,205)	(13,599)
Income tax relating to components of other comprehensive income	-	(2,341)	1,049	(1,450)
Other comprehensive loss for the financial period, net of tax	-	7,025	(3,149)	4,351
Total comprehensive income for the financial period	<u>11,632</u>	<u>17,792</u>	<u>43,583</u>	<u>60,165</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
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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	-	-	-	-	48,951	48,951
Currency translation differences	-	-	(576)	-	-	(576)
Financial investments AFS						
- Unrealised net gain on revaluation	-	-	-	14,837	-	14,837
- Net transfer to income statement on disposal or impairment	-	-	-	(20,148)	-	(20,148)
Income tax relating to components of other comprehensive income/(loss)	-	-	-	1,337	-	1,337
Total other comprehensive loss for the financial period	<u>-</u>	<u>-</u>	<u>(576)</u>	<u>(3,974)</u>	<u>-</u>	<u>(4,550)</u>
Total comprehensive (loss)/income for the financial period	-	-	(576)	(3,974)	48,951	44,401
Ordinary dividends paid during the financial period	-	-	-	-	(29,265)	(29,265)
Balance as at 30 September 2012	<u>263,646</u>	<u>278,549</u>	<u>(5,970)</u>	<u>13,839</u>	<u>79,380</u>	<u>629,444</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
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

Group	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	-	-	-	-	49,733	49,733
Currency translation differences	-	-	(285)	-	-	(285)
Financial investments AFS						
- Unrealised net loss on revaluation	-	-	-	20,444	-	20,444
- Net transfer to income statement on disposal or impairment	-	-	-	(13,599)	-	(13,599)
Income tax relating to components of other comprehensive income/(loss)	-	-	-	(1,738)	-	(1,738)
Total other comprehensive loss) for the financial period	<u>-</u>	<u>-</u>	<u>(285)</u>	<u>5,107</u>	<u>-</u>	<u>4,822</u>
Total comprehensive (loss)/income for the financial period	-	-	(285)	5,107	49,733	54,555
Ordinary dividends	-	-	-	-	(69,998)	(69,998)
Balance as at 30 September 2011	<u><u>263,646</u></u>	<u><u>278,549</u></u>	<u><u>(5,239)</u></u>	<u><u>15,805</u></u>	<u><u>85,480</u></u>	<u><u>638,241</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
STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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	-	-	-	46,732	46,732
Other comprehensive income/(loss) for the financial Financial investments AFS					
- Unrealised net gain on revaluation	-	-	16,007	-	16,007
- Net transfer to income statement on disposal or impairment	-	-	(20,205)	-	(20,205)
Income tax relating to components of other comprehensive income	-	-	1,049	-	1,049
Total comprehensive (loss)/income for the financial	-	-	(3,149)	46,732	43,583
Ordinary dividends	-	-	-	(29,265)	(29,265)
Balance as at 30 September 2012	<u>263,646</u>	<u>278,549</u>	<u>13,837</u>	<u>72,774</u>	<u>628,806</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
STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 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	-	-	-	55,814	55,814
Other comprehensive income/(loss) for the financial					
Financial investments AFS					
- Unrealised net loss on revaluation	-	-	19,400	-	19,400
- Net transfer to income statement on disposal or impairment	-	-	(13,599)	-	(13,599)
Income tax relating to components of other comprehensive income	-	-	(1,450)	-	(1,450)
Total comprehensive (loss)/income for the financial	-	-	4,351	55,814	60,165
Ordinary dividends	-	-	-	(69,998)	(69,998)
Balance as at 30 September 2011	<u><u>263,646</u></u>	<u><u>278,549</u></u>	<u><u>15,049</u></u>	<u><u>81,656</u></u>	<u><u>638,900</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 NINE MONTHS ENDED 30 SEPTEMBER 2012

	Nine months ended	
	30.09.2012	Restated 30.09.2011
	RM '000	RM '000
<u>Group</u>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	66,253	69,828
Adjustment for non-cash items	(70,947)	(104,388)
Operating loss before working capital changes	(4,694)	(34,560)
Changes in working capital:		
Net changes in operating assets	(497,902)	165,470
Net changes in operating liabilities	(1,430,049)	(894,883)
Cash used in operations	(1,932,645)	(763,973)
Taxation paid	(20,809)	(18,247)
Net cash used in operating activities	(1,953,454)	(782,220)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of financial investments held-to-maturity	(19,815)	(347,536)
Net sale of financial investments available-for-sale	1,518,271	445,021
Interest received from financial investments held-to-maturity	15,208	5,700
Interest received from financial investments available-for-sale	63,901	91,742
Property, plant and equipment:		
- Purchase	(3,651)	(3,191)
- Proceeds from disposal	135	174
Dividend income received	135	135
Net cash generated from investing activities	1,574,184	192,045
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 in cash and cash equivalents	(408,535)	(660,173)
Effects of exchange rate differences	322	347
Cash and cash equivalents		
- at the beginning of the financial period	2,080,685	1,907,199
- at the end of the financial period	1,672,472	1,247,373
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	1,672,472	1,247,373

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 STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2012

	Nine months ended	
	30.09.2012	Restated 30.09.2011
	RM '000	RM '000
<u>Bank</u>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	63,538	77,322
Adjustment for non-cash items	(81,052)	(111,003)
Operating loss before working capital changes	(17,514)	(33,681)
Changes in working capital:		
Net changes in operating assets	(498,413)	161,810
Net changes in operating liabilities	(1,431,198)	(890,976)
Cash used in operations	(1,947,125)	(762,847)
Taxation paid	(19,495)	(17,065)
Net cash used in operating activities	(1,966,620)	(779,912)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of financial investments held-to-maturity	(11,120)	(347,536)
Net sale of financial investments available-for-sale	1,518,995	445,723
Interest received from financial investments held-to-maturity	15,208	5,700
Interest received from financial investments available-for-sale	63,901	91,742
Property, plant and equipment:		
- Purchase	(2,934)	(2,613)
- Proceeds from disposal	135	81
- Dividend income	135	135
- Dividend income received from subsidiary	-	5,000
Net cash generated from investing activities	1,584,320	198,232
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 in cash and cash equivalents	(411,566)	(651,678)
Cash and cash equivalents		
- at the beginning of the financial period	2,013,729	1,841,694
- at the end of the financial period	1,602,163	1,190,016
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	1,602,163	1,190,016

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 NINE MONTHS ENDED 30 SEPTEMBER 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.

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 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 nine months ended 30 September 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 treasury shares and resale of treasury shares for the period under review.

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>

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

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

8 Financial Assets Held-For-Trading

At fair value	Group and Bank	
	Unaudited	Audited
	As at 30.09.2012	As at 31.12.2011
	RM'000	RM'000
<u>Money market instruments:</u>		
Malaysian Government Securities	152,537	-
Malaysian Government Investment Issues	130,598	21,119
<u>Unquoted securities:</u>		
<u>In Malaysia</u>		
Private debt securities	267,597	95,765
	550,732	116,884

9 Financial Investments Available-For-Sale

At fair value	Group		Bank	
	Unaudited	Audited	Unaudited	Audited
	As at 30.09.2012	As at 31.12.2011	As at 30.09.2012	As at 31.12.2011
	RM'000	RM'000	RM'000	RM'000
<u>Money market instruments:</u>				
Malaysian Government Investment Issue	159,058	942,089	159,058	942,089
Malaysian Government Securities	142,491	692,753	142,491	692,753
Cagamas bonds	25,145	-	25,145	-
Khazanah bonds	12,989	12,638	12,989	12,638
<u>Quoted securities:</u>				
<u>In Malaysia</u>				
Shares	-	744	-	85
Loan stocks	828	1,255	828	1,255
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Shares	20,216	21,801	20,216	21,801
Private debt securities	514,587	704,601	514,587	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	459	574	-	-
	907,335	2,412,247	892,896	2,395,884

As at 30 September 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 RM108,128,000 (2011: RM357,555,000) and RM19,601,000 (2011: RM19,601,000) respectively.

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

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

10 Financial Investments Held-To-Maturity

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.09.2012	31.12.2011
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Securities	45,447	45,864
Malaysian Government Investment Issue	439,587	312,857
Cagamas bonds	51,430	51,171
Banker's acceptances	-	101,809
<u>Unquoted Securities:</u>		
<u>In Malaysia</u>		
Bonds	23	23
Prasarana bonds	41,073	40,690
Private debt securities	150,170	156,481
	727,730	708,895
Accumulated impairment losses	(107,094)	(100,541)
	620,636	608,354

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

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

11 Loans and Advances

	Group and Bank	
	Unaudited As at 30.09.2012 RM'000	Restated As at 31.12.2011 RM'000
(i) By type		
At amortised cost		
Share margin financing	30,016	42,403
Staff loans	1,505	1,763
Gross loans and advances	31,521	44,166
Allowance for impaired loans and advances - individual impairment allowance	<u>(520)</u>	<u>(584)</u>
Net loans and advances	<u>31,001</u>	<u>43,582</u>
(ii) By type of customer		
Domestic non-bank financial institutions - others	729	1,490
Individuals	30,792	42,505
Foreign entities	-	171
	<u>31,521</u>	<u>44,166</u>
(iii) By interest rate sensitivity		
Fixed rate - other fixed rate loans	<u>31,521</u>	<u>44,166</u>
(iv) By Purpose		
Purchase of securities	30,016	42,403
Purchase of transport vehicles	53	76
Purchase of landed property: - Residential	<u>1,452</u>	<u>1,687</u>
	<u>31,521</u>	<u>44,166</u>
(v) By remaining contractual maturities		
Maturity within one year	30,016	42,411
One year to three years	65	82
Three years to five years	86	91
Over five years	<u>1,354</u>	<u>1,582</u>
	<u>31,521</u>	<u>44,166</u>

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

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

11 Loans and Advances (cont'd)

	Group and Bank	
	Unaudited	Audited
	As at 30.09.2012 RM'000	As at 31.12.2011 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	(64)	(122)
Amount written off	-	(185)
Balance as at the end of the financial period/year	<u>555</u>	<u>619</u>
(b) By purpose		
Purchase of securities	<u>555</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	(64)	(122)
Amount written off	-	(185)
Balance as at the end of the financial period/year	<u>520</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	-	-
Balance as at the end of the financial period/year	<u>-</u>	<u>-</u>

12 Other Assets

	Group		Bank	
	Unaudited	Audited	Unaudited	Audited
	As at 30.09.2012 RM'000	As at 31.12.2011 RM'000	As at 30.09.2012 RM'000	As at 31.12.2011 RM'000
Amounts due from holding company	860	1,876	860	1,876
Amounts due from subsidiaries	-	-	2,616	1,510
Amounts due from related companies	10,237	1,592	8,274	792
Other debtors, deposits and prepayments	<u>39,080</u>	<u>26,640</u>	<u>28,755</u>	<u>15,171</u>
	<u>50,177</u>	<u>30,108</u>	<u>40,505</u>	<u>19,349</u>

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

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

13 Deposits from Customers

	Group and Bank	
	Unaudited	Audited
	As at 30.09.2012	As at 31.12.2011
	RM'000	RM'000
(i) By type of deposits:		
Fixed deposits	1,206,763	1,149,421
Short term deposits	711,546	1,318,894
	<u>1,918,309</u>	<u>2,468,315</u>
(ii) The maturity structure of total deposits are as follows:		
Due within six months	<u>1,918,309</u>	<u>2,468,315</u>
(iii) The deposits are sourced from the following customers:		
Federal government and statutory bodies	283,944	219,327
Business enterprises	1,634,365	2,248,988
	<u>1,918,309</u>	<u>2,468,315</u>

14 Deposits and Placements of Banks and Other Financial Institutions

Licensed banks	-	100,320
Other financial institutions	1,228,949	2,035,570
	<u>1,228,949</u>	<u>2,135,890</u>

15 Other Liabilities

	Group		Bank	
	Unaudited	Audited	Unaudited	Audited
	As at 30.09.2012	As at 31.12.2011	As at 30.09.2012	As at 31.12.2011
	RM'000	RM'000	RM'000	RM'000
Amount due to immediate holding company	477	380	460	363
Amounts due to subsidiaries	-	-	2,061	2,002
Amounts due to related companies	2,165	15,190	1,053	13,788
Amount payable for creation of units due to funds	15,206	13,685	-	-
Amount payable for redemption units	2,313	548	-	-
Remisiers' trust deposits	8,940	9,198	8,940	9,198
Accrued personnel costs	16,115	15,692	12,112	11,133
Other creditors and accruals	17,040	22,787	13,587	18,102
	<u>62,256</u>	<u>77,480</u>	<u>38,213</u>	<u>54,586</u>

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

16 Interest Income

<u>Group</u>	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current	Preceding	Current	Preceding
	Financial	Corresponding	Financial	Corresponding
	Quarter Ended	Quarter Ended	Nine Months Ended	Nine Months Ended
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
	RM'000	RM'000	RM'000	RM'000
Loans and advances	617	766	2,143	3,073
Money at call and deposit placements with banks and other financial institutions	11,534	12,562	27,752	34,618
Financial assets held-for-trading	4,659	3,967	9,327	9,210
Financial investments available-for-sale	9,378	25,844	45,098	82,578
Financial investments held-to-maturity	5,954	5,091	18,827	8,492
Others	642	920	1,658	3,182
	32,784	49,150	104,805	141,153

<u>Bank</u>	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current	Preceding	Current	Preceding
	Financial	Corresponding	Financial	Corresponding
	Quarter Ended	Quarter Ended	Nine Months Ended	Nine Months Ended
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
	RM'000	RM'000	RM'000	RM'000
Loans and advances	617	766	2,143	3,073
Money at call and deposit placements with banks and other financial institutions	11,310	12,344	27,053	33,892
Financial assets held-for-trading	4,659	3,967	9,328	9,210
Financial investments available-for-sale	9,378	25,844	45,098	82,578
Financial investments held-to-maturity	5,954	5,091	18,827	8,492
Others	642	920	1,658	3,182
	32,560	48,932	104,107	140,427

17 Interest Expense

<u>Group and Bank</u>	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current	Preceding	Current	Preceding
	Financial	Corresponding	Financial	Corresponding
	Quarter Ended	Quarter Ended	Nine Months Ended	Nine Months Ended
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	10,079	19,209	40,699	52,974
Deposits from customers	14,314	19,970	39,797	56,759
Subordinated obligations	3,295	3,295	9,815	9,779
	27,688	42,474	90,311	119,512

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

18 Other Operating Income

	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	<u>Current Financial Quarter Ended 30.09.2012</u>	<u>Preceding Corresponding Quarter Ended 30.09.2011</u>	<u>Current Financial Nine Months Ended 30.09.2012</u>	<u>Preceding Corresponding Nine Months Ended 30.09.2011</u>
<u>Group</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
a) Fee Income:				
Brokerage	17,466	22,813	57,663	71,495
Fund management fees	5,683	5,252	16,169	16,469
Fee on loans and advances	2,104	863	2,979	2,183
Corporate advisory fees	4,225	2,889	9,860	9,100
Underwriting fees	5,001	1,450	5,679	4,373
Unit trust fee income	3,002	320	4,804	2,625
Other fee income	20,277	8,481	59,644	28,202
	<u>57,758</u>	<u>42,068</u>	<u>156,798</u>	<u>134,447</u>
b) Net gain/(loss) arising from financial assets held-for-trading - net gain/(loss) on revaluation	<u>938</u>	<u>1,716</u>	<u>1,611</u>	<u>17,482</u>
c) Net (loss)/gain on revaluation of derivatives	<u>(18)</u>	<u>449</u>	<u>(889)</u>	<u>137</u>
d) Net gain arising from financial investments AFS - gross dividend income	<u>2,626</u> <u>119</u>	<u>7,264</u> <u>-</u>	<u>20,204</u> <u>269</u>	<u>13,599</u> <u>135</u>
	<u>2,745</u>	<u>7,264</u>	<u>20,473</u>	<u>13,734</u>
e) Net gain arising from financial investments held-to-maturity - net gain on redemption	<u>645</u>	<u>2,047</u>	<u>1,162</u>	<u>3,685</u>
	<u>645</u>	<u>2,047</u>	<u>1,162</u>	<u>3,685</u>
f) Other income:				
Foreign exchange (loss)/gain				
- Realised	262	638	750	1,130
- Unrealised	195	(219)	291	64
Gain on disposal of property, plant and equipment	6	93	135	174
Other non-operating income	175	88	314	442
	<u>638</u>	<u>600</u>	<u>1,490</u>	<u>1,810</u>
	<u>62,706</u>	<u>54,144</u>	<u>180,645</u>	<u>171,295</u>

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

18 Other Operating Income (cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Nine 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>Nine Months Ended</u>	<u>Nine Months Ended</u>
	<u>30.09.2012</u>	<u>30.09.2011</u>	<u>30.09.2012</u>	<u>30.09.2011</u>
<u>Bank</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
a) Fee Income:				
Brokerage	17,466	22,813	57,663	71,495
Fee on loans and advances	2,104	863	2,979	2,183
Corporate advisory fees	4,225	2,889	9,860	9,100
Underwriting fees	5,001	1,450	5,679	4,373
Other fee income	20,337	8,448	59,626	28,065
	<u>49,133</u>	<u>36,463</u>	<u>135,807</u>	<u>115,216</u>
b) Net gain arising from financial assets held-for-trading - net gain on revaluation	<u>938</u>	<u>1,716</u>	<u>1,611</u>	<u>17,482</u>
c) Net (loss)/gain on revaluation of derivatives	<u>(18)</u>	<u>449</u>	<u>(889)</u>	<u>137</u>
d) Net gain arising from financial investments AFS - gross dividend income	<u>2,626</u>	<u>7,264</u>	<u>20,204</u>	<u>13,599</u>
	<u>-</u>	<u>-</u>	<u>135</u>	<u>135</u>
	<u>2,626</u>	<u>7,264</u>	<u>20,339</u>	<u>13,734</u>
e) Net gain arising from financial investments held-to-maturity - net gain on redemption	<u>645</u>	<u>2,047</u>	<u>1,162</u>	<u>3,685</u>
	<u>645</u>	<u>2,047</u>	<u>1,162</u>	<u>3,685</u>
f) Other income:				
Foreign exchange (loss)/gain - Realised	262	638	750	1,137
Gain on disposal of property, plant and equipment	6	-	135	81
Gross dividend income from subsidiary	-	-	-	6,609
Other non-operating (loss)/income	174	63	305	386
	<u>442</u>	<u>701</u>	<u>1,190</u>	<u>8,213</u>
	<u>53,766</u>	<u>48,640</u>	<u>159,220</u>	<u>158,467</u>

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

19 Other Operating Expenses

Group	Individual Quarter		Cumulative Nine Months	
	Current Financial Quarter Ended 30.09.2012 RM'000	Preceding Corresponding Quarter Ended 30.09.2011 RM'000	Current Financial Nine Months Ended 30.09.2012 RM'000	Preceding Corresponding Nine Months Ended 30.09.2011 RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	20,097	17,490	61,123	59,892
- Contributions to Employees Provident Fund	3,081	2,956	9,547	9,522
- Other staff related costs	2,353	3,123	6,411	7,178
	25,531	23,569	77,081	76,592
<u>Establishment costs</u>				
- Depreciation	1,169	1,057	3,167	3,134
- Rental of premises	1,867	1,893	5,605	5,546
- Information technology expenses	2,372	1,511	4,089	3,697
- Others	1,571	2,840	5,181	7,235
	6,979	7,301	18,042	19,612
<u>Marketing expenses</u>				
- Sales commission	2,157	275	3,905	2,282
- Advertisement and publicity	1,232	2,173	5,328	6,402
- Others	1,487	1,528	4,518	4,709
	4,876	3,976	13,751	13,393
<u>Administration and general expenses</u>				
- Communication expenses	1,592	1,779	4,816	5,044
- Legal and professional fees	552	118	1,387	615
- Others	1,677	3,604	5,707	9,847
	3,821	5,501	11,910	15,506
	41,207	40,347	120,784	125,103

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

19 Other Operating Expenses (cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended	Preceding Corresponding Quarter Ended	Current Financial Nine Months Ended	Preceding Corresponding Nine Months Ended
	30.09.2012	30.09.2011	30.09.2012	30.09.2011
<u>Bank</u>	RM'000	RM'000	RM'000	RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	15,765	12,652	46,745	44,589
- Contributions to Employees Provident Fund	2,405	2,185	7,307	7,046
- Other staff related costs	2,067	2,611	5,720	6,201
	<u>20,237</u>	<u>17,448</u>	<u>59,772</u>	<u>57,836</u>
<u>Establishment costs</u>				
- Depreciation	1,007	927	2,761	2,749
- Rental of premises	1,585	1,609	4,744	4,699
- Information technology expenses	2,083	1,390	3,544	3,589
- Others	1,521	2,797	5,018	7,066
	<u>6,196</u>	<u>6,723</u>	<u>16,067</u>	<u>18,103</u>
<u>Marketing expenses</u>				
- Advertisement and publicity	1,197	2,087	5,218	6,200
- Others	1,267	1,345	3,936	3,904
	<u>2,464</u>	<u>3,432</u>	<u>9,154</u>	<u>10,104</u>
<u>Administration and general expenses</u>				
- Communication expenses	1,459	1,539	4,305	4,337
- Legal and professional fees	97	51	155	479
- Others	2,871	4,705	11,391	12,909
	<u>4,427</u>	<u>6,295</u>	<u>15,851</u>	<u>17,725</u>
	<u>33,324</u>	<u>33,898</u>	<u>100,844</u>	<u>103,768</u>

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

20 Allowance for Impairment on Loans, Advances and Other Losses

	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	<u>Current Financial Quarter Ended 30.09.2012</u>	<u>Restated Preceding Corresponding Quarter Ended 30.09.2011</u>	<u>Current Financial Nine Months Ended 30.09.2012</u>	<u>Restated Preceding Corresponding Nine Months Ended 30.09.2011</u>
<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:				
Individual impairment allowance	(21)	75	(66)	(92)
Allowance made/(written back) for impairment - other debtors	(1)	(495)	(367)	536
	<u>(22)</u>	<u>(420)</u>	<u>(433)</u>	<u>444</u>

21 Impairment Losses/(Write-back) on Financial Investments

	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	<u>Current Financial Quarter Ended 30.09.2012</u>	<u>Preceding Corresponding Quarter Ended 30.09.2011</u>	<u>Current Financial Nine Months Ended 30.09.2012</u>	<u>Preceding Corresponding Nine Months Ended 30.09.2011</u>
<u>Group and Bank</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Charge/(Reversal) for the financial year				
- Financial investments available-for-sale	1,570	4,230	1,534	(2,099)
- Financial investments held-to-maturity	7,552	-	7,533	(53)
	<u>9,122</u>	<u>4,230</u>	<u>9,067</u>	<u>(2,152)</u>

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

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

22 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 30.09.2012 RM'000	Audited As at 31.12.2011 [^] RM'000	Unaudited As at 30.09.2012 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	43	893	43	893
Subordinated obligations	196,194	210,826	201,742	216,374
Total Tier II capital	<u>196,237</u>	211,719	<u>201,785</u>	217,267
Less: Investments in subsidiaries	-	-	(84,970)	(84,970)
Investment in a joint venture	(19,230)	(19,020)	(21,463)	(21,463)
Securitisation exposures subject to deductions	(4,879)	(7,781)	(4,879)	(7,781)
Other deductions *	(9,884)	(440)	(9,875)	(440)
Eligible Tier II Capital	<u>162,244</u>	184,478	<u>80,598</u>	102,613
Total Capital Base	<u>554,631</u>	606,130	<u>484,081</u>	535,361
Capital ratios				
Before proposed dividends:				
Core capital ratio	21.83%	32.69%	23.66%	36.43%
Risk-weighted capital adequacy ratio	30.85%	46.99%	28.39%	45.07%
After proposed dividends:				
Core capital ratio	21.83%	30.42%	23.66%	33.97%
Risk-weighted capital adequacy ratio	<u>30.85%</u>	<u>43.59%</u>	<u>28.39%</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.

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

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

22 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
	30.09.2012	31.12.2011[^]	30.09.2012	31.12.2011[^]
	RM'000	RM'000	RM'000	RM'000
Credit risk	976,946	709,331	936,360	658,111
Market risk	374,767	126,884	374,767	126,884
Operational risk	445,968	453,579	394,041	402,937
Total risk weighted assets	<u>1,797,681</u>	<u>1,289,794</u>	<u>1,705,168</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.

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

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

23 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 30.09.2012 →			← 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	1,053	527	159	1,093	547	163
Obligations under an on-going underwriting agreements	246,518	123,259	113,259	121,000	60,500	21,250
Interest rate related contracts:						
- less than one year	790,000	6,448	1,290	150,000	235	47
- one year to less than five years	1,085,000	26,174	5,234	1,785,000	49,548	9,910
- five years and above	15,000	2,448	490	85,000	6,161	1,232
Other commitments, such as formal standby facilities and credit lines, with an original maturity of over one year	22	11	16	-	-	-
Other commitments, such as formal standby facilities and credit lines, with an original maturity of up to one year	89,207	17,841	16,821	80,860	16,172	15,653
Total	2,227,800	177,708	138,269	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.

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

24 Valuation of Property, Plant and Equipment

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

25 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.

26 Changes in the Composition of the Group

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

27 Changes in Profit for the Quarter

For the current financial quarter ended 30 September 2012, the Group recorded a pre-tax profit of RM17.6 million, an increase of 2.1% as compared to the profit of RM17.3 million for the preceding quarter ended 30 June 2012. The higher profit was mainly due to higher income by RM9.6 million and lower other operating expenses by RM0.7 million, partially offset by lower writeback on impairment on loans, advances and other losses by RM0.7 million, and impairment losses made on financial investment of RM9.1 million.

28 Performance Review

For the nine months ended 30 September 2012, the Group recorded a pre-tax profit of RM66.2 million, 5% lower as compared to the previous corresponding nine months ended 30 September 2011 of RM69.8 million. The lower profit was mainly due to lower net interest income by RM7.1 million and higher impairment losses on financial investments by RM11.2 million and partly offset by higher other operating income by RM9.4 million, lower other operating expenses by RM4.3 million and lower allowance made for impairment on loans, and advances and other assets by RM0.9 million.

29 Prospects for 2012

The Malaysian economy is expected to grow at 4% to 5% in 2012 although the outlook of the global economy remains challenging for the remainder of 2012. In addition to the Economic Transformation Programme, which is envisaged to further strengthen and support the economy, consumer demand and confidence remains resilient.

RHB Investment Bank remains cautiously optimistic about the prospects of the Malaysian capital markets in 4Q 2012. The implementation of ETP projects will continue to be the key driver for growth in loan and capital market fund raising as well as mergers and acquisitions advisory opportunities. Despite an increasingly competitive market, RHB Investment Bank will continue to intensify efforts to secure more mandates and market share.

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

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

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

30 Segment Reporting (continued)

Segment Profit and Loss for the Nine Months Ended 30 September 2012

Group	Investment Banking	Treasury	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	150,036	54,917	-	204,953
Overhead expenses	(112,880)	(7,904)	-	(120,784)
Including:				
Depreciation of property, plant and equipment	(2,672)	(495)	-	(3,167)
Allowance made for impairment on loans, advances and other losses	433	-	-	433
Impairment (losses)/write back on other assets	(9,067)	-	-	(9,067)
Profit before allocated expenses	28,522	47,013	-	75,535
Sub-debt interest				(9,814)
Profit after allocated expenses				65,721
Share of results of a joint venture				532
Profit before taxation				66,253
Taxation				(17,302)
Net profit for the financial period				<u>48,951</u>

Segment Assets As At 30 September 2012

	Investment Banking	Treasury	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	995,697	3,634,834	32,414	-	4,662,945
Investments in a joint venture					19,230
Tax recoverable					14,108
Deferred tax assets					1,836
Unallocated assets					14,537
Total assets					<u>4,712,656</u>

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

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

30 Segment Reporting (continued)

Segment Profit and Loss for the Nine Months Ended 30 September 2011 (Restated)

Group	Investment Banking	Treasury	Elimination	Total
	RM'000	RM'000	RM'000	RM'000
External revenue	148,207	54,508	-	202,715
Overhead expenses	(115,182)	(9,921)	-	(125,103)
Including:				
Depreciation of property, plant and equipment	(2,629)	(505)	-	(3,134)
Allowance made for impairment on loans, advances and other losses	(444)	-	-	(444)
Impairment (losses)/write back on other assets	2,152	-	-	2,152
Profit before allocated expenses	34,733	44,587	-	79,320
Sub-debt interest				(9,779)
Profit after allocated expenses				69,541
Share of results of a joint venture				287
Profit before taxation				69,828
Taxation				(20,095)
Net profit for the financial period				49,733

Segment Assets As At 31 December 2011 (Restated)

	Investment Banking	Treasury	Others	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	952,325	5,105,555	24,894	-	6,082,774
Investments in a joint venture					19,020
Tax recoverable					11,062
Deferred tax assets					1,919
Unallocated assets					14,053
Total assets					6,128,828

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 Nine Months Ended 30 September 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	(1,366)	922	(444)
Profit before taxation	68,906	922	69,828
Taxation	(19,864)	(231)	(20,095)
Net profit for the financial period	49,042	691	49,733
Earnings per share (sen) - basic	18.6	-	18.9