

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2013

	Note	Group		Bank	
		Unaudited	Restated	Unaudited	Restated
		As at 30.09.2013 RM'000	As at 31.12.2012 RM'000	As at 30.09.2013 RM'000	As at 31.12.2012 RM'000
ASSETS					
Cash and short-term funds		674,651	1,911,815	409,682	1,509,772
Deposits and placements with banks and other financial institutions		150,810	705,698	150,810	705,698
Financial assets held-for-trading	8	884,175	1,136,224	677,336	1,044,686
Financial investments available-for-sale	9	3,995,663	4,931,686	3,899,058	4,896,754
Financial investments held-to-maturity	10	993,478	1,133,401	993,478	1,133,401
Loans, advances and financing	11	2,307,785	1,727,602	1,797,192	1,417,414
Clients' and brokers' balances	12	2,546,583	2,500,765	780,189	674,541
Other assets	13	577,158	283,940	439,439	207,411
Derivative assets		39,797	15,093	39,797	15,093
Statutory deposits with Bank Negara Malaysia		226,923	246,240	226,923	246,240
Tax recoverable		36,312	36,576	34,348	33,358
Deferred tax assets		8,589	5,064	3,166	-
Investments in subsidiaries		-	-	882,841	756,606
Investments in associates and joint ventures		46,336	44,742	37,241	37,241
Property, plant and equipment		57,481	64,613	29,555	35,267
Goodwill and other intangible assets		1,321,434	1,325,545	1,301,504	1,306,574
TOTAL ASSETS		13,867,175	16,069,004	11,702,559	14,020,056
LIABILITIES AND EQUITY					
Deposits from customers	14	3,065,225	3,746,200	3,137,763	3,832,704
Deposits and placements of banks and other financial institutions	15	4,011,927	5,883,851	4,011,927	5,883,851
Obligation on securities sold under repurchase agreements		362,976	240,010	362,976	240,010
Obligation on securities borrowed		84,523	119,905	84,523	119,905
Clients' and brokers' balances		2,032,186	2,240,993	631,945	620,615
Other liabilities	16	250,114	289,842	143,786	157,797
Derivative liabilities		63,954	37,692	63,954	37,692
Taxation liabilities		16,144	15,018	-	-
Deferred tax liabilities		4,914	5,963	-	1,678
Borrowings		430,873	112,385	-	-
Subordinated obligations		556,960	698,302	556,960	698,302
TOTAL LIABILITIES		10,879,796	13,390,161	8,993,834	11,592,554
Share capital		818,646	263,646	818,646	263,646
Reserves		1,942,811	2,198,621	1,890,079	2,163,856
		2,761,457	2,462,267	2,708,725	2,427,502
Non-controlling interests		225,922	216,576	-	-
TOTAL EQUITY		2,987,379	2,678,843	2,708,725	2,427,502
TOTAL LIABILITIES AND EQUITY		13,867,175	16,069,004	11,702,559	14,020,056
COMMITMENTS AND CONTINGENCIES	24	7,511,085	6,023,509	6,593,934	5,247,108

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
INCOME STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

<u>Group</u>	<u>Note</u>	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
		<u>Current Financial Quarter Ended 30.09.2013 RM'000</u>	<u>Preceding Corresponding Quarter Ended 30.09.2012 RM'000</u>	<u>Current Financial Nine Months Ended 30.09.2013 RM'000</u>	<u>Preceding Corresponding Nine Months Ended 30.09.2012 RM'000</u>
Interest income	17	110,186	32,784	338,643	104,805
Interest expense	18	(68,419)	(27,688)	(229,291)	(90,311)
Net interest income		41,767	5,096	109,352	14,494
Other operating income	19	205,353	62,706	630,417	180,645
Net operating income		247,120	67,802	739,769	195,139
Other operating expenses	20	(209,282)	(41,207)	(623,228)	(120,784)
Operating profit before allowances		37,838	26,595	116,541	74,355
Change in allowance for impairment on loans, financing and other losses	21	(100)	22	6,322	433
Impairment losses (made)/written back on other assets		(4,847)	(9,122)	7,583	(9,067)
		32,891	17,495	130,446	65,721
Share of results of associates		244	-	1,463	-
Share of results of joint ventures		161	139	413	532
Profit before taxation		33,296	17,634	132,322	66,253
Taxation		(10,088)	(4,783)	(35,068)	(17,302)
Net profit for the financial period		23,208	12,851	97,254	48,951
Profit attributable to:					
Owner of the Bank		18,026	12,851	77,785	48,951
Non-controlling interests		5,182	-	19,469	-
		23,208	12,851	97,254	48,951
Earnings per share (sen)					
- basic	22	2.2	4.9	12.8	18.6

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

<u>Group</u>	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended 30.09.2013 RM'000	Preceding Corresponding Quarter Ended 30.09.2012 RM'000	Current Financial Nine Months Ended 30.09.2013 RM'000	Preceding Corresponding Nine Months Ended 30.09.2012 RM'000
Net profit for the financial period	23,208	12,851	97,254	48,951
Other comprehensive (loss)/income:				
Items that will be reclassified to income statements				
- Currency translation differences	(5,099)	(656)	6,668	(576)
- Unrealised net (loss)/gain on revaluation of financial investments available-for-sale ('AFS')	(14,549)	-	(20,482)	14,837
- Net transfer to income statements on disposal or impairment of AFS	(214)	-	(8,353)	(20,148)
Income tax relating to components of other comprehensive loss	3,635	-	7,040	1,337
	(16,227)	(656)	(15,127)	(4,550)
Other comprehensive loss, net of tax, for the financial period	(16,227)	(656)	(15,127)	(4,550)
Total comprehensive income for the financial period	6,981	12,195	82,127	44,401
Total comprehensive income attributable to:				
Owner of the Bank	(3,906)	12,195	54,797	44,401
Non-controlling interests	10,887	-	27,330	-
	6,981	12,195	82,127	44,401

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UNAUDITED INTERIM FINANCIAL STATEMENTS
INCOME STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

		<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
		Current Financial Quarter Ended <u>30.09.2013</u> RM'000	Preceding Corresponding Quarter Ended <u>30.09.2012</u> RM'000	Current Financial Nine Months Ended <u>30.09.2013</u> RM'000	Preceding Corresponding Nine Months Ended <u>30.09.2012</u> RM'000
<u>Bank</u>	Note				
Interest income	17	94,273	32,560	295,294	104,107
Interest expense	18	<u>(67,219)</u>	<u>(27,688)</u>	<u>(226,234)</u>	<u>(90,311)</u>
Net interest income		27,054	4,872	69,060	13,796
Other operating income	19	<u>101,342</u>	<u>53,766</u>	<u>297,707</u>	<u>159,220</u>
Net operating income		128,396	58,638	366,767	173,016
Other operating expenses	20	<u>(103,324)</u>	<u>(33,324)</u>	<u>(301,516)</u>	<u>(100,844)</u>
Operating profit before allowances		25,072	25,314	65,251	72,172
Change in allowance for impairment on loans, financing and other losses	21	(39)	22	6,795	433
Impairment losses (made)/written back on other assets		<u>(2,672)</u>	<u>(9,122)</u>	<u>3,879</u>	<u>(9,067)</u>
Profit before taxation		22,361	16,214	75,925	63,538
Taxation		<u>(6,053)</u>	<u>(4,582)</u>	<u>(22,473)</u>	<u>(16,806)</u>
Net profit for the financial period		<u>16,308</u>	<u>11,632</u>	<u>53,452</u>	<u>46,732</u>

RHB INVESTMENT BANK BERHAD (19663-P)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended 30.09.2013 RM'000	Preceding Corresponding Quarter Ended 30.09.2012 RM'000	Current Financial Nine Months Ended 30.09.2013 RM'000	Preceding Corresponding Nine Months Ended 30.09.2012 RM'000
Bank				
Net profit for the financial period	16,308	11,632	53,452	46,732
Other comprehensive (loss)/income: Items that will be reclassified to income statements				
- Unrealised net (loss)/gain on revaluation of financial investments available-for-sale ('AFS')	(14,387)	-	(21,734)	16,007
- Net transfer to income statements on disposal or impairment of AFS	(214)	-	(8,353)	(20,205)
Income tax relating to components of other comprehensive loss	3,649	-	7,521	1,049
	(10,952)	-	(22,566)	(3,149)
Other comprehensive loss, net of tax, for the financial period	(10,952)	-	(22,566)	(3,149)
Total comprehensive income for the financial period	5,356	11,632	30,886	43,583

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2012.

RHB INVESTMENT BANK BERHAD (19663-P)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

		Attributable to the Owner of the Bank									
<u>Group</u>	Note	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Capital contribution by holding company RM'000	Retained profits RM'000	Total RM'000	Non- controlling interest RM'000	Total RM'000
Balance as at 1 January 2013											
- As previously reported		263,646	-	278,549	14,720	(6,515)	-	101,299	651,699	-	651,699
Acquisition of subsidiaries											
- Effect of predecessor accounting	34	-	-	-	(1,794)	511	1,802,808	13,476	1,815,001	216,576	2,031,577
- Merger deficit adjusted against retained profits	34	-	-	-	-	-	-	(4,433)	(4,433)	-	(4,433)
As restated		263,646	-	278,549	12,926	(6,004)	1,802,808	110,342	2,462,267	216,576	2,678,843
Net profit for the financial period		-	-	-	-	-	-	77,785	77,785	19,469	97,254
Currency translation differences		-	-	-	492	(275)	-	-	217	6,451	6,668
Financial investments AFS:											
- Unrealised net (loss)/gain on revaluation		-	-	-	(21,892)	-	-	-	(21,892)	1,410	(20,482)
- Net transfer to income statements on disposal or impairment		-	-	-	(8,353)	-	-	-	(8,353)	-	(8,353)
Income tax relating to components of other comprehensive loss		-	-	-	7,040	-	-	-	7,040	-	7,040
Other comprehensive income/(loss), net of tax, for the financial period		-	-	-	(22,713)	(275)	-	-	(22,988)	7,861	(15,127)
Total comprehensive income/(loss) for the financial period		-	-	-	(22,713)	(275)	-	77,785	54,797	27,330	82,127
Issuance of shares for the acquisition of OSKIB	30	555,000	1,515,150	-	-	-	(1,802,808)	-	267,342	-	267,342
Dividend paid		-	-	-	-	-	-	(17,005)	(17,005)	-	(17,005)
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	-	(9,387)	(9,387)
Accretion on deemed disposals of interest in associates		-	-	-	-	-	-	(748)	(748)	-	(748)
Acquisition of shares from non-controlling interests		-	-	-	-	-	-	(5,196)	(5,196)	(8,597)	(13,793)
Balance as at 30 September 2013		818,646	1,515,150	278,549	(9,787)	(6,279)	-	165,178	2,761,457	225,922	2,987,379

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UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

<u>Group</u>	<u>Attributable to the Owner of the Bank</u>					Total RM'000
	Share capital RM'000	Statutory reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2012	263,646	278,549	17,813	(5,394)	59,694	614,308
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 statements on disposal or impairment	-	-	(20,148)	-	-	(20,148)
Income tax relating to components of other comprehensive loss	-	-	1,337	-	-	1,337
Other comprehensive loss, net of tax, for the financial period	-	-	(3,974)	(576)	-	(4,550)
Total comprehensive income/(loss) for the financial period	-	-	(3,974)	(576)	48,951	44,401
Dividend paid	-	-	-	-	(29,265)	(29,265)
Balance as at 30 September 2012	263,646	278,549	13,839	(5,970)	79,380	629,444

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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 NINE MONTHS ENDED 30 SEPTEMBER 2013

	Note	Non-Distributable				Distributable		Total RM'000
		Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Capital contribution by holding company RM'000	Retained profits RM'000	
Bank								
Balance as at 1 January 2013								
- As previously reported		263,646	-	278,549	14,720	-	85,112	642,027
Acquisition of assets and liabilities								
- Effect of predecessor accounting	34	-	-	-	(3,723)	1,802,808	13,458	1,812,543
- Merger deficit adjusted against retained profits	34	-	-	-	-	-	(27,068)	(27,068)
As restated		263,646	-	278,549	10,997	1,802,808	71,502	2,427,502
Net profit for the financial period		-	-	-	-	-	53,452	53,452
Financial investments AFS:								
- Unrealised net loss on revaluation		-	-	-	(21,734)	-	-	(21,734)
- Net transfer to income statements on disposal or impairment		-	-	-	(8,353)	-	-	(8,353)
Income tax relating to components of other comprehensive loss		-	-	-	7,521	-	-	7,521
Other comprehensive loss, net of tax, for the financial period		-	-	-	(22,566)	-	-	(22,566)
Total comprehensive income/(loss) for the financial period		-	-	-	(22,566)	-	53,452	30,886
Issuance of shares for the acquisition of OSKIB	30	555,000	1,515,150	-	-	(1,802,808)	-	267,342
Dividend paid		-	-	-	-	-	(17,005)	(17,005)
Balance as at 30 September 2013		818,646	1,515,150	278,549	(11,569)	-	107,949	2,708,725

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UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

Bank	Non-distributable		Distributable		Total RM'000
	Share capital RM'000	Statutory reserve RM'000	AFS reserve RM'000	Retained profits RM'000	
Balance as at 1 January 2012	263,646	278,549	16,986	55,307	614,488
Net profit for the financial period	-	-	-	46,732	46,732
Financial investments AFS:					
- Unrealised net gain on revaluation	-	-	16,007	-	16,007
- Net transfer to income statements on disposal or impairment	-	-	(20,205)	-	(20,205)
Income tax relating to components of other comprehensive loss	-	-	1,049	-	1,049
Other comprehensive loss, net of tax, for the financial period	-	-	(3,149)	-	(3,149)
Total comprehensive income/(loss) for the financial period	-	-	(3,149)	46,732	43,583
Dividend paid	-	-	-	(29,265)	(29,265)
Balance as at 30 September 2012	263,646	278,549	13,837	72,774	628,806

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RHB INVESTMENT BANK BERHAD (19663-P)
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UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

	Nine months ended	
	30.09.2013	30.09.2012
	RM '000	RM '000
<u>Group</u>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	132,322	66,253
Adjustments for non-cash items	(150,144)	(70,947)
Operating loss before working capital changes	(17,822)	(4,694)
Changes in working capital:		
Net changes in operating assets	149,149	(497,902)
Net changes in operating liabilities	(2,675,823)	(1,430,049)
Cash used in operations	(2,544,496)	(1,932,645)
Taxation paid	(31,278)	(20,809)
Net cash used in operating activities	(2,575,774)	(1,953,454)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net redemption/(purchase) of financial investments held-to-maturity	155,238	(19,815)
Net sale of financial investments available-for-sale	914,719	1,518,271
Interest received from financial investments held-to-maturity	29,817	15,208
Interest received from financial investments available-for-sale	108,854	63,901
Property, plant and equipment:		
- Purchase	(10,708)	(3,651)
- Proceeds from disposal	646	135
Other intangible assets:		
- Purchase	(3,955)	-
Dividend income received	2,171	135
Acquisition of shares from non-controlling interests	(13,819)	-
Net cash generated from investing activities	1,182,963	1,574,184
CASH FLOWS FROM FINANCING ACTIVITIES		
Net redemption of subordinated bonds	(141,342)	-
Net drawdown of short-term loans	318,488	-
Dividend paid to shareholder	(17,005)	(29,265)
Dividend paid to non-controlling interest	(9,387)	-
Net cash generated from/(used in) financing activities	150,754	(29,265)
Net decrease in cash and cash equivalents	(1,242,057)	(408,535)
Effects of exchange rate differences	4,893	322
Cash and cash equivalents		
- at the beginning of the financial period	1,911,815	2,080,685
- at the end of the financial period	674,651	1,672,472
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	674,651	1,672,472

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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 NINE MONTHS ENDED 30 SEPTEMBER 2013

	Nine months ended	
	30.09.2013	30.09.2012
	RM '000	RM '000
<u>Bank</u>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	75,925	63,538
Adjustments for non-cash items	<u>(152,260)</u>	<u>(81,052)</u>
Operating loss before working capital changes	(76,335)	(17,514)
Changes in working capital:		
Net changes in operating assets	504,286	(498,412)
Net changes in operating liabilities	<u>(2,481,982)</u>	<u>(1,431,198)</u>
Cash used in operations	(2,054,031)	(1,947,124)
Taxation paid	<u>(20,705)</u>	<u>(19,495)</u>
Net cash used in operating activities	<u>(2,074,736)</u>	<u>(1,966,619)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net redemption/(purchase) of financial investments held-to-maturity	155,238	(11,120)
Net sale of financial investments available-for-sale	957,187	1,518,995
Interest received from financial investments held-to-maturity	29,817	15,208
Interest received from financial investments available-for-sale	108,844	63,901
Property, plant and equipment:		
- Purchase	(4,159)	(2,934)
- Proceeds from disposal	1	135
Other intangible assets:		
- Purchase	(2,097)	-
Dividend income received	1,071	135
Additional investments in subsidiary companies	<u>(112,909)</u>	<u>-</u>
Net cash generated from investing activities	<u>1,132,993</u>	<u>1,584,320</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Net redemption of subordinated bonds	(141,342)	-
Dividend paid to shareholder	<u>(17,005)</u>	<u>(29,265)</u>
Net cash used in financing activities	<u>(158,347)</u>	<u>(29,265)</u>
Net decrease in cash and cash equivalents	(1,100,090)	(411,564)
Cash and cash equivalents		
- at the beginning of the financial period	<u>1,509,772</u>	<u>2,013,729</u>
- at the end of the financial period	<u>409,682</u>	<u>1,602,165</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	<u>409,682</u>	<u>1,602,165</u>

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RHB INVESTMENT BANK BERHAD (19663-P)
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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013

1 Basis of Preparation

The interim financial statements are unaudited and has been prepared in compliance with Malaysian Financial Reporting Standard ('MFRS') 134, 'Interim Financial Reporting' issued by Malaysian Accounting Standards Boards ('MASB') and should be read in conjunction with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2012.

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 2012, 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 2013:

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosures of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 3	Business Combinations (IFRS 3 Business Combinations issued by IASB in March 2004)
MFRS 127	Separate Financial Statements (IAS 27 as amended by IASB in May 2011)
MFRS 128	Investments in Associates and Joint Ventures (IAS 28 as amended by IASB in May 2011)
Amendment to MFRS 7	Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendment to MFRS 10, MFRS 11 and MFRS 12	Consolidated Financial Statements, Joint Arrangements and Disclosures of Interests in Other Entities: Transition Guidance
Amendment to MFRS 101	Presentation of Items of Other Comprehensive Income
Annual Improvements to MFRS 2009-2011 Cycle	

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

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013 (cont'd)

2 Auditors' Report

The auditors' report for the financial year ended 31 December 2012 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 2013.

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 2013.

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 nine months ended 30 September 2013, other than as disclosed below :

On 13 April 2013, the Bank has increased its issued and paid-up share capital by issuance of 555,000,000 new ordinary shares of RM1 each at an issued price of RM3.73 each.

On 19 April 2013, the Bank had fully redeemed its existing subordinated notes of RM45.0 million in nominal value which were issued on 21 April 2008.

On 15 July 2013, the Bank had fully redeemed its existing subordinated notes of RM100.00 million in nominal value ('Subordinated Notes'). This Subordinated Notes were issued on 14 July 2008 by OSK Investment Bank Berhad ('OSKIB') (which is now undertaken by the Bank pursuant to the transfer of the entire business including all assets and liabilities of OSKIB to the Bank which took effect from 13 April 2013).

7 Dividends Paid

The dividends paid by the Bank since 31 December 2012 were as follows:

In respect of the financial year ended 31 December 2012:

Final dividend of 8.60 sen less 25% income tax, paid on 12 June 2013

RM'000

17,005

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013 (cont'd)

8 Financial Assets Held-for-trading

	Group		Bank	
	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000
At fair value				
<u>Money market instruments:</u>				
Malaysian Government Securities	129,565	101,576	129,565	101,576
Malaysian Government Investment Issues	59,749	30,498	59,749	30,498
Cagamas bonds	-	5,567	-	5,567
Sukuk Perumahan Kerajaan (SPK)	-	20,100	-	20,100
<u>Quoted securities:</u>				
In Malaysia				
Shares, exchange traded funds and warrants	65,084	58,319	65,084	58,319
Unit trusts	1,689	2,027	-	-
Outside Malaysia				
Shares, exchange traded funds and warrants	45,545	52,698	17,476	20,855
Unit trusts	21,317	25,033	-	-
<u>Unquoted securities:</u>				
In Malaysia				
Prasarana bonds	-	5,558	-	5,558
Private debt securities	240,329	368,154	240,329	368,154
Outside Malaysia				
Private debt securities	320,897	466,694	165,133	434,059
	884,175	1,136,224	677,336	1,044,686

In 2008, the Bank reclassified a portion of their financial assets held-for-trading ('HFT') into financial investments available-for-sale ('AFS'). The reclassifications have been accounted for in accordance with BNM's circular on "Reclassification of securities under specific circumstances" dated 17 October 2008, which is effective from 1 July 2008 until 31 December 2009.

The effect of reclassification on the income statements for the period from the date of reclassification to 30 September 2013 were as follows:

	Group and Bank	
	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000
<u>Reclassified from HFT to AFS</u>		
- Carrying value	57,595	111,191
- Fair value	57,331	110,549
Fair value losses that would have been recognised if the financial assets HFT had not been reclassified	(264)	(642)

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9 Financial Investments Available-for-sale

	Group		Bank	
	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000
At fair value				
<u>Money market instruments:</u>				
Malaysian Government Securities	422,716	347,385	422,716	347,385
Malaysian Government Investment Issue	657,343	850,048	657,343	850,048
Bank Negara Malaysia Monetary Notes	-	205,859	-	205,859
Cagamas bonds	35,148	25,356	35,148	25,356
Khazanah bonds	48,074	13,100	48,074	13,100
Negotiable instruments of deposits	378,908	459,878	378,908	459,878
Wakala Global Sukuk	34,753	59,252	34,753	59,252
Bankers' acceptance and Islamic accepted bills	378,911	507,382	378,911	507,382
Sukuk Perumahan Kerajaan ('SPK')	68,668	30,150	68,668	30,150
<u>Quoted securities:</u>				
In Malaysia				
Shares and warrants	589	362	551	323
Loan stocks	-	775	-	775
Unit trusts	5,468	5,247	-	-
Outside Malaysia				
Shares and warrants	1,313	1,197	-	-
Unit trusts	17,664	20,197	-	15,295
<u>Unquoted securities:</u>				
In Malaysia				
Private and Islamic debt securities	1,242,926	1,302,308	1,242,926	1,302,308
Shares	71,994	25,531	24,369	22,906
Loan stocks	9,877	17,582	9,877	17,582
Prasarana bonds	19,903	10,232	19,903	10,232
Outside Malaysia				
Private and Islamic debt securities	577,058	1,029,089	576,911	1,028,923
Shares	23,869	20,295	-	-
Loan stocks	481	461	-	-
	3,995,663	4,931,686	3,899,058	4,896,754

Included in financial investments available-for-sale at the Group and Bank level are private debts securities outside Malaysia, which are pledged as collateral for obligations on securities sold under repurchase agreements amounted to RM427,079,000 (31.12.2012: RM239,126,000).

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013 (cont'd)

10 Financial Investments Held-to-maturity

	Group and Bank	
	Unaudited	Restated
	As at	As at
	30.09.2013	31.12.2012
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Securities	20,330	45,892
Malaysian Government Investment Issue	508,869	538,699
Cagamas bonds	51,061	50,802
Khazanah bonds	9,790	-
Bankers' acceptances	-	49,961
Wakala Global Sukuk	6,969	6,538
<u>Unquoted Securities:</u>		
In Malaysia		
Private and Islamic debt securities	468,165	562,464
Bonds	23	23
Prasarana bonds	51,106	40,621
Outside Malaysia		
Private and Islamic debt securities	48,269	24,810
	1,164,582	1,319,810
Accumulated impairment losses	(171,104)	(186,409)
	993,478	1,133,401

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013 (cont'd)

11 Loans, Advances and Financing

	Group		Bank	
	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000
At amortised cost				
Term Loans				
- syndicated term loans/financing	77,639	138,124	77,639	138,124
- other term loans/financing	1,280,443	930,358	1,265,122	909,431
Share margin financing	971,634	685,501	434,603	346,514
Revolving credits	-	-	41,593	49,726
Staff loans	2,487	2,327	2,487	2,327
Gross loans, advances and financing	2,332,203	1,756,310	1,821,444	1,446,122
Allowance for impaired loans, advances and financing				
- individual impairment allowance	(16,892)	(23,737)	(16,726)	(23,737)
- collective impairment allowance	(7,526)	(4,971)	(7,526)	(4,971)
Net loans, advances and financing	2,307,785	1,727,602	1,797,192	1,417,414
(i) By type of customer				
Domestic business enterprise				
- small and medium enterprise	31,720	1,885	31,720	1,885
- others	1,267,648	1,131,450	1,267,648	1,131,450
Individuals	299,326	262,932	299,326	262,932
Foreign entities				
- Malaysia operations	181,157	129	222,750	49,855
- Singapore operations	298,411	200,348	-	-
- Hong Kong operations	146,111	100,444	-	-
- Indonesia operations	8,567	18,274	-	-
- Thailand operations	99,263	40,848	-	-
Total	2,332,203	1,756,310	1,821,444	1,446,122
(ii) By geographical distribution				
In Malaysia	1,779,851	1,396,396	1,821,444	1,446,122
Outside Malaysia				
- Singapore operations	298,411	200,348	-	-
- Hong Kong operations	146,111	100,444	-	-
- Indonesia operations	8,567	18,274	-	-
- Thailand operations	99,263	40,848	-	-
Total	2,332,203	1,756,310	1,821,444	1,446,122

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013 (cont'd)

11 Loans, Advances and Financing (cont'd)

	Group		Bank	
	Unaudited As at 30.09.2013	Restated As at 31.12.2012	Unaudited As at 30.09.2013	Restated As at 31.12.2012
	RM'000	RM'000	RM'000	RM'000
(iii) By interest rate sensitivity				
Fixed rate				
- other fixed rate loans	1,587,432	1,421,724	1,306,727	1,231,905
Variable rate				
- cost plus	593,063	161,208	462,272	81,688
- base lending rate plus	151,708	173,378	52,445	132,529
	2,332,203	1,756,310	1,821,444	1,446,122
(iv) By purpose				
Purchase of securities	1,716,525	1,493,894	1,164,173	1,133,979
Purchase of transport vehicles	293	486	293	486
Purchase of landed property:				
- residential	2,196	1,841	2,196	1,841
- non-residential	106,512	56,000	106,512	56,000
Construction	67,273	104,203	67,273	104,203
Working capital	272,583	59,615	314,176	109,342
Other purpose	166,821	40,271	166,821	40,271
	2,332,203	1,756,310	1,821,444	1,446,122
(v) By remaining contractual maturities				
Maturity within one year	1,619,245	1,247,905	1,108,486	937,715
One year to three years	685,600	500,891	685,600	500,891
Three years to five years	21	169	21	169
Over five years	27,337	7,345	27,337	7,347
	2,332,203	1,756,310	1,821,444	1,446,122

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013 (cont'd)

11 Loans, Advances and Financing (cont'd)

	Group		Bank	
	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000
(vi) Impaired Loans, Advances and Financing				
(a) Movements in impaired loans, advances and financing				
Balance as at beginning of the financial period/year				
- As previously reported	247,539	619	247,539	619
Acquisition of subsidiaries / assets and liabilities				
- Effect of predecessor accounting	-	247,189	-	247,189
As restated	<u>247,539</u>	<u>247,808</u>	<u>247,539</u>	<u>247,808</u>
Classified as impaired during the financial period/year	9,432	-	9,266	-
Classified as non-impaired during the financial period/year	(35,091)	(25)	(35,091)	(25)
Amount recovered	(16,337)	(72)	(16,337)	(72)
Amount written off	<u>(10)</u>	<u>(172)</u>	<u>(10)</u>	<u>(172)</u>
Balance as at the end of the financial period/year	<u><u>205,533</u></u>	<u><u>247,539</u></u>	<u><u>205,367</u></u>	<u><u>247,539</u></u>
(b) By purpose				
Purchase of securities	173,964	247,539	173,798	247,539
Other purpose	<u>31,569</u>	<u>-</u>	<u>31,569</u>	<u>-</u>
	<u><u>205,533</u></u>	<u><u>247,539</u></u>	<u><u>205,367</u></u>	<u><u>247,539</u></u>
(c) By geographical distribution				
In Malaysia	205,367	247,539	205,367	247,539
Outside Malaysia:				
- Thailand operations	<u>166</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u><u>205,533</u></u>	<u><u>247,539</u></u>	<u><u>205,367</u></u>	<u><u>247,539</u></u>
(d) Movements in allowances for impaired loan, advances and financing				
Individual impairment allowance				
Balance as at beginning of the financial period/year				
- As previously reported	(23,737)	(584)	(23,737)	(584)
Acquisition of subsidiaries / assets and liabilities				
- Effect of predecessor accounting	-	(23,397)	-	(23,397)
As restated	<u>(23,737)</u>	<u>(23,981)</u>	<u>(23,737)</u>	<u>(23,981)</u>
Allowance made	(1,957)	-	(1,794)	-
Allowance written back	8,805	-	8,805	-
Amount recovered	-	72	-	72
Amount written off	-	172	-	172
Exchange difference	<u>(3)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Balance as at the end of the financial period/year	<u><u>(16,892)</u></u>	<u><u>(23,737)</u></u>	<u><u>(16,726)</u></u>	<u><u>(23,737)</u></u>

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11 Loans, Advances and Financing (cont'd)

	Group and Bank	
	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000
(vi) Impaired Loans, Advances and Financing (cont'd)		
(d) Movements in allowances for impaired loan, advances and financing (cont'd)		
Collective impairment allowance		
Balance as at beginning of the financial period/year		
- As previously reported	(4,971)	-
Acquisition of subsidiaries / assets and liabilities		
- Effect of predecessor accounting	-	(4,971)
As restated	(4,971)	(4,971)
Net allowance made	(2,555)	-
Balance as at the end of the financial period/year	(7,526)	(4,971)

12 Clients' and brokers' balances

	Group		Bank	
	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000
Amounts owing by clients	1,337,621	938,781	583,910	491,731
Allowance for impairment losses:				
- individual impairment allowance	(8,365)	(9,652)	(1,571)	(3,230)
- collective impairment allowance	(3,633)	(6,088)	(3,633)	(6,088)
	1,325,623	923,041	578,706	482,413
Amounts owing by brokers	414,178	945,618	111,407	42,485
Allowance for impairment losses:				
- individual impairment allowance	(989)	(717)	(989)	(717)
	413,189	944,901	110,418	41,768
Amounts owing by clearing houses and stock exchanges	807,771	632,823	91,065	150,360
	2,546,583	2,500,765	780,189	674,541
Individual impairment allowance				
Balance as at beginning of the financial period/year				
- As previously reported	(10,369)	(1,532)	(3,947)	(1,532)
Acquisition of subsidiaries / assets and liabilities				
- Effect of predecessor accounting	-	(7,369)	-	(2,435)
As restated	(10,369)	(8,901)	(3,947)	(3,967)
Allowance made	(2,423)	(1,692)	(1,396)	(188)
Amount written back	2,965	209	2,201	208
Amount written off	677	22	582	-
Exchange difference	(204)	(7)	-	-
Balance as at the end of the financial period/year	(9,354)	(10,369)	(2,560)	(3,947)

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12 Clients' and brokers' balances (cont'd)

	Group		Bank	
	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000
Collective impairment allowance				
Balance as at beginning of the financial period/year				
- As previously reported	(6,088)	(5,859)	(6,088)	(5,859)
Acquisition of subsidiaries / assets and liabilities				
- Effect of predecessor accounting	-	(134)	-	(134)
As restated	(6,088)	(5,993)	(6,088)	(5,993)
Net allowance made	(190)	(101)	(190)	(101)
Amount written back	2,645	6	2,645	6
Balance as at the end of the financial period/year	<u>(3,633)</u>	<u>(6,088)</u>	<u>(3,633)</u>	<u>(6,088)</u>

13 Other Assets

	Group		Bank	
	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000
Other debtors	63,824	92,020	45,456	62,460
Amount receivable for release of units due from funds	59,364	22,292	-	-
Security deposits and statutory funds	34,274	8,445	2,466	1,539
Deposits	12,324	21,815	5,593	6,270
Prepayments	17,237	12,852	10,895	7,309
Amount due from reverse repo transactions	115,926	121,309	88,712	121,309
Transferable memberships	334	330	271	271
Amount due from holding company	4,309	987	4,309	987
Amounts due from subsidiaries	-	-	13,514	6,101
Amounts due from related companies	269,566	3,890	268,223	1,165
	<u>577,158</u>	<u>283,940</u>	<u>439,439</u>	<u>207,411</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013 (cont'd)

14 Deposits from Customers

	Group		Bank	
	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000
(i) By type of deposits:				
<u>Non-Mudharabah Fund</u>				
Short term deposits	772,852	716,300	820,737	781,843
Fixed/investments deposits	2,258,665	2,379,163	2,283,318	2,399,224
Negotiable instruments of deposits	33,708	52,208	33,708	53,108
	<u>3,065,225</u>	<u>3,147,671</u>	<u>3,137,763</u>	<u>3,234,175</u>
<u>Mudharabah Fund</u>				
General investment deposits	-	598,529	-	598,529
	<u>3,065,225</u>	<u>3,746,200</u>	<u>3,137,763</u>	<u>3,832,704</u>
(ii) By type of customers				
Government and statutory bodies	615,106	1,154,474	615,106	1,154,474
Business enterprises	2,314,525	2,436,560	2,387,063	2,523,064
Individuals	134,431	146,949	134,431	146,949
Foreign customers	1,163	8,217	1,163	8,217
	<u>3,065,225</u>	<u>3,746,200</u>	<u>3,137,763</u>	<u>3,832,704</u>
(iii) By maturity structure of fixed/investment deposits and negotiable instruments of deposits				
Due within six months	2,740,706	3,431,462	2,813,244	3,517,966
Six months to one year	318,060	299,157	318,060	299,157
One year to three years	6,359	9,503	6,359	9,503
Three years to five years	100	6,078	100	6,078
	<u>3,065,225</u>	<u>3,746,200</u>	<u>3,137,763</u>	<u>3,832,704</u>

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15 Deposits and Placements of Banks and Other Financial Institutions

	Group and Bank	
	Unaudited	Restated
	As at 30.09.2013	As at 31.12.2012
	<u>RM'000</u>	<u>RM'000</u>
<u>Non-Mudharabah Fund</u>		
Licensed banks	894,514	379,895
Licensed investment banks	220,232	150,064
Bank Negara Malaysia	-	307,213
Other financial institutions	<u>2,897,181</u>	<u>4,250,322</u>
	<u>4,011,927</u>	<u>5,087,494</u>
<u>Mudharabah Fund</u>		
Licensed banks	-	64,856
Bank Negara Malaysia	-	58,001
Other financial institutions	-	<u>673,500</u>
	<u>4,011,927</u>	<u>5,883,851</u>

16 Other Liabilities

	Group		Bank	
	Unaudited	Restated	Unaudited	Restated
	As at 30.09.2013	As at 31.12.2012	As at 30.09.2013	As at 31.12.2012
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Other creditors and accruals	91,553	115,165	39,951	52,243
Short-term employee benefits	52,342	61,309	31,912	42,541
Remisiers' trust deposits	54,699	51,799	54,699	51,799
Amount payable for creation of units due to funds	33,882	48,053	-	-
Amount payable for redemption units	2,941	244	-	-
Amount due to immediate holding company	368	949	366	460
Amounts due to subsidiaries	-	-	5,573	3,364
Amounts due to related companies	12,313	9,395	11,285	7,390
Amount due to an associate	2,016	2,928	-	-
	<u>250,114</u>	<u>289,842</u>	<u>143,786</u>	<u>157,797</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013
(cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended 30.09.2013 RM'000	Preceding Corresponding Quarter Ended 30.09.2012 RM'000	Current Financial Nine Months Ended 30.09.2013 RM'000	Preceding Corresponding Nine Months Ended 30.09.2012 RM'000
17 Interest Income				
<u>Group</u>				
Loans, advances and financing	38,996	617	101,815	2,143
Money at call and deposit placements with banks and other financial institutions	11,021	11,534	58,226	27,752
Financial assets held-for-trading	4,843	4,659	24,216	9,327
Financial investments available-for-sale	40,297	9,378	108,854	45,098
Financial investments held-to-maturity	10,221	5,954	29,817	18,827
Others	4,808	642	15,715	1,658
	110,186	32,784	338,643	104,805
Of which:				
Interest income accrued on impaired loans, advances and financing	4,505	-	13,805	-
<u>Bank</u>				
Loans, advances and financing	31,474	617	82,111	2,143
Money at call and deposit placements with banks and other financial institutions	8,569	11,310	49,842	27,054
Financial assets held-for-trading	2,809	4,659	20,241	9,327
Financial investments available-for-sale	40,292	9,378	108,844	45,098
Financial investments held-to-maturity	10,221	5,954	29,817	18,827
Others	908	642	4,439	1,658
	94,273	32,560	295,294	104,107
Of which:				
Interest income accrued on impaired loans, advances and financing	4,505	-	13,805	-
18 Interest Expense				
<u>Group</u>				
Deposits and placements of banks and other financial institutions	2,613	10,079	20,832	40,699
Deposits from customers	56,022	14,314	176,049	39,797
Subordinated obligations	7,952	3,295	27,481	9,815
Borrowings	1,479	-	3,718	-
Others	353	-	1,211	-
	68,419	27,688	229,291	90,311
<u>Bank</u>				
Deposits and placements of banks and other financial institutions	2,613	10,079	20,832	40,699
Deposits from customers	56,654	14,314	177,921	39,797
Subordinated obligations	7,952	3,295	27,481	9,815
	67,219	27,688	226,234	90,311

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013
(cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended 30.09.2013 RM'000	Preceding Corresponding Quarter Ended 30.09.2012 RM'000	Current Financial Nine Months Ended 30.09.2013 RM'000	Preceding Corresponding Nine Months Ended 30.09.2012 RM'000
19 Other Operating Income				
<u>Group</u>				
a) Fee Income				
- Net brokerage	99,280	17,466	294,746	57,663
- Fund management fees	25,311	5,683	70,926	16,169
- Fee on loans, advances and financing	4,082	2,104	9,757	2,979
- Corporate advisory fees	13,787	4,225	32,813	9,860
- Arrangement fees	8,416	13,619	23,431	26,795
- Underwriting fees	8,490	5,001	13,893	5,679
- Unit trust fee income	13,473	3,002	67,622	4,804
- Other fee income	26,805	6,658	67,192	32,849
	<u>199,644</u>	<u>57,758</u>	<u>580,380</u>	<u>156,798</u>
b) Net (loss)/gain arising from financial assets held-for-trading				
- net loss on disposal	(12,597)	-	(8,280)	-
- net gain/(loss) on revaluation	6,815	938	(6,861)	1,611
- gross dividend income	659	-	1,465	-
	<u>(5,123)</u>	<u>938</u>	<u>(13,676)</u>	<u>1,611</u>
c) Net gain/(loss) arising from derivatives				
- net gain/(loss) on disposal	64	-	(26,283)	-
- net gain/(loss) on revaluation	2,658	(18)	16,341	(889)
- unexpired structure warrants	(1,859)	-	21,705	-
	<u>863</u>	<u>(18)</u>	<u>11,763</u>	<u>(889)</u>
d) Net gain arising from financial investments AFS				
- net gain on disposal	895	2,626	14,320	20,204
- gross dividend income	423	119	791	269
	<u>1,318</u>	<u>2,745</u>	<u>15,111</u>	<u>20,473</u>
e) Net gain arising from financial investments held-to-maturity				
- net gain on redemption	-	645	10	1,162
f) Other income				
- Net foreign exchange (loss)/gain				
- realised	(17,143)	262	3,868	750
- unrealised	24,625	195	26,058	291
- Gain on disposal of property, plant and equipment	2	6	198	135
- Other non-operating income	1,167	175	6,705	314
	<u>8,651</u>	<u>638</u>	<u>36,829</u>	<u>1,490</u>
	<u>205,353</u>	<u>62,706</u>	<u>630,417</u>	<u>180,645</u>

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(cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended 30.09.2013 RM'000	Preceding Corresponding Quarter Ended 30.09.2012 RM'000	Current Financial Nine Months Ended 30.09.2013 RM'000	Preceding Corresponding Nine Months Ended 30.09.2012 RM'000
19 Other Operating Income (cont'd)				
<u>Bank</u>				
a) Fee Income				
- Net brokerage	59,140	17,466	159,538	57,663
- Fee on loans, advances and financing	1,899	2,104	6,806	2,979
- Corporate advisory fees	11,646	4,225	28,368	9,860
- Arrangement fees	5,860	13,619	15,295	26,795
- Underwriting fees	1,161	5,001	2,321	5,679
- Other fee income	15,507	6,718	35,235	32,831
	<u>95,213</u>	<u>49,133</u>	<u>247,563</u>	<u>135,807</u>
b) Net (loss)/gain arising from financial assets held-for-trading				
- net loss on disposal	(13,837)	-	(10,596)	-
- net gain/(loss) on revaluation	10,235	938	(7,295)	1,611
- gross dividend income	183	-	812	-
	<u>(3,419)</u>	<u>938</u>	<u>(17,079)</u>	<u>1,611</u>
c) Net gain/(loss) arising from derivatives				
- net gain/(loss) on disposal	64	-	(26,283)	-
- net gain/(loss) on revaluation	2,658	(18)	16,341	(889)
- unexpired structure warrants	(1,859)	-	21,705	-
	<u>863</u>	<u>(18)</u>	<u>11,763</u>	<u>(889)</u>
d) Net gain arising from financial investments AFS				
- net gain on disposal	895	2,626	14,320	20,204
- gross dividend income	20	-	342	135
	<u>915</u>	<u>2,626</u>	<u>14,662</u>	<u>20,339</u>
e) Net gain arising from financial investments held-to-maturity				
- net gain on redemption	-	645	10	1,162
f) Other income				
- Foreign exchange (loss)/gain				
- realised	(18,104)	262	(7)	750
- unrealised	24,684	-	26,798	-
- Gain/(loss) on disposal of property, plant and equipment	-	6	(1)	135
- Gross dividend income from subsidiary outside Malaysia	-	-	9,570	-
- Other non-operating income	1,190	174	4,428	305
	<u>7,770</u>	<u>442</u>	<u>40,788</u>	<u>1,190</u>
	<u>101,342</u>	<u>53,766</u>	<u>297,707</u>	<u>159,220</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013
(cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended 30.09.2013 RM'000	Preceding Corresponding Quarter Ended 30.09.2012 RM'000	Current Financial Nine Months Ended 30.09.2013 RM'000	Preceding Corresponding Nine Months Ended 30.09.2012 RM'000
20 Other Operating Expenses				
<u>Group</u>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	90,248	20,097	259,159	61,123
- Defined contribution plan	8,833	3,081	24,738	9,547
- Other staff related costs	12,043	2,353	32,647	6,411
	<u>111,124</u>	<u>25,531</u>	<u>316,544</u>	<u>77,081</u>
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	5,444	1,169	17,763	3,167
- written off	-	-	446	4
- Amortisation of intangible assets	2,492	-	7,787	-
- Information technology expenses	3,912	2,372	9,534	4,089
- Repair and maintenance	2,675	504	10,447	1,648
- Security and escorting charges	515	45	514	129
- Rental of premises	10,910	1,867	31,259	5,605
- Water and electricity	1,932	391	4,938	1,067
- Rental of equipment	3,838	56	3,838	161
- Insurance	1,160	423	2,802	1,425
- Others	502	575	9,932	2,172
	<u>33,380</u>	<u>7,402</u>	<u>99,260</u>	<u>19,467</u>
<u>Marketing expenses</u>				
- Sales commission	19,449	2,157	78,191	3,905
- Advertisements and publicity	1,874	1,232	6,738	5,328
- Others	14,038	1,487	33,351	4,518
	<u>35,361</u>	<u>4,876</u>	<u>118,280</u>	<u>13,751</u>
<u>Administration and general expenses</u>				
- Communication expenses	14,609	1,592	41,344	4,816
- Legal and professional fees	1,071	552	5,543	1,387
- Others	13,737	1,254	42,257	4,282
	<u>29,417</u>	<u>3,398</u>	<u>89,144</u>	<u>10,485</u>
	<u>209,282</u>	<u>41,207</u>	<u>623,228</u>	<u>120,784</u>

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(cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended <u>30.09.2013</u> RM'000	Preceding Corresponding Quarter Ended <u>30.09.2012</u> RM'000	Current Financial Nine Months Ended <u>30.09.2013</u> RM'000	Preceding Corresponding Nine Months Ended <u>30.09.2012</u> RM'000
20 Other Operating Expenses (cont'd)				
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	49,551	15,765	140,724	46,745
- Defined contribution plan	6,118	2,405	17,278	7,307
- Other staff related costs	7,296	2,067	18,618	5,720
	<u>62,965</u>	<u>20,237</u>	<u>176,620</u>	<u>59,772</u>
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	2,670	1,007	9,869	2,761
- written off	-	-	2	4
- Amortisation of intangible assets	2,353	-	7,167	-
- Information technology expenses	2,214	2,083	5,107	3,544
- Repair and maintenance	1,887	474	7,985	1,554
- Security and escorting charges	350	42	350	122
- Rental of premises	5,214	1,585	15,291	4,744
- Water and electricity	1,332	365	3,611	995
- Rental of equipment	1,874	55	1,874	157
- Insurance	804	321	1,737	1,162
- Others	1,040	585	5,829	2,186
	<u>19,738</u>	<u>6,517</u>	<u>58,822</u>	<u>17,229</u>
<u>Marketing expenses</u>				
- Advertisements and publicity	1,078	1,197	4,836	5,218
- Others	2,609	1,267	7,939	3,936
	<u>3,687</u>	<u>2,464</u>	<u>12,775</u>	<u>9,154</u>
<u>Administration and general expenses</u>				
- Communication expenses	8,710	1,459	25,226	4,305
- Legal and professional fees	(342)	97	1,815	155
- Others	8,566	2,550	26,258	10,229
	<u>16,934</u>	<u>4,106</u>	<u>53,299</u>	<u>14,689</u>
	<u>103,324</u>	<u>33,324</u>	<u>301,516</u>	<u>100,844</u>

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(cont'd)

<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
Current Financial Quarter Ended 30.09.2013 RM'000	Preceding Corresponding Quarter Ended 30.09.2012 RM'000	Current Financial Nine Months Ended 30.09.2013 RM'000	Preceding Corresponding Nine Months Ended 30.09.2012 RM'000

**21 Change in Allowance for Impairment
on Loans, Financing and Other Losses**

Group

Allowance for impaired
loans and financing:

Individual impairment allowance

- made	(1,366)	-	(1,957)	-
- written back	1,683	21	8,805	66
Collective impairment allowance made	(476)	-	(2,555)	-
Bad debts recovered	9	-	9	-
Allowance written back for impairment on other debtors	50	1	2,020	367
	<u>(100)</u>	<u>22</u>	<u>6,322</u>	<u>433</u>

Bank

Allowance for impaired
loans and financing:

Individual impairment allowance

- made	(1,366)	-	(1,794)	-
- written back	1,683	21	8,805	66
Collective impairment allowance made	(476)	-	(2,555)	-
Bad debts recovered	9	-	9	-
Allowance written back for impairment on other debtors	111	1	2,330	367
	<u>(39)</u>	<u>22</u>	<u>6,795</u>	<u>433</u>

22 Earnings per share

The basic earnings per share ('EPS') of the Group is calculated by dividing the net profit attributable to owner of the Bank for the nine months ended 30 September 2013 by the weighted average number of ordinary shares in issue during the period.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013
(cont'd)

23 Capital Adequacy Ratio

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

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

The capital adequacy ratios of the Group and the Bank are as follows:

	Group		Bank	
	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000
Tier I Capital				
Paid-up ordinary share capital	818,646	263,646	818,646	263,646
Share premium	1,515,150	-	1,515,150	-
Retained profits	148,061	110,342	91,641	71,502
Other reserves	272,270	2,075,353	278,549	2,081,357
AFS reserves	(9,787)	12,926	(11,569)	10,997
	<u>2,744,340</u>	<u>2,462,267</u>	<u>2,692,417</u>	<u>2,427,502</u>
Less: Goodwill	(1,287,742)	(1,287,742)	(1,274,178)	(1,274,178)
Other intangible assets	(32,941)	(37,803)	(27,011)	(32,396)
Securitisation exposure subject to deductions	(2,471)	(4,879)	(2,471)	(4,879)
55% of cumulative gains of AFS securities	-	(7,109)	-	(6,048)
Other deductions	(5,940)	(782)	(4,995)	(782)
Reductions in excess of Tier II Capital due to insufficient Tier II Capital #	-	-	(367,471)	(113,953)
Common Equity Tier I Capital ('CET I Capital')	<u>1,415,246</u>	<u>1,123,952</u>	<u>1,016,291</u>	<u>995,266</u>
Qualifying non-controlling interests recognised as Tier I Capital	<u>45,256</u>	<u>14,139</u>	<u>-</u>	<u>-</u>
Total Tier I Capital	<u>1,460,502</u>	<u>1,138,091</u>	<u>1,016,291</u>	<u>995,266</u>
Tier II Capital				
Subordinated obligations*	545,000	674,706	545,000	674,706
Qualifying non-controlling interests recognised as Tier II Capital	9,461	2,099	-	-
Collective impairment allowance^	7,611	7,932	7,611	5,188
Total Tier II Capital	<u>562,072</u>	<u>684,737</u>	<u>552,611</u>	<u>679,894</u>
Less: Investments in subsidiaries and associates	(46,336)	(44,742)	(552,611)	(679,894)
Total Tier II Capital	<u>515,736</u>	<u>639,995</u>	<u>-</u>	<u>-</u>
Total Capital	<u>1,976,238</u>	<u>1,778,086</u>	<u>1,016,291</u>	<u>995,266</u>
Capital ratios				
Before proposed dividends:				
CET I Capital Ratio	23.070%	20.652%	22.398%	23.124%
Tier I Capital Ratio	23.808%	20.912%	22.398%	23.124%
Total Capital Ratio	<u>32.215%</u>	<u>32.672%</u>	<u>22.398%</u>	<u>23.124%</u>
After proposed dividends:				
CET I Capital Ratio	23.070%	20.340%	22.398%	22.729%
Tier I Capital Ratio	23.808%	20.600%	22.398%	22.729%
Total Capital Ratio	<u>32.215%</u>	<u>32.360%</u>	<u>22.398%</u>	<u>22.729%</u>

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23 Capital Adequacy Ratio (cont'd)

The remaining portion of regulatory adjustments not deducted in calculation of Tier II Capital shall be deducted in the next higher tier of capital as prescribed under paragraph 31.1 of the BNM Guidelines Capital Adequacy Framework (Capital Components).

* Subordinated obligations that are recognised as Tier II Capital instruments are subject to the gradual phase-out treatment effective from 1 January 2013 as prescribed under paragraph 36.10 of the BNM Guidelines Capital Adequacy Framework (Capital Components).

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

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

	Group		Bank	
	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000
Credit risk	4,239,154	3,462,844	2,949,823	3,197,581
Market risk	1,157,612	1,540,346	1,081,720	720,014
Operational risk	737,682	438,993	505,780	386,394
Total risk-weighted assets	<u>6,134,448</u>	<u>5,442,183</u>	<u>4,537,323</u>	<u>4,303,989</u>

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

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24 Commitments And Contingencies

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

The commitments and contingencies comprise the following:

	← Unaudited 30.09.2013 →			← Restated 31.12.2012 →		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000
Group						
Direct credit substitutes #	-	-	-	1,000	1,000	1,000
Transaction-related contingent items #	-	-	-	1,053	527	159
Obligations under underwriting agreements	164,888	82,444	82,444	61,971	30,986	20,986
Over-the-counter ('OTC') derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-	38,719	2,305	538
Irrevocable commitments to extend credit						
- maturity not exceeding one year	1,613,121	322,624	322,624	1,438,022	28,950	27,648
- maturity exceeding one year	28,015	14,008	14,008	73,074	36,537	36,542
Foreign exchange related contracts ^						
- less than one year	524,571	8,784	5,182	1,190,247	19,347	4,205
- one year to less than five years	1,495,711	192,908	48,948	-	-	-
Equity rate related contracts ^						
- less than one year	1,531	115	57	4,423	4,423	4,423
Interest rate related contracts ^						
- less than one year	1,388,248	3,041	608	1,515,000	6,637	1,327
- one year to less than five years	2,295,000	40,251	9,059	1,685,000	34,814	6,963
- five years and above	-	-	-	15,000	2,290	458
Total	7,511,085	664,175	482,930	6,023,509	167,816	104,249

Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of RMNil (31.12.2012 : RM2,053,000) of which fair value at the time of issuance is zero.

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

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

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24 Commitments And Contingencies (cont'd)

	← Unaudited 30.09.2013 →			← Restated 31.12.2012 →		
	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000	Principal amount RM'000	Credit equivalent amount * RM'000	Risk weighted amount RM'000
Bank						
Direct credit substitutes #	-	-	-	1,000	1,000	1,000
Transaction-related contingent items #	-	-	-	1,053	527	159
Obligations under underwriting agreements	164,888	82,444	82,444	61,971	30,986	20,986
Over-the-counter ('OTC') derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	-	-	-	38,719	2,305	538
Irrevocable commitments to extend credit						
- maturity not exceeding one year	695,970	139,194	139,194	661,621	33,620	32,317
- maturity exceeding one year	28,015	14,008	14,008	73,074	36,537	36,542
Foreign exchange related contracts ^						
- less than one year	524,571	8,784	5,182	1,190,247	19,347	4,205
- one year to less than five years	1,495,711	192,908	48,948	-	-	-
Equity rate related contracts ^						
- less than one year	1,531	115	57	4,423	4,423	4,423
Interest rate related contracts ^						
- less than one year	1,388,248	3,041	608	1,515,000	6,637	1,327
- one year to less than five years	2,295,000	40,251	9,059	1,685,000	34,814	6,963
- five years and above	-	-	-	15,000	2,290	458
Total	6,593,934	480,745	299,500	5,247,108	172,486	108,918

Included in direct credit substitutes and transaction-related contingent items are financial guarantee contract of RMNil (31.12.2012 : RM2,053,000) of which fair value at the time of issuance is zero.

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

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

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25 Valuation of Property, Plant and Equipment

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

26 Events Subsequent to the Date of Statements of Financial Position

Other than as mentioned in Note 30 (b), there were no material events subsequent to the end of the reporting date.

27 Changes in the Composition of the Group

Following the vesting of the entire business of OSKIB to the Bank on 13 April 2013, all of the subsidiaries of OSKIB except RHB Indochina Bank Limited ("RHBIBL") (formerly known as OSK Indochina Bank Limited) had, on the event date, become subsidiaries of the Bank. RHBIBL was disposed by OSKIB to RHB Bank Berhad on 9 April 2013.

28 Changes in Profit for the Quarter

For the current financial quarter ended 30 Sept 2013, the Group recorded a pre-tax profit of RM33.3 million, a decrease of 28% as compared to the profit of RM46.3 million for the preceding quarter ended 30 June 2013. The lower profit was mainly due to higher impairment on financial investments by RM17.3 million and higher impairment on loans, financing and other losses by RM9.4 million and offset by higher net interest income by RM7.6 million, lower other operating expenses by RM5.8 million and higher other operating income by RM0.8 million.

29 Performance Review

For the nine months ended 30 September 2013, the Group recorded a pre-tax profit of RM132.3 million, 100% higher as compared to the previous corresponding nine months ended 30 September 2012 of RM66.3 million. The increase in profit of RM66.0 million was primarily attributable to higher revenue arising from the vesting of the entire business including all assets and liabilities of OSKIB.

30 Significant Event During the Financial Year

- (a) The acquisition of OSKIB by RHB Capital Berhad, the holding company of the Bank, was completed on 9 November 2012.

On 27 February 2013, the High Court of Malaya at Kuala Lumpur had granted an order pursuant to Section 50 of the Banking and Financial Institutions Act, 1989 and Section 139 of the Capital Market and Services Act, 2007 for the transfer of the entire business including all assets and liabilities of OSKIB to the Bank, both wholly-owned subsidiaries of RHB Capital Berhad.

On 5 April 2013, the High Court of Malaya at Kuala Lumpur had granted an order for the transfer of the the entire businesses, including assets and liabilities for the following entities ("Vesting Order"):

- (i) OSK Nominees (Tempatan) Sdn Bhd ('OSKNT') to RHB Nominees (Tempatan) Sdn Bhd ('RHBNT') [Vesting Order pursuant to sections 176 & 178 of the Companies Act, 1965 ('CA 1965')];
- (ii) OSK Nominees (Asing) Sdn Bhd ('OSKNA') to RHB Nominees (Asing) Sdn Bhd ('RHBNA') (Vesting Order pursuant to sections 176 & 178 of the CA 1965); and
- (iii) OSK Research Sdn Bhd ('OSKR') to RHB Research Institute Sdn Bhd ('RHBRI') (Vesting Order pursuant to section 139 of the Capital Market and Services Act 2007).

The transfer of the entire business, including all assets and liabilities of OSKIB to the Bank, OSKNT to RHBNT, OSKNA to RHBNA and OSKR to RHBRI have been completed on 13 April 2013.

The purchase consideration of RM2,070.15 million for the acquisition of OSKIB was settled by way of issuance of 555 million new ordinary shares of RM 1 each at fair value of RM3.73 each.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013 (cont'd)

30 Significant Event During the Financial Year (cont'd)

- (a) The acquisition of OSKIB by RHB Capital Berhad, the holding company of the Bank, was completed on 9 November 2012. (cont'd)

	At date of acquisition RM'000
Assets	
Cash and short-term funds	1,422,792
Deposits and placements with banks and other financial institutions	15,364
Financial assets held-for-trading	404,263
Financial investments available-for-sale	2,591,089
Financial investments held-to-maturity	423,994
Loans, advances and financing	1,879,710
Clients' and brokers' balances	2,499,044
Other assets	541,607
Derivative assets	24,804
Statutory deposits with Bank Negara Malaysia	157,892
Tax recoverable	29,165
Deferred tax assets	3,993
Investments in associates and a joint venture	25,429
Property, plant and equipment	50,445
Other intangible assets	30,882
	10,100,473
Liabilities	
Deposits from customers	1,585,845
Deposits and placements of banks and other financial institutions	3,908,340
Obligation on securities sold under repurchase agreements	238,456
Obligation on securities borrowed	115,718
Clients' and brokers' balances	2,192,252
Other liabilities	172,510
Derivative liabilities	11,154
Taxation liabilities	13,124
Deferred tax liabilities	13,549
Borrowings	218,628
Subordinated obligations	405,632
	8,875,208
Total Liabilities	8,875,208
Net Assets	1,225,265

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30 Significant Event During the Financial Year (cont'd)

- (b) On 3 July 2013, the following sale and purchase agreements ("SPA") have been entered into between :
- (i) RHB Investment Bank Berhad ("RHBIB") and United Overseas Bank (Malaysia) Bhd ("UOBM") for the sale of all the shares owned by UOBM in OSK-UOB Investment Management Berhad ("OUIM"), a subsidiary of RHBIB, comprising 3 million ordinary shares, representing 30% of the issued capital of OUIM, to RHBIB at the consideration of RM43.12 million;
 - (ii) OUIM and UOB Asset Management Limited ("UOBAM") for the sale of all the shares owned by UOBAM in OSK-UOB Islamic Fund Management Berhad ("OUIFM"), a subsidiary of OUIM, comprising 3.90 million ordinary shares, representing 30% of the issued share capital of OUIFM, to OUIM at the consideration of RM3.04 million; and
 - (iii) RHBIB and UOBAM for the acquisition by UOBAM of all the shares owned by RHBIB in UOB-OSK Asset Management Sdn Bhd ("UOAM"), comprising 1.2 million ordinary shares, representing 30% of the issued share capital of UOAM, at the consideration of RM26.20 million.

The consideration for all the above transactions ("Proposed Transactions") will be settled in cash, and was arrived at on a willing-buyer-willing-seller basis.

On 22 October 2013, the Proposed Transactions was completed pursuant to settlement of cash consideration to UOBM, UOBAM and RHBIB amounting to RM43.12 million, RM3.04 million and RM26.20 million respectively.

- (c) During the quarter, the Bank had undertaken a voluntary tender offer to acquire all the remaining shares of RHB OSK Securities (Thailand) Public Company Limited ("RHBST") not already held by the Bank for the purpose of delisting RHBST from the Stock Exchange of Thailand. The tender offer was for a period of 45 business days from 23 July 2013 to 24 September 2013 at an offer price of THB4.58 per RHBST's share. Upon the completion of the tender offer, the Bank acquired 4.24 million RHBST's share for a total consideration of THB19.43 million (approximately RM2.00 million), thereby increasing the Bank's equity interest in RHBST from 99.43% to 99.95% as of 30 September 2013.

31 Prospects for 2013

The global backdrop is turning more positive, with the US and Japan on a recovery path while Europe is stabilising, and China's slowdown is bottoming out. This will likely improve the country's exports for the rest of the year 2013.

The Malaysian Banking sector outlook is expected to continue its moderate growth in line with a stable domestic operating environment, with system wide sound asset quality, strong capitalisation and funding profiles.

Following the above, the Group's business performance is expected to improve further given our enhanced geographical footprint. Our continued effort in strengthening our human capital bench strength has begun to yield good results.

We are determined to build on this momentum and barring unforeseen circumstances, the Group expects performance for the remainder of the financial year to be satisfactory.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013 (cont'd)

32 Fair Value of Financial Instruments

Determination of fair value and fair value hierarchy

The Group and the Bank analyse their financial instruments measured at fair value into three categories as described below:

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

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

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

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

<u>30.09.2013</u>	<u>Level 1</u> <u>RM'000</u>	<u>Level 2</u> <u>RM'000</u>	<u>Level 3</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
Recurring fair value measurements				
<u>Group</u>				
<u>Financial assets</u>				
Financial investments held-for-trading:	133,635	717,245	33,295	884,175
- money market instrument	-	189,314	-	189,314
- quoted securities	133,635	-	-	133,635
- unquoted securities	-	527,931	33,295	561,226
Financial investments available-for-sale:	25,034	3,855,395	115,234	3,995,663
- money market instrument	-	2,024,521	-	2,024,521
- quoted securities	25,034	-	-	25,034
- unquoted securities	-	1,830,874	115,234	1,946,108
Derivative assets	-	39,797	-	39,797
	<u>158,669</u>	<u>4,612,437</u>	<u>148,529</u>	<u>4,919,635</u>
<u>Financial liabilities</u>				
Derivative liabilities	<u>14,812</u>	<u>49,142</u>	<u>-</u>	<u>63,954</u>
<u>31.12.2012</u>	<u>Level 1</u> <u>RM'000</u>	<u>Level 2</u> <u>RM'000</u>	<u>Level 3</u> <u>RM'000</u>	<u>Total</u> <u>RM'000</u>
Recurring fair value measurements				
<u>Group</u>				
<u>Financial assets</u>				
Financial investments held-for-trading:	138,077	996,302	1,845	1,136,224
- money market instrument	-	157,741	-	157,741
- quoted securities	138,077	-	-	138,077
- unquoted securities	-	838,561	1,845	840,406
Financial investments available-for-sale:	27,778	4,822,495	81,413	4,931,686
- money market instrument	-	2,498,410	-	2,498,410
- quoted securities	27,778	-	-	27,778
- unquoted securities	-	2,324,085	81,413	2,405,498
Derivative assets	-	15,093	-	15,093
	<u>165,855</u>	<u>5,833,890</u>	<u>83,258</u>	<u>6,083,003</u>
<u>Financial liabilities</u>				
Derivative liabilities	<u>14,352</u>	<u>23,340</u>	<u>-</u>	<u>37,692</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013 (cont'd)

32 Fair Value of Financial Instruments (cont'd)

Determination of fair value and fair value hierarchy (cont'd)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy : (cont'd)

<u>30.09.2013</u>	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Recurring fair value measurements				
<u>Bank</u>				
<u>Financial assets</u>				
Financial investments held-for-trading:	82,560	561,481	33,295	677,336
- money market instrument	-	189,314	-	189,314
- quoted securities	82,560	-	-	82,560
- unquoted securities	-	372,167	33,295	405,462
Financial investments available-for-sale:	551	3,855,248	43,259	3,899,058
- money market instrument	-	2,024,521	-	2,024,521
- quoted securities	551	-	-	551
- unquoted securities	-	1,830,727	43,259	1,873,986
Derivative assets	-	39,797	-	39,797
	83,111	4,456,526	76,554	4,616,191
<u>Financial liabilities</u>				
Derivative liabilities	14,812	49,142	-	63,954
<u>31.12.2012</u>	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Recurring fair value measurements				
<u>Bank</u>				
<u>Financial assets</u>				
Financial investments held-for-trading:	79,174	963,667	1,845	1,044,686
- money market instrument	-	157,741	-	157,741
- quoted securities	79,174	-	-	79,174
- unquoted securities	-	805,926	1,845	807,771
Financial investments available-for-sale:	16,393	4,822,328	58,033	4,896,754
- money market instrument	-	2,498,410	-	2,498,410
- quoted securities	16,393	-	-	16,393
- unquoted securities	-	2,323,918	58,033	2,381,951
Derivative assets	-	15,093	-	15,093
	95,567	5,801,088	59,878	5,956,533
<u>Financial liabilities</u>				
Derivative liabilities	14,352	23,340	-	37,692

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32 Fair Value of Financial Instruments (cont'd)

Valuation techniques and sensitivity analysis

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

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group then determines fair value based upon valuation techniques that market parameters including but not limited to yield curves, volatilities and foreign exchange rates as inputs. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio economic reasons and unquoted corporate loan stocks. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. For unquoted corporate loan stocks, discounted cash flow analysis have been performed to determine the recoverability of the instruments, in accordance with the Group's impairment losses policy.

Sensitivity analysis is not performed on these level 3 instruments and fair values of such instruments are obtained from the techniques mentioned above.

Current year valuation methodologies were consistent with those disclosed in the audited financial statements for the financial year ended 31 December 2012.

Non-recurring fair value changes

Certain assets and liabilities are measured at fair value on a non-recurring basis; that is, they are not measured at fair value on an ongoing basis but are subject to fair value adjustments in certain circumstances. There were no non-recurring fair value changes for the financial period/year ended 30 September 2013 and 31 December 2012.

Reconciliation of movements in Level 3 financial instruments

The following represents the changes in Level 3 instruments for the financial period/year ended 30 September 2013 and 31 December 2012 for the Group and the Bank:

	Financial investments HFT		Financial investments AFS	
	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000
<u>Group</u>				
Balance as at beginning of the financial period/year				
- As previously reported	1,845	1,845	81,413	56,321
Acquisition of subsidiaries / assets and liabilities				
- Effect of predecessor accounting	-	-	-	36,717
As restated	1,845	1,845	81,413	93,038
Total (losses) or gains recognised in other comprehensive income	(8,550)	-	3,182	(2,526)
Purchase	-	-	45,000	-
Settlements	-	-	(11,694)	-
Sales	-	-	-	(30,141)
Impairment losses	-	-	(7,721)	-
Transferred from Level 2	40,000	-	5,030	21,088
Exchange differences	-	-	24	(46)
Balance as at the end of the financial period/year	33,295	1,845	115,234	81,413

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32 Fair Value of Financial Instruments (cont'd)

Reconciliation of movements in Level 3 financial instruments (cont'd)

The following represents the changes in Level 3 instruments for the financial period/year ended 30 September 2013 and 31 December 2012 for the Group and the Bank: (cont'd)

	Financial investments HFT		Financial investments AFS	
	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000	Unaudited As at 30.09.2013 RM'000	Restated As at 31.12.2012 RM'000
<u>Bank</u>				
Balance as at beginning of the financial period/year				
- As previously reported	1,845	1,845	58,033	40,618
Acquisition of subsidiaries / assets and liabilities				
- Effect of predecessor accounting	-	-	-	13,710
As restated	1,845	1,845	58,033	54,328
Total losses recognised in other comprehensive income	(8,550)	-	(388)	(4,223)
Settlements	-	-	(11,695)	-
Sales	-	-	-	(13,160)
Impairment losses	-	-	(7,721)	-
Transferred from Level 2	40,000	-	5,030	21,088
Balance as at the end of the financial period/year	33,295	1,845	43,259	58,033

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2013 (cont'd)

33 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 period, 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, 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 and investment cash management.

(b) 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.

(c) Assets Management

Asset Management business focuses on providing investment management services, unit trust fund management services, Islamic funds management services, wills and trustees services.

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33 Segment Reporting (cont'd)

Segment Profit and Loss for the Nine Months Ended 30 September 2013

	Investment Banking	Treasury	Assets Management	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	554,771	62,091	154,106	-	770,968
Inter-segment revenue	1,877		-	(1,877)	-
Segment revenue	556,648	62,091	154,106	(1,877)	770,968
Overhead expenses	(465,043)	(25,347)	(134,715)	1,877	(623,228)
Including:					
Depreciation of property, plant and equipment	(16,412)	(317)	(1,034)	-	(17,763)
Amortisation of intangible assets	(6,384)	(1,331)	(72)	-	(7,787)
Change in allowance for impairment on loans, financing and other losses	6,585	-	(263)	-	6,322
Impairment losses write back on other assets	359	7,224	-	-	7,583
Profit before unallocated expenses	98,549	43,968	19,128	-	161,645
Interest expense on borrowings					(3,718)
Interest expense on subordinated obligations					(27,481)
Profit after allocated expenses					130,446
Share of results of associates					1,463
Share of results of joint ventures					413
Profit before taxation					132,322
Taxation					(35,068)
Net profit for the financial period					97,254

Segment Assets and Liabilities As At 30 September 2013

	Investment Banking	Treasury	Assets Management	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	6,382,092	7,819,558	211,386	(1,958,532)	12,454,504
Investments in associates and joint ventures					46,336
Tax recoverable					36,312
Deferred tax assets					8,589
Unallocated assets					1,321,434
Total assets					13,867,175
Segment liabilities	3,108,573	7,601,898	67,221	(906,787)	9,870,905
Taxation liabilities					16,144
Deferred tax liabilities					4,914
Borrowings					430,873
Subordinated obligations					556,960
Total liabilities					10,879,796

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33 Segment Reporting (cont'd)

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

	Investment Banking	Treasury	Assets Management	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	128,495	54,917	21,542	-	204,954
Inter-segment revenue	-	-	-	-	-
Segment revenue	128,495	54,917	21,542	-	204,954
Overhead expenses	(92,912)	(7,904)	(19,968)	-	(120,784)
Including:					
Depreciation of property, plant and equipment	(2,443)	(495)	(229)	-	(3,167)
Change in allowance for impairment on loans, financing and other losses	433	-	-	-	433
Impairment losses made on other assets	(9,067)	-	-	-	(9,067)
Profit before unallocated expenses	26,949	47,013	1,574	-	75,536
Interest expense on subordinated obligations					(9,815)
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					48,951

Segment Assets and Liabilities As At 31 December 2012

	Investment Banking	Treasury	Assets Management	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	5,340,647	9,976,152	214,544	(874,266)	14,657,077
Investments in associates and joint ventures					44,742
Tax recoverable					36,576
Deferred tax assets					5,064
Unallocated assets					1,325,545
Total assets					16,069,004
Segment liabilities	3,961,070	8,988,019	81,100	(471,696)	12,558,493
Taxation liabilities					15,018
Deferred tax liabilities					5,963
Borrowings					112,385
Subordinated obligations					698,302
Total liabilities					13,390,161

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34 Restatement of comparatives

During the financial period, the Group and the Bank have restated certain comparatives to reflect the effect of acquisition of assets and liabilities of OSK Investment Bank Berhad by applying predecessor accounting. Arising from this, certain comparatives for previous financial year and the previous quarters of this financial year have been restated.

Summary of the restatement of comparatives of the Group and the Bank are as follows:

	Group			Bank		
	As previously reported	Effect of predecessor accounting and merger adjustments	Restated As at	As previously reported	Effect of predecessor accounting and merger adjustments	Restated As at
	As at 31.12.2012	As at 31.12.2012	As at 31.12.2012	As at 31.12.2012	As at 31.12.2012	As at 31.12.2012
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
ASSETS						
Cash and short-term funds	1,238,662	673,153	1,911,815	1,151,456	358,316	1,509,772
Deposits and placements with banks and other financial institutions	650,074	55,624	705,698	650,074	55,624	705,698
Financial assets held-for-trading	324,889	811,335	1,136,224	324,889	719,797	1,044,686
Financial investments available-for-sale	1,028,550	3,903,136	4,931,686	1,028,089	3,868,665	4,896,754
Financial investments held-to-maturity	671,892	461,509	1,133,401	671,892	461,509	1,133,401
Loans, advances and financing	39,639	1,687,963	1,727,602	39,639	1,377,775	1,417,414
Clients' and brokers' balances	300,193	2,200,572	2,500,765	300,193	374,348	674,541
Other assets	56,456	227,484	283,940	36,527	170,884	207,411
Derivative assets	9,380	5,713	15,093	9,380	5,713	15,093
Statutory deposits with Bank Negara Malaysia	49,600	196,640	246,240	49,600	196,640	246,240
Tax recoverable	4,042	32,534	36,576	2,536	30,822	33,358
Deferred tax assets	1,663	3,401	5,064	-	-	-
Investments in subsidiaries	-	-	-	84,970	671,636	756,606
Investments in associates and joint ventures	18,967	25,775	44,742	15,363	21,878	37,241
Property, plant and equipment	10,864	53,749	64,613	9,833	25,434	35,267
Goodwill and other intangible assets	177,959	1,147,586	1,325,545	163,502	1,143,072	1,306,574
TOTAL ASSETS	4,582,830	11,486,174	16,069,004	4,537,943	9,482,113	14,020,056
LIABILITIES AND EQUITY						
Deposits from customers	1,668,104	2,078,096	3,746,200	1,668,104	2,164,600	3,832,704
Deposits and placements of banks and other financial institutions	1,586,201	4,297,650	5,883,851	1,586,201	4,297,650	5,883,851
Obligation on securities sold under repurchase agreements	-	240,010	240,010	-	240,010	240,010
Obligation on securities borrowed	-	119,905	119,905	-	119,905	119,905
Clients' and brokers' balances	286,676	1,954,317	2,240,993	286,676	333,939	620,615
Other liabilities	86,311	203,531	289,842	52,979	104,818	157,797
Derivative liabilities	10,244	27,448	37,692	10,244	27,448	37,692
Taxation liabilities	1,883	13,135	15,018	-	-	-
Deferred tax liabilities	581	5,382	5,963	581	1,097	1,678
Borrowings	-	112,385	112,385	-	-	-
Subordinated obligations	291,131	407,171	698,302	291,131	407,171	698,302
TOTAL LIABILITIES	3,931,131	9,459,030	13,390,161	3,895,916	7,696,638	11,592,554
Share capital	263,646	-	263,646	263,646	-	263,646
Reserves	388,053	1,810,568	2,198,621	378,381	1,785,475	2,163,856
	651,699	1,810,568	2,462,267	642,027	1,785,475	2,427,502
Non-controlling interests	-	216,576	216,576	-	-	-
TOTAL EQUITY	651,699	2,027,144	2,678,843	642,027	1,785,475	2,427,502
TOTAL LIABILITIES AND EQUITY	4,582,830	11,486,174	16,069,004	4,537,943	9,482,113	14,020,056
COMMITMENTS AND CONTINGENCIES	1,991,961	4,031,548	6,023,509	1,991,961	3,255,147	5,247,108