

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Note	Group		Bank	
		As at	As at	As at	As at
		30 June 2015	31 December 2014	30 June 2015	31 December 2014
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short term funds		845,214	1,496,220	501,670	1,235,690
Financial assets at fair value through profit or loss ('FVTPL')	8	313,402	311,196	81,580	91,869
Financial investments available-for-sale ('AFS')	9	4,585,040	3,817,807	4,431,188	3,636,679
Financial investments held-to-maturity ('HTM')	10	689,278	761,347	689,278	761,347
Loans and advances	11	2,091,432	2,285,890	1,337,878	1,762,286
Clients' and brokers' balances	12	2,117,372	1,525,147	710,059	616,847
Other assets	13	294,630	479,579	179,328	341,410
Derivative assets		48,132	31,468	48,132	26,554
Statutory deposits		186,582	219,837	186,582	219,837
Tax recoverable		17,246	8,100	16,236	-
Deferred tax assets		19,905	30,276	11,681	23,891
Investments in subsidiaries		-	-	1,403,537	1,395,418
Investments in associates and joint ventures		26,676	30,028	20,391	20,391
Property, plant and equipment		65,076	67,899	32,290	33,684
Goodwill and intangible assets		1,325,612	1,323,947	1,149,692	1,148,137
TOTAL ASSETS		12,625,597	12,388,741	10,799,522	11,314,040
LIABILITIES AND EQUITY					
Deposits from customers	14	1,642,403	2,678,520	1,656,104	2,692,879
Deposits and placements of banks and other financial institutions	15	4,553,664	3,967,796	4,611,760	4,027,322
Obligations on securities sold under repurchase agreements		-	18,910	-	-
Obligations on securities borrowed		44,183	113,781	44,183	113,781
Bills and acceptances payable		116,791	137,709	-	-
Clients' and brokers' balances		1,828,131	1,210,841	664,687	583,785
Other liabilities	16	310,643	416,231	156,374	249,448
Derivative liabilities		58,573	61,568	58,247	60,280
Tax liabilities		9,134	31,105	-	18,592
Deferred tax liabilities		5,526	5,755	-	-
Borrowings		449,764	239,213	-	-
Subordinated obligations		548,751	549,440	548,751	549,440
TOTAL LIABILITIES		9,567,563	9,430,869	7,740,106	8,295,527
Share capital		818,646	818,646	818,646	818,646
Reserves		2,232,453	2,132,442	2,240,770	2,199,867
		3,051,099	2,951,088	3,059,416	3,018,513
Non-controlling interests		6,935	6,784	-	-
TOTAL EQUITY		3,058,034	2,957,872	3,059,416	3,018,513
TOTAL LIABILITIES AND EQUITY		12,625,597	12,388,741	10,799,522	11,314,040
COMMITMENTS AND CONTINGENCIES					
	24	5,805,835	6,546,581	4,599,258	5,630,222

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

Group	Note	2nd Quarter Ended		Six Months Ended	
		30 June 2015	30 June 2014	30 June 2015	30 June 2014
		RM'000	RM'000	RM'000	RM'000
Interest income	17	95,509	107,676	197,535	212,116
Interest expense	18	(60,559)	(65,609)	(129,558)	(130,195)
Net interest income		34,950	42,067	67,977	81,921
Other operating income	19	223,038	189,413	429,453	388,520
Net income		257,988	231,480	497,430	470,441
Other operating expenses	20	(226,672)	(195,958)	(444,093)	(406,301)
Operating profit before allowances		31,316	35,522	53,337	64,140
Allowance (made)/written back for impairment on loans, advances and other losses	21	(6,427)	6,131	(3,909)	23,176
Impairment losses written back/(made) on other assets		3,807	(4,668)	7,107	(1,418)
		28,696	36,985	56,535	85,898
Share of results of associates		202	165	334	430
Share of results of joint ventures		39	110	124	182
Profit before taxation		28,937	37,260	56,993	86,510
Taxation		(7,372)	(2,953)	(16,066)	(24,517)
Net profit for the financial period		21,565	34,307	40,927	61,993
Profit attributable to:					
Owner of the Bank		21,268	33,158	40,476	58,745
Non-controlling interests		297	1,149	451	3,248
		21,565	34,307	40,927	61,993
Earnings per share (sen)					
- basic	22	2.6	4.1	4.9	7.2

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015

<u>Group</u>	2nd Quarter Ended		Six Months Ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	21,565	34,307	40,927	61,993
Other comprehensive income in respect of:				
(i) Item that will not be reclassified to profit or loss:				
- Actuarial (loss)/gain on defined benefit plan of subsidiaries	(1)	4,989	230	1,260
(ii) Items that will be reclassified subsequently to profit or loss:				
- Currency translation differences	13,116	(18,348)	43,237	(5,612)
- Unrealised net gain/(loss) on revaluation of financial investments AFS	1,212	5,976	22,869	(3,538)
- Net transfer to income statements on disposal or impairment of financial investments AFS	703	8,250	(1,513)	7,881
Income tax relating to components of other comprehensive income	(199)	(5,537)	(5,266)	(2,965)
Other comprehensive income/(loss), net of tax, for the financial period	14,831	(4,670)	59,557	(2,974)
Total comprehensive income for the financial period	36,396	29,637	100,484	59,019
Total comprehensive income attributable to:				
Owner of the Bank	36,206	29,840	100,006	61,540
Non-controlling interests	190	(203)	478	(2,521)
	36,396	29,637	100,484	59,019

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

Bank	Note	2nd Quarter Ended		Six Months Ended	
		30 June 2015	30 June 2014	30 June 2015	30 June 2014
		RM'000	RM'000	RM'000	RM'000
Interest income	17	77,452	91,337	161,593	179,328
Interest expense	18	(57,431)	(62,871)	(122,410)	(125,600)
Net interest income		20,021	28,466	39,183	53,728
Other operating income	19	97,848	105,223	198,645	220,868
Net income		117,869	133,689	237,828	274,596
Other operating expenses	20	(103,281)	(107,578)	(205,979)	(215,560)
Operating profit before allowances		14,588	26,111	31,849	59,036
Allowance (made)/written back for impairment on loans, advances and other losses	21	(6,721)	6,332	(6,302)	23,351
Impairment losses written back/(made) on other assets		3,987	(2,431)	7,222	3,881
Profit before taxation		11,854	30,012	32,769	86,268
Taxation		(408)	(641)	(5,912)	(21,331)
Net profit for the financial period		11,446	29,371	26,857	64,937
Earnings per share (sen)					
- basic		1.4	3.6	3.3	7.9

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2015

<u>Bank</u>	2nd Quarter Ended		Six Months Ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	11,446	29,371	26,857	64,937
Other comprehensive income in respect of:				
Items that will be reclassified subsequently to profit or loss:				
- Unrealised net gain on revaluation of financial investments AFS	1,329	8,861	21,678	9,724
- Net transfer to income statements on disposal or impairment of financial investments AFS	965	8,249	(2,425)	7,881
Income tax relating to components of other comprehensive income	(199)	(4,278)	(5,207)	(4,401)
Other comprehensive income, net of tax, for the financial period	2,095	12,832	14,046	13,204
Total comprehensive income for the financial period	13,541	42,203	40,903	78,141

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015

Attributable to the Equity Holders of the Bank

Group	Share capital	Share premium	Statutory reserves	AFS reserves	Translation reserves	Regulatory reserves	Retained profits	Total	Non-controlling interests	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2015	818,646	1,515,150	406,545	3,308	34,972	-	172,467	2,951,088	6,784	2,957,872
Net profit for the financial period	-	-	-	-	-	-	40,476	40,476	451	40,927
Currency translation differences	-	-	-	(31)	43,225	-	-	43,194	43	43,237
Financial investments AFS:										
- Unrealised net gain/(loss) on revaluation	-	-	-	22,895	-	-	-	22,895	(26)	22,869
- Net transfer to income statements on disposal or impairment	-	-	-	(1,521)	-	-	-	(1,521)	8	(1,513)
Income tax relating to components of other comprehensive income	-	-	-	(5,208)	-	-	(57)	(5,265)	(1)	(5,266)
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	-	227	227	3	230
Other comprehensive income, net of tax, for the financial period	-	-	-	16,135	43,225	-	170	59,530	27	59,557
Total comprehensive income for the financial period	-	-	-	16,135	43,225	-	40,646	100,006	478	100,484
Transfer to regulatory reserves	-	-	-	-	-	16,371	(16,371)	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(322)	(322)
Accretion of interest in a subsidiary	-	-	-	-	-	-	5	5	(5)	-
Balance as at 30 June 2015	818,646	1,515,150	406,545	19,443	78,197	16,371	196,747	3,051,099	6,935	3,058,034

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015

Attributable to Equity Holders of the Bank

<u>Group</u>	<u>Share capital</u>	<u>Share premium</u>	<u>Statutory reserves</u>	<u>AFS reserves</u>	<u>Translation reserves</u>	<u>Retained profits</u>	<u>Total</u>	<u>Non-controlling interests</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Balance as at 1 January 2014	818,646	1,515,150	278,549	(25,948)	(22,768)	206,734	2,770,363	191,348	2,961,711
Net profit for the financial period	-	-	-	-	-	58,745	58,745	3,248	61,993
Currency translation differences	-	-	-	(106)	(4,084)	(6)	(4,196)	(1,416)	(5,612)
Financial investments AFS:									
- Unrealised net gain/(loss) on revaluation	-	-	-	1,682	-	-	1,682	(5,220)	(3,538)
- Net transfer to income statements on disposal or impairment	-	-	-	7,881	-	-	7,881	-	7,881
Income tax relating to components of other comprehensive (income)/loss	-	-	-	(3,508)	-	(312)	(3,820)	855	(2,965)
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	1,248	1,248	12	1,260
Other comprehensive income/(loss), net of tax, for the financial period	-	-	-	5,949	(4,084)	930	2,795	(5,769)	(2,974)
Total comprehensive income/(loss) for the financial period	-	-	-	5,949	(4,084)	59,675	61,540	(2,521)	59,019
Transfer to statutory reserves	-	-	32,470	-	-	(32,470)	-	-	-
Disposal of a subsidiary	-	-	-	-	1,708	(1,708)	-	-	-
Acquisition of additional interests from non-controlling interests	-	-	-	-	-	-	-	(95)	(95)
Balance as at 30 June 2014	818,646	1,515,150	311,019	(19,999)	(25,144)	232,231	2,831,903	188,732	3,020,635

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RHB INVESTMENT BANK BERHAD (19663-P)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Non-Distributable				Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
Bank							
Balance as at 1 January 2015	818,646	1,515,150	406,544	(11,933)	-	290,106	3,018,513
Net profit for the financial period	-	-	-	-	-	26,857	26,857
Financial investments AFS:							
- Unrealised net gain on revaluation	-	-	-	21,678	-	-	21,678
- Net transfer to income statements on disposal or impairment	-	-	-	(2,425)	-	-	(2,425)
Income tax relating to components of other comprehensive income	-	-	-	(5,207)	-	-	(5,207)
Other comprehensive income, net of tax, for the financial period	-	-	-	14,046	-	-	14,046
Total comprehensive income for the financial period	-	-	-	14,046	-	26,857	40,903
Transfer to regulatory reserves	-	-	-	-	7,329	(7,329)	-
Balance as at 30 June 2015	818,646	1,515,150	406,544	2,113	7,329	309,634	3,059,416

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Non-Distributable			Distributable		Total RM'000
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
Bank						
Balance as at 1 January 2014	818,646	1,515,150	278,549	(32,510)	176,310	2,756,145
Net profit for the financial period	-	-	-	-	64,937	64,937
Financial investments AFS:						
- Unrealised net gain on revaluation	-	-	-	9,724	-	9,724
- Net transfer to income statements on disposal or impairment	-	-	-	7,881	-	7,881
Income tax relating to components of other comprehensive income	-	-	-	(4,401)	-	(4,401)
Other comprehensive income, net of tax, for the financial period	-	-	-	13,204	-	13,204
Total comprehensive income for the financial period	-	-	-	13,204	64,937	78,141
Transfer to statutory reserve	-	-	32,469	-	(32,469)	-
Balance as at 30 June 2014	818,646	1,515,150	311,018	(19,306)	208,778	2,834,286

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six Months Ended	
	30 June 2015	30 June 2014
	RM'000	RM'000
Group		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	56,993	86,510
Adjustments for non-cash items	(143,554)	(108,669)
Operating loss before working capital changes	(86,561)	(22,159)
Changes in working capital:		
Net changes in operating assets	(157,685)	573,210
Net changes in operating liabilities	(56,661)	(630,163)
Cash used in operations	(300,907)	(79,112)
Taxation (paid)/refunded	(42,385)	16,976
Net cash used in operating activities	(343,292)	(62,136)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of financial investments AFS and HTM	(611,435)	(533,394)
Interest received from financial investments AFS and HTM	94,881	94,716
Property, plant and equipment:		
- Purchase	(9,533)	(9,103)
- Proceeds from disposal	454	100
Intangible assets:		
- Purchase	(12,668)	(4,432)
Dividend income received	10,690	703
Net cash inflow from disposal of a subsidiary	-	265
Acquisition of shares from non-controlling interests	-	(95)
Net cash used in investing activities	(527,611)	(451,240)
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown of borrowings	210,551	246,883
Dividend paid to non-controlling interest	(322)	-
Net cash generated from financing activities	210,229	246,883
Net decrease in cash and cash equivalents	(660,674)	(266,493)
Effects of exchange rate differences	9,668	(1,144)
Cash and cash equivalents		
- at the beginning of the financial period	1,496,220	1,065,190
- at the end of the financial period	845,214	797,553
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	845,214	797,553

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2015

	Six Months Ended	
	30 June 2015	30 June 2014
	RM'000	RM'000
<u>Bank</u>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	32,769	86,268
Adjustments for non-cash items	(131,050)	(116,862)
Operating loss before working capital changes	(98,281)	(30,594)
Changes in working capital:		
Net changes in operating assets	507,999	(321,543)
Net changes in operating liabilities	(537,825)	486,751
Cash (used in)/generated from operations	(128,107)	134,614
Taxation (paid)/refunded	(33,743)	22,077
Net cash (used in)/generated from operating activities	(161,850)	156,691
CASH FLOWS FROM INVESTING ACTIVITIES		
Net purchase of financial investments AFS and HTM	(636,351)	(444,375)
Interest received from financial investments AFS and HTM	87,614	94,714
Property, plant and equipment:		
- Purchase	(5,280)	(3,067)
Intangible assets:		
- Purchase	(10,481)	(2,049)
Dividend income received	423	98
Dividend income received from subsidiaries	322	12,500
Additional investments in subsidiaries	(8,417)	(10,410)
Proceeds from disposal of a subsidiary	-	6,532
Net cash used in investing activities	(572,170)	(346,057)
Net decrease in cash and cash equivalents	(734,020)	(189,366)
Cash and cash equivalents		
- at the beginning of the financial period	1,235,690	793,935
- at the end of the financial period	501,670	604,569
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	501,670	604,569

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015

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 2014.

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 2014, except for the adoption of the following annual improvements to MFRS and revision to Bank Negara Malaysia's ('BNM') Policy:

(a) Annual Improvements to MFRS 2012 - 2014 Cycle

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

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

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

(i) Classification of a loan/financing as impaired when the loan/financing is classified as rescheduled and restructured ('R&R') in BNM's Central Credit Reference Information System ('CCRIS') effective on or after 1 April 2015. The R&R loan/financing shall only be reclassified from impaired to non-impaired when repayments based on revised and restructured terms have been observed continuously for a period of at least 6 months; and

(ii) Banking institutions are required to maintain, in aggregate, collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans/financing, net of individual impairment allowances, effective beginning 31 December 2015.

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

2 Auditors' Report

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

3 Seasonal or Cyclical Factors

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

4 Exceptional or Extraordinary Items

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

5 Changes in Estimates

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

6 Changes in Debt and Equity Securities

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

- a) On 6 April 2015 and 25 May 2015, the Bank has fully redeemed its existing Subordinated Notes of RM125 million and RM75 million in nominal value respectively.
- b) On 16 April 2015, the Bank issued RM200 million Subordinated Notes in nominal value under its RM1 billion Multi-Currency Medium Term Note Programme. The Subordinated Notes, which qualify as Tier II Capital in accordance with the Capital Adequacy Framework (Capital Components) issued by Bank Negara Malaysia on 28 November 2012, are issued for a tenure of 10 non-callable 5 years with a fixed coupon rate of 4.95% per annum, payable semi-annually throughout the entire tenure.

7 Dividends Paid

No dividend was paid by the Bank during the six months ended 30 June 2015.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

8 Financial Assets at Fair Value Through Profit or Loss

	Group		Bank	
	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
(a) Designated as fair value through profit or loss	57,517	-	-	-
(b) Held-for-trading	255,885	311,196	81,580	91,869
	313,402	311,196	81,580	91,869

(a) Financial assets designated as fair value through profit or loss are as follows:

At fair value

Quoted securities:

In Malaysia

Unit trusts	57,517	-	-	-
Total financial assets designated through profit or loss	57,517	-	-	-

(b) Financial assets held-for-trading are as follows:

Quoted securities:

In Malaysia

Shares and exchange traded funds	37,576	43,501	37,576	43,501
Unit trusts	-	56,483	-	-

Outside Malaysia

Shares and warrants	175,913	144,106	4,004	8,367
Unit trusts	2,396	9,517	-	-

Unquoted securities:

In Malaysia

Private debt securities	40,000	40,001	40,000	40,001
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Outside Malaysia

Private debt securities	-	17,588	-	-
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Total financial assets held-for-trading

	255,885	311,196	81,580	91,869
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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

8 Financial Assets at Fair Value Through Profit or Loss (cont'd)

In 2008, the Bank reclassified a portion of their financial assets FVTPL into financial investments AFS. The reclassifications have been accounted for in accordance with Bank Negara Malaysia's ('BNM') 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 the reclassification on the income statements for the period from the date of reclassification to 30 June 2015 were as follows:

	Group and Bank	
	As at	As at
	30 June 2015	31 December 2014
	RM'000	RM'000
<u>Reclassified from financial assets FVTPL to financial investments AFS</u>		
- Carrying value	30,001	29,823
- Fair value	29,872	29,450
	<hr/> <hr/>	<hr/> <hr/>
Fair value loss that would have been recognised if the financial assets FVTPL had not been reclassified	(129)	(373)
	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

9 Financial Investments Available-for-sale

	Group		Bank	
	As at 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014
At fair value	RM'000	RM'000	RM'000	RM'000
<u>Money market instruments:</u>				
Malaysian Government Securities	382,045	428,546	382,045	428,546
Malaysian Government Investment Issues	437,494	553,952	437,494	553,952
Cagamas bonds	35,199	75,168	35,199	75,168
Khazanah bonds	51,305	49,838	51,305	49,838
Negotiable instruments of deposits	598,888	649,516	598,888	649,516
Bankers' acceptances	943,815	73,627	943,815	73,627
Sukuk Perumahan Kerajaan Bonds ('SPK')	68,457	67,394	68,457	67,394
<u>Quoted securities:</u>				
In Malaysia				
Shares and warrants	44	47	9	9
Unit trusts	13,000	12,976	-	-
Outside Malaysia				
Shares and warrants	1,669	1,588	-	-
Unit trusts	29,032	29,663	24,215	24,640
<u>Unquoted securities:</u>				
In Malaysia				
Private and Islamic debt securities	1,339,484	1,447,870	1,339,484	1,447,870
Shares	153,425	97,491	27,767	25,903
Loan stocks	14,703	14,418	14,703	14,418
Prasarana bonds	25,235	35,185	25,235	35,185
Outside Malaysia				
Private and Islamic debt securities	652,112	440,952	643,701	351,742
Shares	262	251	-	-
Loan stocks	2,322	2,151	-	-
	4,748,491	3,980,633	4,592,317	3,797,808
Accumulated impairment losses	(163,451)	(162,826)	(161,129)	(161,129)
	4,585,040	3,817,807	4,431,188	3,636,679

Included in financial investments AFS of the Group are private debt securities outside Malaysia, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RMNil (31.12.2014: RM20,484,000).

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10 Financial Investments Held-to-maturity

	Group and Bank	
	As at 30 June 2015	As at 31 December 2014
At amortised cost	RM'000	RM'000
<u>Money market instruments:</u>		
Malaysian Government Securities	20,405	20,445
Malaysian Government Investment Issues	404,036	455,786
Khazanah bonds	10,483	10,281
Bankers' acceptances	27,877	-
Wakala Global Sukuk	8,508	7,502
<u>Unquoted Securities:</u>		
In Malaysia		
Private and Islamic debt securities	255,604	277,281
Credit link notes	45,052	45,058
Bonds	23	23
Loan stocks	29,881	31,837
Prasarana bonds	40,433	40,473
Outside Malaysia		
Private and Islamic debt securities	768	16,082
Credit link notes	-	17,891
	<u>843,070</u>	<u>922,659</u>
Accumulated impairment losses	<u>(153,792)</u>	<u>(161,312)</u>
	<u><u>689,278</u></u>	<u><u>761,347</u></u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

11 Loans and Advances

	Group		Bank	
	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
At amortised cost				
Term Loans				
- syndicated term loans	44,328	44,767	44,328	44,767
- other term loans	549,479	887,670	419,414	826,106
Share margin financing	1,514,223	1,370,319	850,161	835,697
Revolving credits	-	-	37,781	69,949
Staff loans	1,471	1,579	1,471	1,579
Gross loans and advances	<u>2,109,501</u>	<u>2,304,335</u>	<u>1,353,155</u>	<u>1,778,098</u>
Allowance for impaired loans and advances				
- individual impairment allowance	(9,237)	(7,557)	(6,445)	(4,924)
- collective impairment allowance	(8,832)	(10,888)	(8,832)	(10,888)
Net loans and advances	<u>2,091,432</u>	<u>2,285,890</u>	<u>1,337,878</u>	<u>1,762,286</u>

(i) By type of customer

Domestic business enterprises				
- small and medium enterprises	93,565	25,083	93,565	25,083
- others	549,645	882,429	549,645	882,429
Individuals	578,113	553,437	578,113	553,437
Foreign entities	888,178	843,386	131,832	317,149
	<u>2,109,501</u>	<u>2,304,335</u>	<u>1,353,155</u>	<u>1,778,098</u>

(ii) By geographical distribution

In Malaysia	1,315,374	1,708,149	1,353,155	1,778,098
Outside Malaysia				
- Singapore operations	240,470	281,384	-	-
- Hong Kong operations	339,677	143,844	-	-
- Indonesia operations	15,848	7,209	-	-
- Thailand operations	198,132	163,749	-	-
	<u>2,109,501</u>	<u>2,304,335</u>	<u>1,353,155</u>	<u>1,778,098</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

11 Loans and Advances (cont'd)

	Group		Bank	
	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
(iii) By interest rate sensitivity				
Fixed rate				
- other fixed rate loans	1,457,738	1,797,324	1,117,658	1,498,107
Variable rate				
- cost plus	159,171	170,496	196,952	240,445
- base lending rate plus	492,592	336,515	38,545	39,546
	<u>2,109,501</u>	<u>2,304,335</u>	<u>1,353,155</u>	<u>1,778,098</u>
(iv) By purpose				
Purchase of securities	1,980,348	2,074,889	1,186,221	1,478,703
Purchase of transport vehicles	95	128	95	128
Purchase of landed property:				
- residential	1,378	1,454	1,378	1,454
- non-residential	63,352	162,999	63,352	162,999
Construction	15,070	15,047	15,070	15,047
Working capital	-	-	37,781	69,949
Other purpose	49,258	49,818	49,258	49,818
	<u>2,109,501</u>	<u>2,304,335</u>	<u>1,353,155</u>	<u>1,778,098</u>
(v) By remaining contractual maturities				
Maturity within one year	1,884,502	1,902,086	1,128,156	1,375,849
One year to three years	178,325	354,590	178,325	354,590
Three years to five years	45,554	16,777	45,554	16,777
Over five years	1,120	30,882	1,120	30,882
	<u>2,109,501</u>	<u>2,304,335</u>	<u>1,353,155</u>	<u>1,778,098</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

11 Loans and Advances (cont'd)

	Group		Bank	
	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
(vi) Impaired Loans and Advances				
(a) Movements in impaired loans and advances				
Balance as at the beginning of the financial period/year	162,785	78,915	160,151	78,915
Classified as impaired	33,585	203,144	33,585	199,175
Transfer from financial investments AFS	-	39,543	-	39,543
Reclassified as non-impaired	(15,072)	(46,421)	(15,072)	(46,421)
Amount recovered	(71,850)	(110,187)	(71,850)	(110,187)
Amount written off	-	(2,210)	-	(874)
Exchange differences	158	1	-	-
Balance as at the end of the financial period/year	109,606	162,785	106,814	160,151
(b) By purpose				
Purchase of securities	41,331	88,863	38,539	86,229
Purchase of landed property:				
- Non-residential	63,352	68,999	63,352	68,999
Other purpose	4,923	4,923	4,923	4,923
	109,606	162,785	106,814	160,151
(c) By geographical distribution				
In Malaysia	106,814	160,151	106,814	160,151
Outside Malaysia:				
- Singapore operations	2,792	2,634	-	-
	109,606	162,785	106,814	160,151
(d) Movements in allowance for impaired loans and advances				
Individual impairment allowance				
Balance as at the beginning of the financial period/year	7,557	29,592	4,924	29,592
Net allowance made/ (written back)	1,521	(50,031)	1,521	(54,000)
Transfer from financial investments AFS	-	29,666	-	29,666
Amount written off	-	(1,671)	-	(334)
Exchange differences	159	1	-	-
Balance as at the end of the financial period/year	9,237	7,557	6,445	4,924

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

11 Loans and Advances (cont'd)

	Group and Bank	
	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
(vi) Impaired Loans and Advances (cont'd)		
(d) Movements in allowance for impaired loans and advances (cont'd)		
Collective impairment allowance		
Balance as at the beginning of the financial period/year	10,888	7,629
Net allowance (written back)/made	(2,056)	3,259
Balance as at the end of the financial period/year	<u>8,832</u>	<u>10,888</u>

12 Clients' and Brokers' Balances

	Group		Bank	
	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
Amounts owing by clients	813,182	828,187	258,676	330,040
Allowance for impairment balances:				
- individual impairment allowance	(33,218)	(35,505)	(5,745)	(6,518)
- collective impairment allowance	(4,040)	(6,142)	(2,251)	(4,700)
	<u>775,924</u>	<u>786,540</u>	<u>250,680</u>	<u>318,822</u>
Amounts owing by brokers	798,837	522,266	345,352	232,261
Allowance for impairment balances:				
- individual impairment allowance	(1,141)	(1,309)	(1,141)	(1,309)
	<u>797,696</u>	<u>520,957</u>	<u>344,211</u>	<u>230,952</u>
Amounts owing by clearing houses and stock exchanges	543,752	217,650	115,168	67,073
	<u>2,117,372</u>	<u>1,525,147</u>	<u>710,059</u>	<u>616,847</u>

Individual impairment allowance

Balance as at the beginning of the financial period/year	36,814	38,315	7,827	2,561
Allowance (written back)/made	(2,079)	(1,198)	1,040	5,266
Amount written off	(2,114)	(1,036)	(1,981)	-
Exchange differences	1,738	733	-	-
Balance as at the end of the financial period/year	<u>34,359</u>	<u>36,814</u>	<u>6,886</u>	<u>7,827</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

12 Clients' and Brokers' Balances (cont'd)

	Group		Bank	
	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
Collective impairment allowance				
Balance as at the beginning of the financial period/year	6,142	4,175	4,700	4,175
Net allowance (written back)/made	(2,189)	1,967	(2,449)	525
Exchange differences	87	-	-	-
Balance as at the end of the financial period/year	4,040	6,142	2,251	4,700

13 Other Assets

	Group		Bank	
	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
Other debtors	95,605	205,807	52,961	140,595
Collateral pledged for derivative transactions	25,946	58,679	25,946	58,679
Amount receivable for release of units due from funds	26,437	39,312	-	-
Deposits	42,153	37,372	7,037	6,998
Prepayments	26,243	18,635	8,601	8,662
Amount due from reverse repo transactions	44,736	115,092	44,736	115,092
Transferable memberships	336	330	262	262
Amount due from holding company	35	1,731	-	1,698
Amount due from subsidiaries	-	-	9,425	9,312
Amount due from related companies	28,533	2,621	25,754	112
Amount due from an associate company	4,606	-	4,606	-
	294,630	479,579	179,328	341,410

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

14 Deposits from Customers

	Group		Bank	
	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
(i) By type of deposits				
Short term deposits	618,247	499,956	625,955	501,909
Fixed/investment deposits	1,014,431	2,148,809	1,019,673	2,161,215
Negotiable instruments of deposits	9,725	29,755	10,476	29,755
	<u>1,642,403</u>	<u>2,678,520</u>	<u>1,656,104</u>	<u>2,692,879</u>
(ii) By type of customers				
Government and statutory bodies	427,475	547,059	427,475	547,059
Business enterprises	1,194,031	2,033,055	1,207,732	2,047,414
Individuals	20,897	98,406	20,897	98,406
	<u>1,642,403</u>	<u>2,678,520</u>	<u>1,656,104</u>	<u>2,692,879</u>
(iii) By maturity structure of fixed/ investment deposits and negotiable instruments of deposits				
Due within six months	1,582,852	2,633,323	1,596,553	2,647,682
Six months to one year	58,867	38,816	58,867	38,816
One year to three years	684	6,381	684	6,381
	<u>1,642,403</u>	<u>2,678,520</u>	<u>1,656,104</u>	<u>2,692,879</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

15 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	As at 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000	RM'000	RM'000
Licensed banks	2,409,329	675,629	2,409,329	675,629
Licensed investment banks	120,063	120,142	120,063	120,142
Other financial institutions	2,024,272	3,172,025	2,082,368	3,231,551
	4,553,664	3,967,796	4,611,760	4,027,322

16 Other Liabilities

	Group		Bank	
	As at 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000	RM'000	RM'000
Other creditors and accruals	122,797	123,605	52,747	77,711
Short-term employee benefits	70,923	157,759	38,012	100,346
Remisiers' trust deposits	60,123	59,480	60,123	59,480
Amount payable for creation of units due to funds	-	44,268	-	-
Amount payable for redemption units	40,406	20,660	-	-
Amount due to holding company	7	-	7	-
Amount due to subsidiaries	-	-	4,301	6,044
Amount due to related companies	16,387	10,459	1,184	5,867
	310,643	416,231	156,374	249,448

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
17 Interest Income				
Group				
Loans and advances	36,726	47,693	74,846	91,391
Money at call and deposits and placements with banks and other financial institutions	7,869	7,936	19,138	15,112
Financial assets FVTPL	35	5,383	534	12,371
Financial investments available-for-sale	40,189	35,995	81,445	69,616
Financial investments held-to-maturity	6,815	7,754	13,389	17,440
Others	3,875	2,915	8,183	6,186
	<u>95,509</u>	<u>107,676</u>	<u>197,535</u>	<u>212,116</u>
Of which:				
Interest income accrued on impaired loans and advances	<u>2,283</u>	<u>1,513</u>	<u>4,809</u>	<u>2,901</u>
Bank				
Loans and advances	24,005	36,521	51,320	68,169
Money at call and deposits and placements with banks and other financial institutions	5,675	6,398	15,634	12,370
Financial assets FVTPL	-	5,377	94	12,365
Financial investments available-for-sale	39,842	34,292	79,244	67,008
Financial investments held-to-maturity	6,815	7,754	13,389	17,440
Others	1,115	995	1,912	1,976
	<u>77,452</u>	<u>91,337</u>	<u>161,593</u>	<u>179,328</u>
Of which:				
Interest income accrued on impaired loans and advances	<u>2,283</u>	<u>1,658</u>	<u>4,809</u>	<u>2,901</u>
18 Interest Expense				
Group				
Deposits and placements of banks and other financial institutions	34,311	37,115	70,865	76,123
Deposits from customers	15,713	20,604	36,210	39,241
Subordinated obligations	6,936	4,679	14,433	9,274
Borrowings	3,227	2,986	6,852	5,006
Others	372	225	1,198	551
	<u>60,559</u>	<u>65,609</u>	<u>129,558</u>	<u>130,195</u>
Bank				
Deposits and placements of banks and other financial institutions	34,311	37,115	70,865	76,123
Deposits from customers	16,184	21,077	37,112	40,203
Subordinated obligations	6,936	4,679	14,433	9,274
	<u>57,431</u>	<u>62,871</u>	<u>122,410</u>	<u>125,600</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
19 Other Operating Income				
Group				
a) Fee Income				
- Arrangement fees and underwriting	15,427	8,608	18,537	19,864
- Service charges and fees	1,518	910	3,450	1,867
- Commission	107	(50)	209	102
- Net brokerage income	87,930	88,490	174,366	173,133
- Unit trust fee income	24,395	7,844	36,405	19,326
- Corporate advisory fees	9,749	14,504	24,352	29,970
- Fund management fees	31,719	26,598	58,193	51,520
- Placement fees	12,065	3,744	24,819	4,683
- Rollover fees	3,853	4,182	5,672	5,611
- Other fee income	10,089	22,254	26,640	46,710
	196,852	177,084	372,643	352,786
b) Net gain arising from financial assets FVTPL				
- net gain on disposal	7,616	7,113	3,471	18,277
- net gain/(loss) on revaluation	11,183	(578)	6,079	(3,161)
- gross dividend income	1,114	906	9,745	2,124
	19,913	7,441	19,295	17,240
c) Net (loss)/gain arising from derivatives				
- net loss on disposal	(16,267)	(12,826)	(21,336)	(17,186)
- net gain on revaluation	1,638	13,418	16,334	17,384
	(14,629)	592	(5,002)	198
d) Net gain/(loss) arising from financial investments AFS				
- net gain/(loss) on disposal	124	(10,102)	3,799	(9,579)
- gross dividend income	945	702	945	703
	1,069	(9,400)	4,744	(8,876)
e) Net gain arising from financial investments held-to-maturity				
- net gain on redemption	21	-	21	3
f) Other income				
- Net foreign exchange (loss)/gain				
- realised	(36,734)	7,742	(39,285)	14,005
- unrealised	43,516	(5,089)	49,977	(230)
- (Loss)/gain on disposal of property, plant and equipment	(22)	-	(22)	5
- Loss on disposal of a subsidiary	-	-	-	(247)
- Other operating income	12,439	10,464	25,788	12,807
- Other non-operating income	613	579	1,294	829
	19,812	13,696	37,752	27,169
	223,038	189,413	429,453	388,520

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
19 Other Operating Income (cont'd)				
Bank				
a) Fee Income				
- Arrangement fees and underwriting	13,006	5,715	15,982	11,748
- Service charges and fees	9	161	159	328
- Commission	624	281	1,058	769
- Net brokerage income	49,818	61,089	100,439	116,276
- Corporate advisory fees	4,500	8,996	14,357	16,085
- Placement fees	4,608	3,746	14,474	4,052
- Rollover fees	1,808	1,539	3,550	2,968
- Other fee income	5,381	19,202	8,765	40,132
	<u>79,754</u>	<u>100,729</u>	<u>158,784</u>	<u>192,358</u>
b) Net loss arising from financial assets FVTPL				
- net (loss)/gain on disposal	(4,137)	(513)	(8,440)	7,750
- net gain/(loss) on revaluation	1,645	42	7,396	(8,983)
- gross dividend income	100	437	116	625
	<u>(2,392)</u>	<u>(34)</u>	<u>(928)</u>	<u>(608)</u>
c) Net (loss)/gain arising from derivatives				
- net loss on disposal	(15,918)	(7,726)	(18,967)	(11,198)
- net gain on revaluation	14,756	11,851	17,972	18,164
	<u>(1,162)</u>	<u>4,125</u>	<u>(995)</u>	<u>6,966</u>
d) Net (loss)/gain arising from financial investments AFS				
- net (loss)/gain on disposal	(567)	(10,101)	4,094	(9,579)
- gross dividend income	307	98	307	98
	<u>(260)</u>	<u>(10,003)</u>	<u>4,401</u>	<u>(9,481)</u>
e) Net gain arising from financial investments held-to-maturity				
- net gain on redemption	21	-	21	3
f) Gross dividend income from subsidiaries				
- in Malaysia	322	-	322	12,500
g) Gross dividend income from an associate company				
- in Malaysia	4,606	-	4,606	-
h) Other income				
- Foreign exchange (loss)/gain				
- realised	(37,021)	6,988	(40,850)	13,490
- unrealised	43,262	(5,069)	50,182	(406)
- Loss on disposal of a subsidiary	-	-	-	(2,696)
- Rental income	1	38	31	90
- Other operating income	10,717	8,449	23,071	8,652
	<u>16,959</u>	<u>10,406</u>	<u>32,434</u>	<u>19,130</u>
	<u>97,848</u>	<u>105,223</u>	<u>198,645</u>	<u>220,868</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
20 Other Operating Expenses				
Group				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	91,895	87,152	186,924	185,849
- Defined contribution plan	9,744	10,793	17,629	21,430
- Other staff related costs	12,580	13,216	24,020	23,879
	114,219	111,161	228,573	231,158
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	6,258	5,687	13,168	11,136
- written off	2	124	15	124
- Amortisation of intangible assets	5,431	4,900	11,273	10,736
- Information technology expenses	8,152	8,278	16,304	11,858
- Security and escorting charges	185	163	388	334
- Repair and maintenance	1,563	2,291	2,963	5,193
- Rental of premises	11,653	10,207	23,224	20,738
- Water and electricity	1,660	1,906	3,386	3,411
- Rental of equipment	1,665	1,207	2,814	2,101
- Insurance	1,623	1,240	3,376	3,053
- Others	3,469	3,632	6,860	7,448
	41,661	39,635	83,771	76,132
<u>Marketing expenses</u>				
- Advertisements and publicity	3,438	1,693	5,904	3,865
- Sales commission	23,051	8,980	42,020	22,639
- Others	14,766	12,931	26,119	22,711
	41,255	23,604	74,043	49,215
<u>Administration and general expenses</u>				
- Communication expenses	13,520	12,167	25,890	24,988
- Legal and professional fees	3,065	1,085	4,329	3,561
- Others	12,952	8,306	27,487	21,247
	29,537	21,558	57,706	49,796
	226,672	195,958	444,093	406,301

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
20 Other Operating Expenses (cont'd)				
Bank				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	43,496	46,998	88,078	99,532
- Defined contribution plan	6,554	7,690	11,133	15,332
- Other staff related costs	7,870	9,127	14,107	15,101
	<u>57,920</u>	<u>63,815</u>	<u>113,318</u>	<u>129,965</u>
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	3,033	2,575	6,671	5,399
- written off	2	-	3	-
- Amortisation of intangible assets	4,223	4,011	8,926	8,873
- Information technology expenses	5,759	5,644	11,769	7,511
- Security and escorting charges	95	89	194	160
- Repair and maintenance	610	1,661	1,320	3,722
- Rental of premises	4,961	4,825	9,917	9,909
- Water and electricity	1,195	1,438	2,432	2,514
- Rental of equipment	604	475	916	622
- Insurance	1,094	689	2,357	2,162
- Others	1,659	2,161	3,317	4,425
	<u>23,235</u>	<u>23,568</u>	<u>47,822</u>	<u>45,297</u>
<u>Marketing expenses</u>				
- Advertisements and publicity	1,626	1,116	2,673	2,390
- Sales commission	3,165	1,295	10,296	2,686
- Others	2,992	2,790	4,735	5,221
	<u>7,783</u>	<u>5,201</u>	<u>17,704</u>	<u>10,297</u>
<u>Administration and general expenses</u>				
- Communication expenses	6,329	5,650	11,229	11,684
- Legal and professional fees	1,827	144	2,232	1,220
- Others	6,187	9,200	13,674	17,097
	<u>14,343</u>	<u>14,994</u>	<u>27,135</u>	<u>30,001</u>
	<u>103,281</u>	<u>107,578</u>	<u>205,979</u>	<u>215,560</u>

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	2nd Quarter Ended		Six Months Ended	
	30 June 2015	30 June 2014	30 June 2015	30 June 2014
	RM'000	RM'000	RM'000	RM'000
21 Allowance for Impairment on Loans, Advances and Other Losses				
Group				
Individual impairment allowance (made)/written back	(1,358)	8,818	(1,521)	22,627
Collective impairment allowance written back/(made)	1,186	(2,419)	2,056	(1,901)
Bad debts written off	-	-	(39)	(335)
Bad debts recovered	33	55	66	59
Allowance (made)/written back for impairment on other debtors	(6,288)	(323)	(4,471)	2,726
	(6,427)	6,131	(3,909)	23,176
Bank				
Individual impairment allowance (made)/written back	(1,358)	8,795	(1,521)	26,081
Collective impairment allowance written back/(made)	1,186	(2,419)	2,056	(1,901)
Bad debts written off	-	-	(40)	(335)
Bad debts recovered	32	22	37	22
Allowance made for impairment on other debtors	(6,581)	(66)	(6,834)	(516)
	(6,721)	6,332	(6,302)	23,351

22 Earnings Per Share

The basic earnings per share ('EPS') of the Group is calculated by dividing the net profit attributable to the owner of the Bank for the second quarter and six months ended 30 June 2015 by the weighted average number of ordinary shares in issue during the financial period.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

23 Capital Adequacy Ratio

BNM guidelines on capital adequacy requires the Group and 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.

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

	Group		Bank	
	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
Common Equity Tier I Capital ("CET I")/ Tier I Capital				
Paid-up ordinary share capital	818,646	818,646	818,646	818,646
Share premium	1,515,150	1,515,150	1,515,150	1,515,150
Retained profits	156,096	172,467	282,777	290,106
Other reserves	484,742	441,517	406,544	406,544
AFS reserves	19,443	3,308	2,113	(11,933)
	<u>2,994,077</u>	<u>2,951,088</u>	<u>3,025,230</u>	<u>3,018,513</u>
Less: Goodwill	(1,269,934)	(1,269,934)	(1,118,418)	(1,118,418)
Investments in subsidiaries, associates and joint ventures (portion deducted from CET I Capital)*	(10,670)	(6,006)	(569,571)	(283,162)
Other intangible assets (include associated deferred tax liabilities)	(55,678)	(54,013)	(31,274)	(29,718)
55% of cumulative gains of AFS financial instruments	(10,694)	-	(1,162)	-
Other deductions	(74)	(234)	(74)	(234)
Deferred tax assets	(19,905)	(30,276)	(11,681)	(23,891)
Reduction in excess of Tier II Capital due to insufficient Tier II Capital [#]	-	-	(293,148)	(581,966)
Total CET I Capital	<u>1,627,122</u>	<u>1,590,625</u>	<u>999,902</u>	<u>981,124</u>
Qualifying non-controlling interests recognised as Tier I Capital	784	750	-	-
Total Tier I Capital	<u>1,627,906</u>	<u>1,591,375</u>	<u>999,902</u>	<u>981,124</u>
Tier II Capital				
Subordinated obligations**	345,000	539,765	345,000	539,765
Subordinated obligations meeting all relevant criteria	200,000	-	200,000	-
Qualifying non-controlling interests recognised as Tier II Capital	139	117	-	-
Collective impairment allowance and regulatory reserves [^]	27,041	12,358	16,209	10,916
	<u>572,180</u>	<u>552,240</u>	<u>561,209</u>	<u>550,681</u>
Less: Investments in subsidiaries, associates and joint ventures	(16,006)	(24,023)	(561,209)	(550,681)
Total Tier II Capital	<u>556,174</u>	<u>528,217</u>	<u>-</u>	<u>-</u>
Total Capital	<u><u>2,184,080</u></u>	<u><u>2,119,592</u></u>	<u><u>999,902</u></u>	<u><u>981,124</u></u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

23 Capital Adequacy Ratio (cont'd)

The capital adequacy ratios of the Group and the Bank are as follows: (cont'd)

	Group		Bank	
	As at 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000	RM'000	RM'000
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	25.215%	31.271%	23.325%	26.337%
Tier I Capital Ratio	25.227%	31.286%	23.325%	26.337%
Total Capital Ratio	33.846%	41.671%	23.325%	26.337%
After proposed dividends:				
CET I Capital Ratio	25.215%	31.271%	23.325%	26.337%
Tier I Capital Ratio	25.227%	31.286%	23.325%	26.337%
Total Capital Ratio	33.846%	41.671%	23.325%	26.337%

* Investment in subsidiaries are subject to the gradual deduction in the calculation under CET I Capital effective from 1 January 2014 as prescribed under paragraph 36.15 of the BNM's Guidelines on Capital Adequacy Framework (Capital Components).

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's Guidelines on Capital Adequacy Framework (Capital Components).

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

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

Includes the qualifying regulatory reserves for loans of the Group and the Bank of RM16,371,000 (31.12.2014 : RMNil) and RM7,329,000 (31.12.2014: RMNil) respectively.

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

	Group		Bank	
	As at 30 June 2015	As at 31 December 2014	As at 30 June 2015	As at 31 December 2014
	RM'000	RM'000	RM'000	RM'000
Credit risk	3,389,799	3,008,650	2,402,332	2,448,720
Market risk	1,261,783	516,665	806,522	284,376
Operational risk	1,801,363	1,561,132	1,077,959	992,064
Total risk-weighted assets	6,452,945	5,086,447	4,286,813	3,725,160

The total risk-weighted assets of the Group and 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).

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

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. Apart from the allowance for commitments and contingencies already made in the financial statements, no material losses are anticipated as a result of these transactions.

The commitments and contingencies comprise the following:

	← 30 June 2015 →			← 31 December 2014 →		
	Principal amount	Credit equivalent amount *	Risk weighted amount	Principal amount	Credit equivalent amount *	Risk weighted amount
<u>Group</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Obligations under underwriting agreements	291,408	145,704	145,704	-	-	-
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	1,481,420	296,284	119,687	1,272,907	254,581	94,511
- maturity exceeding one year	7,146	3,573	2,846	6,172	3,086	2,639
Foreign exchange related contracts: ^						
- less than one year	1,221,329	44,419	32,622	677,400	3,942	789
- one year to less than five years	1,413,942	315,272	83,512	2,279,594	367,295	105,087
Interest rate related contracts: ^						
- less than one year	400,336	665	227	1,330,000	3,982	1,852
- one year to less than five years	990,000	13,173	5,281	965,000	15,249	5,818
Equity related contracts: ^						
- less than one year	254	19	19	15,508	5,844	5,844
Total	5,805,835	819,109	389,898	6,546,581	653,979	216,540

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

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

24 Commitments and Contingencies (cont'd)

The commitments and contingencies comprise the following (cont'd):

	← 30 June 2015 →			← 31 December 2014 →		
	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 substitute #	334,270	334,270	334,270	171,308	171,308	171,308
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	233,442	46,688	24	271,593	54,319	7,131
- maturity exceeding one year	5,685	2,842	2,846	5,270	2,635	2,639
Foreign exchange related contracts: ^						
- less than one year	1,221,329	44,419	32,622	607,457	3,942	789
- one year to less than five years	1,413,942	315,272	83,512	2,279,594	367,295	105,087
Interest rate related contracts: ^						
- less than one year	400,336	665	227	1,330,000	3,982	1,852
- one year to less than five years	990,000	13,173	5,281	965,000	15,249	5,818
Equity rate related contracts: ^						
- less than one year	254	19	19	-	-	-
Total	4,599,258	757,348	458,801	5,630,222	618,730	294,624

Included in direct credit substitute is financial corporate guarantee amounting to RM334,270,000 (31.12.2014 : RM171,308,000).

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

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

25 Valuation of Property, Plant and Equipment

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

26 Status of Corporate Proposals

- a) The holding company, RHB Capital Berhad ('RHB Capital') had announced that it proposes to undertake various proposals, which include Proposed Rights Issue, Proposed Internal Reorganisation, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status to RHB Bank Berhad ('RHB Bank') and Proposed M&A Amendments (collectively referred to as the 'Proposals').

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

The Identified Assets shall comprise, amongst others, the entire equity interest in the Bank (which shall include its subsidiaries, associates and joint ventures), the entire equity interest in RHB Insurance Berhad and certain assets and liabilities of RHB Hartanah Sdn Bhd, including its subsidiary RHB Property Management Sdn Bhd.

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

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

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

On 28 May 2015, RHB Capital had submitted an application to Bursa Securities for the listing of and quotation for the Rights Shares to be issued pursuant to the Proposed Rights Issue.

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

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

- b) On 1 October 2014, the Bank has entered into a share sale agreement with RHB Indochina Bank Limited ('RHBIBL') for the acquisition of the entire equity interest in RHB OSK Indochina Securities Limited ('RHBISL') from RHBIBL for a consideration of USD12,500,000.

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

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

Upon completion of the acquisition, RHBISL will become the wholly-owned subsidiary of the Bank.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

27 Events Subsequent to the Date of Statements of Financial Position

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

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

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

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

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

28 Changes in the Composition of the Group

- a) On 30 June 2015, the Bank subscribed for SGD3,000,000 new ordinary shares in RHB OSK International Investments Pte Ltd ('ROII'). The issued and paid-up share capital of ROII increased from SGD9,000,000 to SGD12,000,000. The rationale for the increase is to facilitate the subscription of additional shares in RHB OSK Asset Management Pte Ltd ('ROAM') as disclosed in Note 27(b).

- b) On 30 June 2015, ROII subscribed for SGD3,000,000 new ordinary shares in ROAM. The issued and paid-up share capital of ROAM increased from SGD9,100,000 to SGD12,100,000 with details as follows:

- i) SGD1,000,000 of Base Capital Requirement as set out by Monetary Authority of Singapore ('MAS') for applying the Capital Market Service Licence under the Securities and Futures Act; and
- ii) SGD2,000,000 for working capital to support the growth and establishment of Singapore as a Regional Hub for Group Asset Management.

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

29 Credit Exposure Arising from Transactions with Connected Parties

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

	Group and Bank	
	As at 30 June 2015	As at 31 December 2014
Outstanding credit exposures with connected parties (RM'000)	57,883	109,914
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	1.44%	2.62%
Percentage of outstanding credit exposures to connected parties which is non-performing or in default	-	-

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

30 Changes in Profit for the Quarter

For the current financial quarter ended 30 June 2015, the Group recorded a pre-tax profit of RM28.9 million, an increase of 3.1% as compared to the pre-tax profit of RM28.1 million for the preceding quarter ended 31 March 2015. The higher profit was mainly due to higher other operating income by RM16.6 million, higher net interest income by RM1.9 million and higher impairment losses written back on other assets by RM0.5 million, partially offset with higher other operating expenses by RM9.3 million and lower allowance for impairment on loans, advances and other losses written back by RM8.9 million.

31 Performance Review

For the six months ended 30 June 2015, the Group recorded a pre-tax profit of RM57.0 million, 34.1% lower as compared to the previous corresponding six months ended 30 June 2014 of RM86.5 million. The decrease in profit of RM29.5 million was mainly due to higher other operating expenses by RM37.8 million, higher allowance for impairment on loans, advances and other losses by RM27.2 million and lower net interest income by RM13.9 million, partially offset with higher other operating income by RM40.9 million and higher impairment losses written back on other assets by RM8.5 million.

32 Prospects for 2015

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

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

33 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 June 2015</u>	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
<u>Financial assets</u>				
Financial assets FVTPL:	273,402	-	40,000	313,402
- quoted securities	273,402	-	-	273,402
- unquoted securities	-	-	40,000	40,000
Financial investments AFS:	43,745	4,361,621	179,674	4,585,040
- money market instruments	-	2,517,203	-	2,517,203
- quoted securities	43,745	-	-	43,745
- unquoted securities	-	1,844,418	179,674	2,024,092
Derivative assets				
- money market instruments	-	48,132	-	48,132
	<u>317,147</u>	<u>4,409,753</u>	<u>219,674</u>	<u>4,946,574</u>
<u>Financial liabilities</u>				
Derivative liabilities				
- money market instruments	<u>11,160</u>	<u>47,413</u>	<u>-</u>	<u>58,573</u>
<u>31 December 2014</u>				
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
<u>Group</u>				
<u>Financial assets</u>				
Financial assets FVTPL:	253,607	17,589	40,000	311,196
- quoted securities	253,607	-	-	253,607
- unquoted securities	-	17,589	40,000	57,589
Financial investments AFS:	44,274	3,649,637	123,896	3,817,807
- money market instruments	-	1,898,041	-	1,898,041
- quoted securities	44,274	-	-	44,274
- unquoted securities	-	1,751,596	123,896	1,875,492
Derivative assets				
- money market instruments	-	31,468	-	31,468
	<u>297,881</u>	<u>3,698,694</u>	<u>163,896</u>	<u>4,160,471</u>
<u>Financial liabilities</u>				
Derivative liabilities				
- money market instruments	<u>13,113</u>	<u>48,455</u>	<u>-</u>	<u>61,568</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

33 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)

30 June 2015	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Bank				
Financial assets				
Financial assets FVTPL:	41,580	-	40,000	81,580
- quoted securities	41,580	-	-	41,580
- unquoted securities	-	-	40,000	40,000
Financial investments AFS:	24,224	4,353,209	53,755	4,431,188
- money market instruments	-	2,517,203	-	2,517,203
- quoted securities	24,224	-	-	24,224
- unquoted securities	-	1,836,006	53,755	1,889,761
Derivative assets				
- money market instruments	-	48,132	-	48,132
	65,804	4,401,341	93,755	4,560,900
Financial liabilities				
Derivative liabilities				
- money market instruments	10,834	47,413	-	58,247
31 December 2014				
	Level 1	Level 2	Level 3	Total
	RM'000	RM'000	RM'000	RM'000
Bank				
Financial assets				
Financial assets FVTPL:	51,868	1	40,000	91,869
- quoted securities	51,868	-	-	51,868
- unquoted securities	-	1	40,000	40,001
Financial investments AFS:	24,649	3,560,428	51,602	3,636,679
- money market instruments	-	1,898,041	-	1,898,041
- quoted securities	24,649	-	-	24,649
- unquoted securities	-	1,662,387	51,602	1,713,989
Derivative assets				
- money market instruments	-	26,554	-	26,554
	76,517	3,586,983	91,602	3,755,102
Financial liabilities				
Derivative liabilities				
- money market instruments	11,836	48,444	-	60,280

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

33 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 and the Bank then determines fair value based upon valuation techniques that use 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.

Reconciliation of movements in Level 3 financial instruments

The following represents the changes in Level 3 instruments for the financial period/year ended 30 June 2015 and 31 December 2014 for the Group and the Bank:

	Financial assets FVTPL		Financial investments AFS	
	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
<u>Group</u>				
Balance as at the beginning of the financial period/year	40,000	41,845	123,896	154,620
Total gains recognised in other comprehensive income	-	-	1,864	29,225
Total gains/(losses) recognised in income statements				
- Other operating income	-	603	288	(29,006)
- Impairment losses made	-	-	(445)	(15,600)
- Reversal of impairment losses	-	-	-	4,616
Purchases	-	-	54,070	-
Settlements	-	(2,448)	-	(6,540)
Disposal	-	-	-	(3,459)
Transfer to loans and advances	-	-	-	(9,877)
Exchange differences	-	-	1	(83)
Balance as at the end of the financial period/year	40,000	40,000	179,674	123,896

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

33 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 June 2015 and 31 December 2014 for the Group and the Bank: (cont'd)

	Financial assets FVTPL		Financial investments AFS	
	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000	As at 30 June 2015 RM'000	As at 31 December 2014 RM'000
Bank				
Balance as at the beginning of the financial period/year	40,000	41,845	51,602	72,022
Total gains recognised in other comprehensive income	-	-	-	5,433
Total gains/(losses) recognised in income statements				
- Other operating income	-	603	289	1,535
- Impairment losses made	-	-	1,864	(15,600)
- Reversal of impairment losses	-	-	-	4,616
Settlements	-	(2,448)	-	(6,527)
Transfer to loans and advances	-	-	-	(9,877)
Balance as at the end of the financial period/year	40,000	40,000	53,755	51,602

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

34 Segment Reporting

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

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 covers 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.

Included in Investment Banking are Stockbroking and Investment Banking products and services to RHB regional customers in Singapore, Hong Kong, Indonesia and Thailand.

(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, as well as funding centre.

(c) Asset Management

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

34 Segment Reporting (cont'd)

Segment Profit and Loss for the Six Months Ended 30 June 2015

	Investment Banking	Treasury	Asset Management	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	341,283	44,088	112,059	-	497,430
Inter-segment revenue	13,441	-	-	(13,441)	-
Segment revenue	354,724	44,088	112,059	(13,441)	497,430
Overhead expenses	(347,621)	(16,006)	(93,907)	13,441	(444,093)
Including:					
Depreciation of property, plant and equipment	(11,901)	(724)	(543)	-	(13,168)
Amortisation of intangible assets	(10,091)	(1,055)	(127)	-	(11,273)
Allowance for impairment on loans, advances and other losses	(3,993)	-	84	-	(3,909)
Impairment losses written back on other assets	7,107	-	-	-	7,107
	10,217	28,082	18,236	-	56,535
Share of results of associates					334
Share of results of joint ventures					124
Profit before taxation					56,993
Taxation					(16,066)
Net profit for the financial period					40,927

Segment Assets and Liabilities As At 30 June 2015

	Investment Banking	Treasury	Asset Management	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	5,788,693	6,829,572	287,008	(1,613,437)	11,291,836
Goodwill	512,391	614,176	143,367	-	1,269,934
Investments in associates and joint ventures					26,676
Tax recoverable					17,246
Deferred tax assets					19,905
Total assets					12,625,597
Segment liabilities	2,534,275	6,008,511	189,153	(177,551)	8,554,388
Tax liabilities					9,134
Deferred tax liabilities					5,526
Borrowings					449,764
Subordinated obligations					548,751
Total liabilities					9,567,563

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2015 (cont'd)

34 Segment Reporting (cont'd)

Segment Profit and Loss for the Six Months Ended 30 June 2014

	Investment Banking	Treasury	Asset Management	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	357,454	32,833	80,154	-	470,441
Inter-segment revenue	14,476	-	-	(14,476)	-
Segment revenue	371,930	32,833	80,154	(14,476)	470,441
Overhead expenses	(340,889)	(8,630)	(71,258)	14,476	(406,301)
Including:					
Depreciation of property, plant and equipment	(9,254)	(107)	(1,775)	-	(11,136)
Amortisation of intangible assets	(9,487)	(990)	(259)	-	(10,736)
Allowance for impairment on loans, advances and other losses	23,278	-	(102)	-	23,176
Impairment losses written back on other assets	1,945	(3,363)	-	-	(1,418)
	56,264	20,840	8,794	-	85,898
Share of results of associates					430
Share of results of joint ventures					182
Profit before taxation					86,510
Taxation					(24,517)
Net profit for the financial period					61,993

Segment Assets and Liabilities As At 31 December 2014

	Investment Banking	Treasury	Asset Management	Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	5,058,695	7,369,894	265,131	(1,643,317)	11,050,403
Goodwill	512,391	614,176	143,367	-	1,269,934
Investments in associates and joint ventures					30,028
Tax recoverable					8,100
Deferred tax assets					30,276
Total assets					12,388,741
Segment liabilities	1,721,472	6,876,827	186,268	(179,211)	8,605,356
Tax liabilities					31,105
Deferred tax liabilities					5,755
Borrowings					239,213
Subordinated obligations					549,440
Total liabilities					9,430,869