

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015**

	Note	Group		Bank	
		As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
<b>ASSETS</b>					
Cash and short term funds		1,142,548	1,496,220	795,389	1,235,690
Deposits and placements with banks and other financial institutions		6,157	-	-	-
Financial assets at fair value through profit or loss ('FVTPL')	8	333,807	311,196	96,844	91,869
Financial investments available-for-sale ('AFS')	9	3,865,572	3,817,807	3,697,137	3,636,679
Financial investments held-to-maturity ('HTM')	10	616,326	761,347	616,326	761,347
Loans and advances	11	2,158,724	2,285,890	1,380,910	1,762,286
Clients' and brokers' balances	12	2,263,739	1,525,147	805,226	616,847
Other assets	13	335,075	479,579	208,288	341,410
Derivative assets		105,183	31,468	105,183	26,554
Statutory deposits		151,772	219,837	151,772	219,837
Tax recoverable		24,658	8,100	22,429	-
Deferred tax assets		28,834	30,276	20,561	23,891
Investments in subsidiaries		-	-	1,454,105	1,395,418
Investments in associates and joint ventures		28,861	30,028	20,391	20,391
Property, plant and equipment		67,322	67,899	31,024	33,684
Goodwill and intangible assets		1,322,963	1,323,947	1,146,013	1,148,137
<b>TOTAL ASSETS</b>		<b>12,451,541</b>	<b>12,388,741</b>	<b>10,551,598</b>	<b>11,314,040</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	14	1,398,496	2,678,520	1,412,206	2,692,879
Deposits and placements of banks and other financial institutions	15	3,885,327	3,967,796	3,943,886	4,027,322
Obligations on securities sold under repurchase agreements		395,281	18,910	395,281	-
Obligations on securities borrowed		52,165	113,781	52,165	113,781
Bills and acceptances payable		120,764	137,709	-	-
Clients' and brokers' balances		1,903,562	1,210,841	759,070	583,785
Other liabilities	16	410,270	416,231	203,410	249,448
Derivative liabilities		131,107	61,568	130,859	60,280
Tax liabilities		4,823	31,105	-	18,592
Deferred tax liabilities		5,553	5,755	-	-
Borrowings		468,240	239,213	-	-
Subordinated obligations		555,275	549,440	555,275	549,440
<b>TOTAL LIABILITIES</b>		<b>9,330,863</b>	<b>9,430,869</b>	<b>7,452,152</b>	<b>8,295,527</b>
Share capital		818,646	818,646	818,646	818,646
Reserves		2,294,841	2,132,442	2,280,800	2,199,867
		3,113,487	2,951,088	3,099,446	3,018,513
Non-controlling interests		7,191	6,784	-	-
<b>TOTAL EQUITY</b>		<b>3,120,678</b>	<b>2,957,872</b>	<b>3,099,446</b>	<b>3,018,513</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>12,451,541</b>	<b>12,388,741</b>	<b>10,551,598</b>	<b>11,314,040</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	24	4,350,311	6,546,581	3,313,207	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 NINE MONTHS ENDED 30 SEPTEMBER 2015**

<b>Group</b>	<b>Note</b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
		<b>30 September 2015</b>	<b>30 September 2014</b>	<b>30 September 2015</b>	<b>30 September 2014</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	17	91,590	110,644	289,125	322,760
Interest expense	18	(55,555)	(70,602)	(185,113)	(200,797)
Net interest income		36,035	40,042	104,012	121,963
Other operating income	19	249,637	314,489	679,090	703,009
Net income		285,672	354,531	783,102	824,972
Other operating expenses	20	(260,019)	(241,320)	(704,112)	(647,621)
Operating profit before allowances		25,653	113,211	78,990	177,351
Allowance (made)/written back for impairment on loans, advances and other losses	21	(4,066)	677	(7,975)	23,853
Impairment losses written back on other assets		43,594	1,842	50,701	424
		65,181	115,730	121,716	201,628
Share of results of associates		196	204	530	634
Share of results of joint ventures		113	20	237	202
<b>Profit before taxation</b>		<b>65,490</b>	<b>115,954</b>	<b>122,483</b>	<b>202,464</b>
Taxation		(21,814)	(9,374)	(37,880)	(33,891)
<b>Net profit for the financial period</b>		<b>43,676</b>	<b>106,580</b>	<b>84,603</b>	<b>168,573</b>
Profit attributable to:					
Owner of the Bank		43,548	100,174	84,024	158,919
Non-controlling interests		128	6,406	579	9,654
		43,676	106,580	84,603	168,573
Earnings per share (sen)					
- basic	22	5.3	12.2	10.3	19.4

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

<b>Group</b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2015</b>	<b>30 September 2014</b>	<b>30 September 2015</b>	<b>30 September 2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit for the financial period	<b>43,676</b>	106,580	<b>84,603</b>	168,573
Other comprehensive income in respect of:				
(i) Item that will not be reclassified to profit or loss:				
- Actuarial gain/(loss) on defined benefit plan of subsidiaries	<b>3</b>	(13)	<b>233</b>	1,247
(ii) Items that will be reclassified subsequently to profit or loss:				
- Currency translation differences	<b>90,995</b>	5,172	<b>134,232</b>	(440)
- Net investment hedge	<b>(51,196)</b>	-	<b>(51,196)</b>	-
- Unrealised net (loss)/gain on revaluation of financial investments AFS	<b>(27,840)</b>	16,125	<b>(4,971)</b>	12,587
- Net transfer to income statements on disposal or impairment of financial investments AFS	<b>276</b>	(2,033)	<b>(1,237)</b>	5,848
Income tax relating to components of other comprehensive loss/(income)	<b>6,730</b>	(3,440)	<b>1,464</b>	(6,405)
Other comprehensive income, net of tax, for the financial period	<b>18,968</b>	15,811	<b>78,525</b>	12,837
Total comprehensive income for the financial period	<b>62,644</b>	122,391	<b>163,128</b>	181,410
Total comprehensive income attributable to:				
Owner of the Bank	<b>62,380</b>	115,951	<b>162,386</b>	177,491
Non-controlling interests	<b>264</b>	6,440	<b>742</b>	3,919
	<b>62,644</b>	122,391	<b>163,128</b>	181,410

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**RHB INVESTMENT BANK BERHAD (19663-P)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED INCOME STATEMENTS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

<b>Bank</b>	<b>Note</b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
		<b>30 September 2015</b>	<b>30 September 2014</b>	<b>30 September 2015</b>	<b>30 September 2014</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	17	72,488	93,259	234,081	272,587
Interest expense	18	(52,723)	(66,386)	(175,133)	(191,986)
Net interest income		19,765	26,873	58,948	80,601
Other operating income	19	154,926	183,682	353,571	404,550
Net income		174,691	210,555	412,519	485,151
Other operating expenses	20	(132,679)	(137,211)	(338,658)	(352,771)
Operating profit before allowances		42,012	73,344	73,861	132,380
Allowance (made)/written back for impairment on loans, advances and other losses	21	(3,209)	725	(9,511)	24,076
Impairment losses written back on other assets		42,772	1,216	49,994	5,097
<b>Profit before taxation</b>		<b>81,575</b>	<b>75,285</b>	<b>114,344</b>	<b>161,553</b>
Taxation		(21,351)	(10,750)	(27,263)	(32,081)
<b>Net profit for the financial period</b>		<b>60,224</b>	<b>64,535</b>	<b>87,081</b>	<b>129,472</b>
Earnings per share (sen)					
- basic	22	7.4	7.9	10.6	15.8

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

<b>Bank</b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
	<b>30 September 2015</b>	<b>30 September 2014</b>	<b>30 September 2015</b>	<b>30 September 2014</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Net profit for the financial period	<b>60,224</b>	64,535	<b>87,081</b>	129,472
Other comprehensive (loss)/income in respect of: Items that will be reclassified subsequently to profit or loss:				
- Unrealised net (loss)/gain on revaluation of financial investments AFS	<b>(27,144)</b>	15,772	<b>(5,466)</b>	25,496
- Net transfer to income statements on disposal or impairment of financial investments AFS	<b>221</b>	(2,032)	<b>(2,204)</b>	5,849
Income tax relating to components of other comprehensive loss/(income)	<b>6,729</b>	(3,435)	<b>1,522</b>	(7,836)
Other comprehensive (loss)/income, net of tax, for the financial period	<b>(20,194)</b>	10,305	<b>(6,148)</b>	23,509
Total comprehensive income for the financial period	<b>40,030</b>	74,840	<b>80,933</b>	152,981

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**RHB INVESTMENT BANK BERHAD (19663-P)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

Attributable to the Equity Holders of the Bank

<u>Group</u>	<u>Share capital</u> RM'000	<u>Share premium</u> RM'000	<u>Statutory reserves</u> RM'000	<u>AFS reserves</u> RM'000	<u>Translation reserves</u> RM'000	<u>Regulatory reserves</u> RM'000	<u>Retained profits</u> RM'000	<u>Total</u> RM'000	<u>Non-controlling interests</u> RM'000	<u>Total</u> 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	-	-	-	-	-	-	84,024	84,024	579	84,603
Currency translation differences	-	-	-	(140)	134,152	-	-	134,012	220	134,232
Net investment hedge	-	-	-	-	(51,196)	-	-	(51,196)	-	(51,196)
Financial investments AFS:										
- Unrealised net loss on revaluation	-	-	-	(4,904)	-	-	-	(4,904)	(67)	(4,971)
- Net transfer to income statements on disposal or impairment	-	-	-	(1,245)	-	-	-	(1,245)	8	(1,237)
Income tax relating to components of other comprehensive loss/(income)	-	-	-	1,522	-	-	(57)	1,465	(1)	1,464
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	-	230	230	3	233
Other comprehensive (loss)/income, net of tax, for the financial period	-	-	-	(4,767)	82,956	-	173	78,362	163	78,525
Total comprehensive (loss)/income for the financial period	-	-	-	(4,767)	82,956	-	84,197	162,386	742	163,128
Transfer to regulatory reserves	-	-	-	-	-	23,193	(23,193)	-	-	-
Dividend paid to non-controlling interest	-	-	-	-	-	-	-	-	(322)	(322)
Accretion of interest in a subsidiary	-	-	-	-	-	-	13	13	(13)	-
<b>Balance as at 30 September 2015</b>	<b>818,646</b>	<b>1,515,150</b>	<b>406,545</b>	<b>(1,459)</b>	<b>117,928</b>	<b>23,193</b>	<b>233,484</b>	<b>3,113,487</b>	<b>7,191</b>	<b>3,120,678</b>

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**RHB INVESTMENT BANK BERHAD (19663-P)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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>
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	-	-	-	-	-	158,919	158,919	9,654	168,573
Currency translation differences	-	-	-	(115)	1,073	(6)	952	(1,392)	(440)
Financial investments AFS:									
- Unrealised net gain/(loss) on revaluation	-	-	-	17,789	-	-	17,789	(5,202)	12,587
- Net transfer to income statements on disposal or impairment	-	-	-	5,848	-	-	5,848	-	5,848
Income tax relating to components of other comprehensive (income)/loss	-	-	-	(6,943)	-	(309)	(7,252)	847	(6,405)
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	1,235	1,235	12	1,247
Other comprehensive income/(loss), net of tax, for the financial period	-	-	-	16,579	1,073	920	18,572	(5,735)	12,837
Total comprehensive income for the financial period	-	-	-	16,579	1,073	159,839	177,491	3,919	181,410
Transfer to statutory reserves	-	-	32,470	-	-	(32,470)	-	-	-
Disposal of a subsidiary	-	-	-	-	1,708	(1,708)	-	-	-
Dividend paid	-	-	-	-	-	(14,200)	(14,200)	-	(14,200)
Accretion of interest in a subsidiary	-	-	-	-	-	100	100	(100)	-
<b>Balance as at 30 September 2014</b>	<b>818,646</b>	<b>1,515,150</b>	<b>311,019</b>	<b>(9,369)</b>	<b>(19,987)</b>	<b>318,295</b>	<b>2,933,754</b>	<b>195,167</b>	<b>3,128,921</b>

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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 NINE MONTHS ENDED 30 SEPTEMBER 2015**

	Non-Distributable					Distributable	Total
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	
<b>Bank</b>							
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	-	-	-	-	-	87,081	87,081
Financial investments AFS:							
- Unrealised net loss on revaluation	-	-	-	(5,466)	-	-	(5,466)
- Net transfer to income statements on disposal or impairment	-	-	-	(2,204)	-	-	(2,204)
Income tax relating to components of other comprehensive loss	-	-	-	1,522	-	-	1,522
Other comprehensive loss, net of tax, for the financial period	-	-	-	(6,148)	-	-	(6,148)
Total comprehensive (loss)/income for the financial period	-	-	-	(6,148)	-	87,081	80,933
Transfer to regulatory reserves	-	-	-	-	13,640	(13,640)	-
<b>Balance as at 30 September 2015</b>	<b>818,646</b>	<b>1,515,150</b>	<b>406,544</b>	<b>(18,081)</b>	<b>13,640</b>	<b>363,547</b>	<b>3,099,446</b>

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

	Non-Distributable			Distributable		Total
	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
<b>Bank</b>						
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	-	-	-	-	129,472	129,472
Financial investments AFS:						
- Unrealised net gain on revaluation	-	-	-	25,496	-	25,496
- Net transfer to income statements on disposal or impairment	-	-	-	5,849	-	5,849
Income tax relating to components of other comprehensive income	-	-	-	(7,836)	-	(7,836)
Other comprehensive income, net of tax, for the financial period	-	-	-	23,509	-	23,509
Total comprehensive income for the financial period	-	-	-	23,509	129,472	152,981
Transfer to statutory reserves	-	-	32,469	-	(32,469)	-
Dividend paid	-	-	-	-	(14,200)	(14,200)
<b>Balance as at 30 September 2014</b>	<b>818,646</b>	<b>1,515,150</b>	<b>311,018</b>	<b>(9,001)</b>	<b>259,113</b>	<b>2,894,926</b>

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

	Nine Months Ended	
	<u>30 September 2015</u>	<u>30 September 2014</u>
	RM'000	RM'000
<b>Group</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	122,483	202,464
Adjustments for non-cash items	(295,383)	(193,488)
Operating (loss)/profit before working capital changes	<u>(172,900)</u>	<u>8,976</u>
Changes in working capital:		
Net changes in operating assets	(465,417)	453,407
Net changes in operating liabilities	(289,089)	(711,653)
Cash used in operations	<u>(927,406)</u>	<u>(249,270)</u>
Taxation (paid)/refunded	(78,060)	1,599
Net cash used in operating activities	<u>(1,005,466)</u>	<u>(247,671)</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net disposal/(purchase) of financial investments AFS and HTM	266,087	(122,188)
Interest received from financial investments AFS and HTM	138,262	149,263
Property, plant and equipment:		
- Purchase	(15,411)	(16,707)
- Proceeds from disposal	841	100
Intangible assets:		
- Purchase	(14,307)	(6,443)
Dividend income received	14,857	5,535
Dividend income received from an associate	4,606	-
Net cash inflow from disposal of a subsidiary	-	265
Net cash inflow from disposal of an associate	-	9,070
Net cash generated from investing activities	<u>394,935</u>	<u>18,895</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Net drawdown of borrowings	229,027	160,456
Dividend paid to shareholder	-	(14,200)
Dividend paid to non-controlling interest	(322)	-
Net cash generated from financing activities	<u>228,705</u>	<u>146,256</u>
Net decrease in cash and cash equivalents	(381,826)	(82,520)
Effects of exchange rate differences	28,154	(1,011)
Cash and cash equivalents		
- at the beginning of the financial period	1,496,220	1,065,190
- at the end of the financial period	<u>1,142,548</u>	<u>981,659</u>
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>		
Cash and short-term funds	<u>1,142,548</u>	<u>981,659</u>

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015**

	Nine Months Ended	
	30 September 2015	30 September 2014
	RM'000	RM'000
<b>Bank</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	114,344	161,553
Adjustments for non-cash items	(299,020)	(188,614)
Operating loss before working capital changes	(184,676)	(27,061)
Changes in working capital:		
Net changes in operating assets	300,140	151,691
Net changes in operating liabilities	(874,155)	(295,312)
Cash used in operations	(758,691)	(170,682)
Taxation (paid)/refunded	(63,438)	9,659
Net cash used in operating activities	(822,129)	(161,023)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net disposal/(purchase) of financial investments AFS and HTM	251,473	(31,423)
Interest received from financial investments AFS and HTM	135,861	144,906
Property, plant and equipment:		
- Purchase	(6,761)	(6,596)
- Proceeds from disposal	247	-
Intangible assets:		
- Purchase	(10,969)	(3,154)
Dividend income received	466	1,038
Dividend income received from subsidiaries	15,322	12,500
Dividend income received from an associate	4,606	-
Additional investments in subsidiaries	(8,417)	(10,410)
Proceeds from disposal of a subsidiary	-	6,532
Proceeds from disposal of an associate	-	9,070
Net cash generated from investing activities	381,828	122,463
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Dividend paid to shareholder	-	(14,200)
Net cash used in financing activities	-	(14,200)
Net decrease in cash and cash equivalents	(440,301)	(52,760)
Cash and cash equivalents		
- at the beginning of the financial period	1,235,690	793,935
- at the end of the financial period	795,389	741,175
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>		
Cash and short-term funds	795,389	741,175

*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 NINE MONTHS ENDED 30 SEPTEMBER 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 subject 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 Unusual Items**

There were no exceptional or unusual items for the nine months ended 30 September 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 nine months ended 30 September 2015.

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 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 nine months ended 30 September 2015.

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

8 Financial Assets at Fair Value Through Profit or Loss

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
(a) Designated as fair value through profit or loss	58,032	-	-	-
(b) Held-for-trading	275,775	311,196	96,844	91,869
	<b>333,807</b>	<b>311,196</b>	<b>96,844</b>	<b>91,869</b>

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

**At fair value**

**Quoted securities:**

**In Malaysia**

Unit trusts	58,032	-	-	-
<b>Total financial assets designated through profit or loss</b>	<b>58,032</b>	<b>-</b>	<b>-</b>	<b>-</b>

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

**Money market instruments:**

Malaysian Government Securities	3	-	3	-
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**Quoted securities:**

**In Malaysia**

Shares and exchange traded funds	48,380	43,501	48,380	43,501
Unit trusts	-	56,483	-	-

**Outside Malaysia**

Shares and warrants	187,333	144,106	8,402	8,367
Unit trusts	-	9,517	-	-

**Unquoted securities:**

**In Malaysia**

Private debt securities	40,036	40,001	40,036	40,001
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**Outside Malaysia**

Private debt securities	23	17,588	23	-
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**Total financial assets held-for-trading**

	<b>275,775</b>	<b>311,196</b>	<b>96,844</b>	<b>91,869</b>
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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 September 2015 were as follows:

	<b>Group and Bank</b>	
	<b>As at</b>	<b>As at</b>
	<b>30 September 2015</b>	<b>31 December 2014</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Reclassified from financial assets FVTPL to financial investments AFS</u>		
- Carrying value	<b>30,255</b>	29,823
- Fair value	<b>29,993</b>	29,450
	<hr/> <hr/>	<hr/> <hr/>
Fair value loss that would have been recognised if the financial assets FVTPL had not been reclassified	<b>(262)</b>	(373)
	<hr/> <hr/>	<hr/> <hr/>

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

9 Financial Investments Available-for-sale

At fair value	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
<b>Money market instruments:</b>				
Malaysian Government Securities	372,972	428,546	372,972	428,546
Malaysian Government Investment Issues	414,690	553,952	414,690	553,952
Cagamas bonds	35,275	75,168	35,275	75,168
Khazanah bonds	51,171	49,838	51,171	49,838
Negotiable instruments of deposits	295,596	649,516	295,596	649,516
Bankers' acceptances	345,039	73,627	345,039	73,627
Sukuk Perumahan Kerajaan Bonds ('SPK')	67,945	67,394	67,945	67,394
<b>Quoted securities:</b>				
<b>In Malaysia</b>				
Shares and warrants	40	47	9	9
Unit trusts	14,197	12,976	-	-
<b>Outside Malaysia</b>				
Shares and warrants	1,587	1,588	-	-
Unit trusts	27,714	29,663	23,190	24,640
<b>Unquoted securities:</b>				
<b>In Malaysia</b>				
Private and Islamic debt securities	1,283,837	1,447,870	1,283,837	1,447,870
Shares	166,707	97,491	27,767	25,903
Loan stocks	14,849	14,418	14,849	14,418
Prasarana bonds	24,611	35,185	24,611	35,185
<b>Outside Malaysia</b>				
Private and Islamic debt securities	892,126	440,952	883,253	351,742
Shares	283	251	-	-
Loan stocks	-	2,151	-	-
	<b>4,008,639</b>	<b>3,980,633</b>	<b>3,840,204</b>	<b>3,797,808</b>
Accumulated impairment losses	<b>(143,067)</b>	<b>(162,826)</b>	<b>(143,067)</b>	<b>(161,129)</b>
	<b>3,865,572</b>	<b>3,817,807</b>	<b>3,697,137</b>	<b>3,636,679</b>

Included in financial investments AFS of the Group and the Bank are private debt securities outside Malaysia, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM423,555,000 and RM423,555,000 (31.12.2014: RM20,484,000 and RMNil) respectively.



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

10 Financial Investments Held-to-maturity

	Group and Bank	
	As at 30 September 2015	As at 31 December 2014
At amortised cost	RM'000	RM'000
<b>Money market instruments:</b>		
Malaysian Government Securities	20,186	20,445
Malaysian Government Investment Issues	350,720	455,786
Khazanah bonds	10,586	10,281
Wakala Global Sukuk	9,288	7,502
<b>Unquoted Securities:</b>		
<b>In Malaysia</b>		
Private and Islamic debt securities	238,689	277,281
Credit link notes	45,058	45,058
Bonds	23	23
Loan stocks	28,760	31,837
Prasarana bonds	40,847	40,473
<b>Outside Malaysia</b>		
Private and Islamic debt securities	624	16,082
Credit link notes	-	17,891
	<b>744,781</b>	922,659
Accumulated impairment losses	<b>(128,455)</b>	(161,312)
	<b>616,326</b>	761,347

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)**

**11 Loans and Advances**

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
<b>At amortised cost</b>				
Term Loans				
- syndicated term loans	47,495	44,767	47,495	44,767
- other term loans	564,706	887,670	411,222	826,106
Share margin financing	1,563,298	1,370,319	891,693	835,697
Revolving credits	-	-	43,988	69,949
Staff loans	1,013	1,579	1,013	1,579
Gross loans and advances	<u>2,176,512</u>	<u>2,304,335</u>	<u>1,395,411</u>	<u>1,778,098</u>
Allowance for impaired loans and advances				
- individual impairment allowance	(15,044)	(7,557)	(11,534)	(4,924)
- collective impairment allowance	(2,744)	(10,888)	(2,967)	(10,888)
Net loans and advances	<u>2,158,724</u>	<u>2,285,890</u>	<u>1,380,910</u>	<u>1,762,286</u>

**(i) By type of customer**

Domestic business enterprises				
- small and medium enterprises	111,632	25,083	111,632	25,083
- others	535,091	882,429	535,091	882,429
Individuals	597,864	553,437	597,864	553,437
Foreign entities	931,925	843,386	150,824	317,149
	<u>2,176,512</u>	<u>2,304,335</u>	<u>1,395,411</u>	<u>1,778,098</u>

**(ii) By geographical distribution**

In Malaysia	1,351,423	1,708,149	1,395,411	1,778,098
Outside Malaysia				
- Singapore operations	234,769	281,384	-	-
- Hong Kong operations	350,971	143,844	-	-
- Indonesia operations	18,676	7,209	-	-
- Thailand operations	220,673	163,749	-	-
	<u>2,176,512</u>	<u>2,304,335</u>	<u>1,395,411</u>	<u>1,778,098</u>

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

11 Loans and Advances (cont'd)

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
<b>(iii) By interest rate sensitivity</b>				
Fixed rate				
- other fixed rate loans	1,485,052	1,797,324	1,146,210	1,498,107
Variable rate				
- cost plus	171,667	170,496	215,655	240,445
- base lending rate plus	519,793	336,515	33,546	39,546
	<b>2,176,512</b>	<b>2,304,335</b>	<b>1,395,411</b>	<b>1,778,098</b>
<b>(iv) By purpose</b>				
Purchase of securities	2,044,304	2,074,889	1,219,215	1,478,703
Purchase of transport vehicles	79	128	79	128
Purchase of landed property:				
- residential	937	1,454	937	1,454
- non-residential	63,703	162,999	63,703	162,999
Construction	15,064	15,047	15,064	15,047
Working capital	-	-	43,988	69,949
Other purpose	52,425	49,818	52,425	49,818
	<b>2,176,512</b>	<b>2,304,335</b>	<b>1,395,411</b>	<b>1,778,098</b>
<b>(v) By remaining contractual maturities</b>				
Maturity within one year	2,049,241	1,902,086	1,268,140	1,375,849
One year to three years	77,546	354,590	77,546	354,590
Three years to five years	49,031	16,777	49,031	16,777
Over five years	694	30,882	694	30,882
	<b>2,176,512</b>	<b>2,304,335</b>	<b>1,395,411</b>	<b>1,778,098</b>

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

11 Loans and Advances (cont'd)

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
<b>(vi) Impaired Loans and Advances</b>				
<b>(a) Movements in impaired loans and advances</b>				
Balance as at the beginning of the financial period/year	162,785	78,915	160,151	78,915
Classified as impaired	52,098	203,144	51,360	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	(82,807)	(110,187)	(82,441)	(110,187)
Amount written off	-	(2,210)	-	(874)
Exchange differences	505	1	-	-
Balance as at the end of the financial period/year	<u>117,509</u>	<u>162,785</u>	<u>113,998</u>	<u>160,151</u>
<b>(b) By purpose</b>				
Purchase of securities	33,819	88,863	30,308	86,229
Purchase of landed property:				
- Non-residential	63,703	68,999	63,703	68,999
Construction	15,064	-	15,064	-
Other purpose	4,923	4,923	4,923	4,923
	<u>117,509</u>	<u>162,785</u>	<u>113,998</u>	<u>160,151</u>
<b>(c) By geographical distribution</b>				
In Malaysia	113,998	160,151	113,998	160,151
Outside Malaysia:				
- Singapore operations	3,078	2,634	-	-
- Hong Kong operations	433	-	-	-
	<u>117,509</u>	<u>162,785</u>	<u>113,998</u>	<u>160,151</u>
<b>(d) Movements in allowance for impaired loans and advances</b>				
<b>Individual impairment allowance</b>				
Balance as at the beginning of the financial period/year	7,557	29,592	4,924	29,592
Net allowance made/ (written back)	6,982	(50,031)	6,610	(54,000)
Transfer from financial investments AFS	-	29,666	-	29,666
Amount written off	-	(1,671)	-	(334)
Exchange differences	505	1	-	-
Balance as at the end of the financial period/year	<u>15,044</u>	<u>7,557</u>	<u>11,534</u>	<u>4,924</u>

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

11 Loans and Advances (cont'd)

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
<b>(vi) Impaired Loans and Advances (cont'd)</b>				
<b>(d) Movements in allowance for impaired loans and advances (cont'd)</b>				
<b>Collective impairment allowance</b>				
Balance as at the beginning of the financial period/year	10,888	7,629	10,888	7,629
Net allowance (written back)/made	<u>(8,144)</u>	<u>3,259</u>	<u>(7,921)</u>	<u>3,259</u>
Balance as at the end of the financial period/year	<u><u>2,744</u></u>	<u><u>10,888</u></u>	<u><u>2,967</u></u>	<u><u>10,888</u></u>

12 Clients' and Brokers' Balances

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Amounts owing by clients	888,671	828,187	327,063	330,040
Allowance for impairment balances:				
- individual impairment allowance	(35,619)	(35,505)	(5,474)	(6,518)
- collective impairment allowance	<u>(5,327)</u>	<u>(6,142)</u>	<u>(2,471)</u>	<u>(4,700)</u>
	<u>847,725</u>	<u>786,540</u>	<u>319,118</u>	<u>318,822</u>
Amounts owing by brokers	915,133	522,266	323,839	232,261
Allowance for impairment balances:				
- individual impairment allowance	(1,329)	(1,309)	(1,329)	(1,309)
	<u>913,804</u>	<u>520,957</u>	<u>322,510</u>	<u>230,952</u>
Amounts owing by clearing houses and stock exchanges	502,210	217,650	163,598	67,073
	<u><u>2,263,739</u></u>	<u><u>1,525,147</u></u>	<u><u>805,226</u></u>	<u><u>616,847</u></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	(2,606)	(1,198)	957	5,266
Amount written off	(2,127)	(1,036)	(1,981)	-
Exchange differences	4,867	733	-	-
Balance as at the end of the financial period/year	<u><u>36,948</u></u>	<u><u>36,814</u></u>	<u><u>6,803</u></u>	<u><u>7,827</u></u>

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

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

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
<b>Collective impairment allowance</b>				
Balance as at the beginning of the financial period/year	6,142	4,175	4,700	4,175
Net allowance (written back)/made	(1,058)	1,967	(2,229)	525
Exchange differences	243	-	-	-
Balance as at the end of the financial period/year	<u>5,327</u>	<u>6,142</u>	<u>2,471</u>	<u>4,700</u>

13 Other Assets

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
Other debtors	86,537	205,807	47,004	140,595
Collateral pledged for derivative transactions	80,485	58,679	80,485	58,679
Amount receivable for release of units due from funds	46,569	39,312	-	-
Deposits	42,433	37,372	7,031	6,998
Prepayments	22,815	18,635	8,096	8,662
Amount due from reverse repo transactions	52,050	115,092	52,050	115,092
Transferable memberships	348	330	262	262
Amount due from holding company	31	1,731	-	1,698
Amount due from subsidiaries	-	-	12,669	9,312
Amount due from related companies	3,807	2,621	691	112
	<u>335,075</u>	<u>479,579</u>	<u>208,288</u>	<u>341,410</u>

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

14 Deposits from Customers

	Group		Bank	
	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
<b>(i) By type of deposits</b>				
Short term deposits	595,182	499,956	608,892	501,909
Fixed/investment deposits	794,272	2,148,809	794,272	2,161,215
Negotiable instruments of deposits	9,042	29,755	9,042	29,755
	<u>1,398,496</u>	<u>2,678,520</u>	<u>1,412,206</u>	<u>2,692,879</u>
<b>(ii) By type of customers</b>				
Government and statutory bodies	221,467	547,059	221,467	547,059
Business enterprises	1,155,988	2,033,055	1,169,698	2,047,414
Individuals	21,041	98,406	21,041	98,406
	<u>1,398,496</u>	<u>2,678,520</u>	<u>1,412,206</u>	<u>2,692,879</u>
<b>(iii) By maturity structure of fixed/ investment deposits and negotiable instruments of deposits</b>				
Due within six months	1,355,082	2,633,323	1,368,792	2,647,682
Six months to one year	43,314	38,816	43,314	38,816
One year to three years	100	6,381	100	6,381
	<u>1,398,496</u>	<u>2,678,520</u>	<u>1,412,206</u>	<u>2,692,879</u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)**

**15 Deposits and Placements of Banks and Other Financial Institutions**

	Group		Bank	
	As at 30 September 2015	As at 31 December 2014	As at 30 September 2015	As at 31 December 2014
	RM'000	RM'000	RM'000	RM'000
Licensed banks	2,246,287	675,629	2,246,287	675,629
Licensed investment banks	150,175	120,142	150,175	120,142
Bank Negara Malaysia	31,008	-	31,008	-
Other financial institutions	1,457,857	3,172,025	1,516,416	3,231,551
	<b>3,885,327</b>	<b>3,967,796</b>	<b>3,943,886</b>	<b>4,027,322</b>

**16 Other Liabilities**

	Group		Bank	
	As at 30 September 2015	As at 31 December 2014	As at 30 September 2015	As at 31 December 2014
	RM'000	RM'000	RM'000	RM'000
Other creditors and accruals	138,267	123,605	48,958	77,711
Short-term employee benefits	98,336	157,759	55,061	100,346
Career Transition Scheme	28,498	-	24,078	-
Remisiers' trust deposits	61,633	59,480	61,633	59,480
Amount payable for creation of units due to funds	23,843	44,268	-	-
Amount payable for redemption units	30,273	20,660	-	-
Amount due to subsidiaries	-	-	4,446	6,044
Amount due to related companies	29,420	10,459	9,234	5,867
	<b>410,270</b>	<b>416,231</b>	<b>203,410</b>	<b>249,448</b>



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

	3rd Quarter Ended		Nine Months Ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
<b>17 Interest Income</b>				
<b>Group</b>				
Loans and advances	36,969	47,243	111,815	138,634
Money at call and deposits and placements with banks and other financial institutions	8,784	11,050	27,922	26,162
Financial assets FVTPL	613	1,358	1,147	13,729
Financial investments available-for-sale	35,628	39,304	117,073	108,920
Financial investments held-to-maturity	5,850	7,553	19,239	24,993
Others	3,746	4,136	11,929	10,322
	<u>91,590</u>	<u>110,644</u>	<u>289,125</u>	<u>322,760</u>
Of which:				
Interest income accrued on impaired loans and advances	<u>2,297</u>	<u>2,066</u>	<u>7,106</u>	<u>4,967</u>
<b>Bank</b>				
Loans and advances	23,277	35,830	74,597	103,999
Money at call and deposits and placements with banks and other financial institutions	6,972	9,927	22,606	22,297
Financial assets FVTPL	567	1,241	661	13,606
Financial investments available-for-sale	35,428	37,555	114,672	104,563
Financial investments held-to-maturity	5,850	7,553	19,239	24,993
Others	394	1,153	2,306	3,129
	<u>72,488</u>	<u>93,259</u>	<u>234,081</u>	<u>272,587</u>
Of which:				
Interest income accrued on impaired loans and advances	<u>2,297</u>	<u>2,066</u>	<u>7,106</u>	<u>4,967</u>
<b>18 Interest Expense</b>				
<b>Group</b>				
Deposits and placements of banks and other financial institutions	31,686	36,300	102,551	112,423
Deposits from customers	13,842	24,805	50,052	64,046
Subordinated obligations	6,523	4,761	20,956	14,035
Borrowings	3,077	4,323	9,929	9,329
Others	427	413	1,625	964
	<u>55,555</u>	<u>70,602</u>	<u>185,113</u>	<u>200,797</u>
<b>Bank</b>				
Deposits and placements of banks and other financial institutions	31,686	36,300	102,551	112,423
Deposits from customers	14,514	25,325	51,626	65,528
Subordinated obligations	6,523	4,761	20,956	14,035
	<u>52,723</u>	<u>66,386</u>	<u>175,133</u>	<u>191,986</u>

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

	3rd Quarter Ended		Nine Months Ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
<b>19 Other Operating Income</b>				
<b>Group</b>				
a) Fee Income				
- Arrangement fees and underwriting	16,554	38,141	36,345	58,005
- Service charges and fees	1,535	2,253	4,985	4,120
- Commission	79	(200)	288	(98)
- Net brokerage income	80,200	97,848	254,566	270,981
- Unit trust fee income	15,153	16,962	51,558	36,288
- Corporate advisory fees	12,402	23,856	36,754	53,826
- Fund management fees	35,312	29,613	93,505	81,133
- Placement fees	7,111	12,788	30,676	17,471
- Rollover fees	1,880	1,591	7,552	7,202
- Other fee income	9,254	19,633	35,894	66,343
	<b>179,480</b>	<b>242,485</b>	<b>552,123</b>	<b>595,271</b>
b) Net (loss)/gain arising from financial assets FVTPL				
- net (loss)/gain on disposal	(13,054)	24,006	(9,583)	42,283
- net (loss)/gain on revaluation	(212)	4,510	5,867	1,349
- gross dividend income	4,100	1,782	13,845	3,906
	<b>(9,166)</b>	<b>30,298</b>	<b>10,129</b>	<b>47,538</b>
c) Net gain arising from derivatives				
- net gain/(loss) on disposal	26,030	12,638	4,694	(4,548)
- net (loss)/gain on revaluation	(7,568)	(8,715)	8,766	8,669
	<b>18,462</b>	<b>3,923</b>	<b>13,460</b>	<b>4,121</b>
d) Net gain/(loss) arising from financial investments AFS				
- net gain/(loss) on disposal	379	3,758	4,178	(5,821)
- gross dividend income	67	926	1,012	1,629
	<b>446</b>	<b>4,684</b>	<b>5,190</b>	<b>(4,192)</b>
e) Net gain arising from financial investments held-to-maturity				
- net gain on redemption	-	271	21	274
f) Other income				
- Net foreign exchange (loss)/gain				
- realised	(20,196)	12,967	(59,481)	26,972
- unrealised	70,707	(1,948)	120,684	(2,178)
- Gain on disposal of property, plant and equipment	285	-	263	5
- Gain on disposal of an associate	-	8,202	-	8,202
- Loss on disposal of a subsidiary	-	-	-	(247)
- Other operating income	9,310	12,907	35,098	25,714
- Other non-operating income	309	700	1,603	1,529
	<b>60,415</b>	<b>32,828</b>	<b>98,167</b>	<b>59,997</b>
	<b>249,637</b>	<b>314,489</b>	<b>679,090</b>	<b>703,009</b>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
<b>19 Other Operating Income (cont'd)</b>				
<b>Bank</b>				
a) Fee Income				
- Arrangement fees and underwriting	11,678	33,783	27,660	45,531
- Service charges and fees	2	1,048	161	1,376
- Commission	396	523	1,454	1,292
- Net brokerage income	46,762	65,164	147,201	181,440
- Corporate advisory fees	9,404	6,547	23,761	22,632
- Placement fees	5,190	4,027	19,664	8,079
- Rollover fees	1,823	1,588	5,373	4,556
- Other fee income	5,660	17,039	14,425	57,171
	<b>80,915</b>	<b>129,719</b>	<b>239,699</b>	<b>322,077</b>
b) Net (loss)/gain arising from financial assets FVTPL				
- net (loss)/gain on disposal	(909)	18,178	(9,349)	25,928
- net gain/(loss) on revaluation	357	802	7,753	(8,181)
- gross dividend income	43	315	159	940
	<b>(509)</b>	<b>19,295</b>	<b>(1,437)</b>	<b>18,687</b>
c) Net gain arising from derivatives				
- net gain/(loss) on disposal	9,894	14,692	(9,073)	3,494
- net (loss)/gain on revaluation	(7,076)	(6,245)	10,896	11,919
	<b>2,818</b>	<b>8,447</b>	<b>1,823</b>	<b>15,413</b>
d) Net gain/(loss) arising from financial investments AFS				
- net gain/(loss) on disposal	70	3,758	4,164	(5,821)
- gross dividend income	-	-	307	98
	<b>70</b>	<b>3,758</b>	<b>4,471</b>	<b>(5,723)</b>
e) Net gain arising from financial investments held-to-maturity				
- net gain on redemption	-	271	21	274
f) Gross dividend income from subsidiaries				
- in Malaysia	15,000	-	15,322	12,500
g) Gross dividend income from an associate				
- in Malaysia	-	-	4,606	-

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

	3rd Quarter Ended		Nine Months Ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
<b>19 Other Operating Income (cont'd)</b>				
<b>Bank</b>				
h) Other income				
- Net foreign exchange (loss)/gain				
- realised	(21,852)	11,273	(62,702)	24,763
- unrealised	71,244	(482)	121,426	(888)
- Gain on disposal of property, plant and equipment	233	-	233	-
- Loss on disposal of an associate	-	(3)	-	(3)
- Loss on disposal of a subsidiary	-	-	-	(2,696)
- Rental income	-	59	31	149
- Other operating income	7,007	11,345	30,078	19,997
	<b>56,632</b>	<b>22,192</b>	<b>89,066</b>	<b>41,322</b>
	<b>154,926</b>	<b>183,682</b>	<b>353,571</b>	<b>404,550</b>

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

	3rd Quarter Ended		Nine Months Ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
<b>20 Other Operating Expenses</b>				
<b>Group</b>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	96,542	101,181	283,466	287,030
- Defined contribution plan	10,196	12,437	27,825	33,867
- Career Transition Scheme	28,498	-	28,498	-
- Other staff related costs	12,547	18,518	36,567	42,397
	<b>147,783</b>	<b>132,136</b>	<b>376,356</b>	<b>363,294</b>
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	5,949	5,783	19,117	16,919
- written off	1	13	16	137
- Amortisation of intangible assets	4,892	5,272	16,165	16,008
- Information technology expenses	10,566	7,805	26,870	19,663
- Security and escorting charges	170	209	558	543
- Repair and maintenance	1,918	2,069	4,881	7,262
- Rental of premises	12,287	10,454	35,511	31,192
- Water and electricity	1,939	2,028	5,325	5,439
- Rental of equipment	1,439	1,273	4,253	3,374
- Insurance	1,847	1,767	5,223	4,820
- Others	3,398	3,599	10,258	11,047
	<b>44,406</b>	<b>40,272</b>	<b>128,177</b>	<b>116,404</b>
<u>Marketing expenses</u>				
- Advertisements and publicity	2,716	3,336	8,620	7,201
- Sales commission	14,350	19,932	56,965	42,571
- Others	12,695	17,328	38,219	40,039
	<b>29,761</b>	<b>40,596</b>	<b>103,804</b>	<b>89,811</b>
<u>Administration and general expenses</u>				
- Communication expenses	15,127	11,074	41,017	36,062
- Legal and professional fees	1,176	1,183	5,505	4,744
- Others	21,766	16,059	49,253	37,306
	<b>38,069</b>	<b>28,316</b>	<b>95,775</b>	<b>78,112</b>
	<b>260,019</b>	<b>241,320</b>	<b>704,112</b>	<b>647,621</b>

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

	3rd Quarter Ended		Nine Months Ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
<b>20 Other Operating Expenses (cont'd)</b>				
<b>Bank</b>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	45,485	59,915	133,563	159,447
- Defined contribution plan	6,969	9,489	18,102	24,821
- Career Transition Scheme	24,078	-	24,078	-
- Other staff related costs	8,155	15,176	22,262	30,277
	<b>84,687</b>	<b>84,580</b>	<b>198,005</b>	<b>214,545</b>
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	2,733	3,004	9,404	8,403
- written off	-	12	3	12
- Amortisation of intangible assets	4,167	4,308	13,093	13,181
- Information technology expenses	7,632	5,251	19,401	12,762
- Security and escorting charges	69	151	263	311
- Repair and maintenance	860	1,317	2,180	5,039
- Rental of premises	4,968	5,046	14,885	14,955
- Water and electricity	1,427	1,548	3,859	4,062
- Rental of equipment	476	533	1,392	1,155
- Insurance	1,277	1,209	3,634	3,371
- Others	1,529	2,154	4,846	6,579
	<b>25,138</b>	<b>24,533</b>	<b>72,960</b>	<b>69,830</b>
<u>Marketing expenses</u>				
- Advertisements and publicity	2,052	2,151	4,725	4,541
- Sales commission	1,286	9,949	11,582	12,635
- Others	2,145	2,635	6,880	7,856
	<b>5,483</b>	<b>14,735</b>	<b>23,187</b>	<b>25,032</b>
<u>Administration and general expenses</u>				
- Communication expenses	7,098	4,582	18,327	16,266
- Legal and professional fees	312	718	2,544	1,938
- Others	9,961	8,063	23,635	25,160
	<b>17,371</b>	<b>13,363</b>	<b>44,506</b>	<b>43,364</b>
	<b>132,679</b>	<b>137,211</b>	<b>338,658</b>	<b>352,771</b>

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

	3rd Quarter Ended		Nine Months Ended	
	30 September 2015	30 September 2014	30 September 2015	30 September 2014
	RM'000	RM'000	RM'000	RM'000
<b>21 Allowance for Impairment on Loans, Advances and Other Losses</b>				
<b>Group</b>				
Individual impairment allowance (made)/written back	(5,461)	4,193	(6,982)	26,820
Collective impairment allowance written back/(made)	6,088	1,859	8,144	(42)
Bad debts written off	(84)	(45)	(123)	(380)
Bad debts recovered	75	47	141	106
Allowance made for impairment on other debtors	(4,684)	(5,377)	(9,155)	(2,651)
	<b>(4,066)</b>	<b>677</b>	<b>(7,975)</b>	<b>23,853</b>
<b>Bank</b>				
Individual impairment allowance (made)/written back	(5,089)	4,159	(6,610)	30,240
Collective impairment allowance written back/(made)	5,865	1,859	7,921	(42)
Bad debts written off	(2)	-	(42)	(335)
Bad debts recovered	6	2	43	24
Allowance made for impairment on other debtors	(3,989)	(5,295)	(10,823)	(5,811)
	<b>(3,209)</b>	<b>725</b>	<b>(9,511)</b>	<b>24,076</b>

**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 third quarter and nine months ended 30 September 2015 by the weighted average number of ordinary shares in issue during the financial period.

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 September 2015 RM'000	As at 31 December 2014 RM'000	As at 30 September 2015 RM'000	As at 31 December 2014 RM'000
<b>Common Equity Tier I Capital ("CET I")/</b>				
<b>Tier I Capital</b>				
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	149,274	172,467	276,466	290,106
Other reserves	524,473	441,517	406,544	406,544
AFS reserves	(1,459)	3,308	(18,081)	(11,933)
	<u>3,006,084</u>	<u>2,951,088</u>	<u>2,998,725</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)*	(11,544)	(6,006)	(589,798)	(283,162)
Other intangible assets (include associated deferred tax liabilities)	(53,029)	(54,013)	(27,595)	(29,718)
Other deductions	(94)	(234)	(94)	(234)
Deferred tax assets	(28,834)	(30,276)	(20,561)	(23,891)
Reduction in excess of Tier II Capital due to insufficient Tier II Capital <sup>#</sup>	-	-	(323,062)	(581,966)
Total CET I Capital	<u>1,642,649</u>	<u>1,590,625</u>	<u>919,197</u>	<u>981,124</u>
Qualifying non-controlling interests recognised as Tier I Capital	780	750	-	-
Total Tier I Capital	<u>1,643,429</u>	<u>1,591,375</u>	<u>919,197</u>	<u>981,124</u>
<b>Tier II Capital</b>				
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	119	117	-	-
Collective impairment allowance and regulatory reserves <sup>^</sup>	28,822	12,358	16,636	10,916
	<u>573,941</u>	<u>552,240</u>	<u>561,636</u>	<u>550,681</u>
Less: Investments in subsidiaries, associates and joint ventures	(17,317)	(24,023)	(561,636)	(550,681)
Total Tier II Capital	<u>556,624</u>	<u>528,217</u>	<u>-</u>	<u>-</u>
<b>Total Capital</b>	<u><u>2,200,053</u></u>	<u><u>2,119,592</u></u>	<u><u>919,197</u></u>	<u><u>981,124</u></u>



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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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	As at	As at	As at
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	26.954%	31.271%	21.303%	26.337%
Tier I Capital Ratio	26.967%	31.286%	21.303%	26.337%
Total Capital Ratio	<u>36.100%</u>	<u>41.671%</u>	<u>21.303%</u>	<u>26.337%</u>
After proposed dividends:				
CET I Capital Ratio	26.954%	31.271%	21.303%	26.337%
Tier I Capital Ratio	26.967%	31.286%	21.303%	26.337%
Total Capital Ratio	<u>36.100%</u>	<u>41.671%</u>	<u>21.303%</u>	<u>26.337%</u>

\* 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 RM23,193,000 (31.12.2014 : RMNil) and RM13,640,000 (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	As at	As at	As at
	30 September 2015	31 December 2014	30 September 2015	31 December 2014
	RM'000	RM'000	RM'000	RM'000
Credit risk	3,540,396	3,008,650	2,468,824	2,448,720
Market risk	614,352	516,665	693,507	284,376
Operational risk	1,939,413	1,561,132	1,152,492	992,064
Total risk-weighted assets	<u>6,094,161</u>	<u>5,086,447</u>	<u>4,314,823</u>	<u>3,725,160</u>

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 NINE MONTHS ENDED 30 SEPTEMBER 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 September 2015 →			← 31 December 2014 →		
<b>Group</b>	<b>Principal amount</b>	<b>Credit equivalent amount *</b>	<b>Risk weighted amount</b>	<b>Principal amount</b>	<b>Credit equivalent amount *</b>	<b>Risk weighted amount</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Obligations under underwriting agreements	9,717	4,858	4,858	-	-	-
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	1,675,682	335,136	158,360	1,272,907	254,581	94,511
- maturity exceeding one year	7,469	3,734	3,313	6,172	3,086	2,639
Foreign exchange related contracts: ^						
- less than one year	1,231,238	78,822	65,558	677,400	3,942	789
- one year to less than five years	334,487	57,239	51,255	2,279,594	367,295	105,087
Interest rate related contracts: ^						
- less than one year	800,000	3,293	771	1,330,000	3,982	1,852
- one year to less than five years	290,000	5,286	1,117	965,000	15,249	5,818
Equity related contracts: ^						
- less than one year	1,718	177	159	15,508	5,844	5,844
<b>Total</b>	<b>4,350,311</b>	<b>488,545</b>	<b>285,391</b>	<b>6,546,581</b>	<b>653,979</b>	<b>216,540</b>

^ 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.

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)**

**24 Commitments and Contingencies (cont'd)**

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

	← 30 September 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
<b>Bank</b>						
Direct credit substitute #	375,787	375,787	375,787	171,308	171,308	171,308
Irrevocable commitments to extend credit:						
- maturity not exceeding one year	273,359	54,672	3	271,593	54,319	7,131
- maturity exceeding one year	6,618	3,309	3,313	5,270	2,635	2,639
Foreign exchange related contracts: ^						
- less than one year	1,231,238	78,822	65,558	607,457	3,942	789
- one year to less than five years	334,487	57,239	51,255	2,279,594	367,295	105,087
Interest rate related contracts: ^						
- less than one year	800,000	3,293	771	1,330,000	3,982	1,852
- one year to less than five years	290,000	5,286	1,117	965,000	15,249	5,818
Equity related contracts: ^						
- less than one year	1,718	177	159	-	-	-
<b>Total</b>	<b>3,313,207</b>	<b>578,585</b>	<b>497,963</b>	<b>5,630,222</b>	<b>618,730</b>	<b>294,624</b>

# Included in direct credit substitute is financial corporate guarantee amounting to RM375,787,000 (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 NINE MONTHS ENDED 30 SEPTEMBER 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) RHB Capital Group's proposed internal reorganisation

The holding company, RHB Capital Berhad ('RHB Capital') had announced that it proposes to undertake various proposals, which include 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 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 Identified Assets are not exhaustive and may be varied as the Board may deem fit until completion of the Proposed Internal Reorganisation.

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.

To date, the following approvals have been obtained for the Proposals:

- (i) Ministry of Finance and/or Bank Negara Malaysia (as the case may be) on 23 July 2015 for the Rights Issue, Proposed Internal Reorganisation and the Proposed Distribution and Capital Repayment under the Financial Services Act, 2013.
- (ii) Bursa Malaysia Securities Berhad ('Bursa Securities') on 30 July 2015 and 4 September 2015 for the listing of and quotation for the Rights Shares on the Main Market of Bursa Securities pursuant to the Rights Issue as well as the Proposed Transfer of Listing Status, respectively.
- (iii) Shareholders of RHB Capital on 27 August 2015 at an EGM for the Rights Issue, Proposed Distribution and Capital Repayment, Proposed Transfer of Listing Status and Proposed M&A Amendments.

RHB Capital is currently in the midst of procuring all the other approvals required for the Proposals from the relevant parties/regulatory authorities.

b) Internal reorganisation exercise involving the proposed acquisition of the entire equity interest in RHB OSK Indochina Securities Limited ('RHBISL') from RHB Indochina Bank

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 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 NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

**26 Status of Corporate Proposals (cont'd)**

- c) 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.

**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.

**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 International Investments Pte Ltd (formerly known as RHB OSK International Investments Pte Ltd) ('RII'). The issued and paid-up share capital of RII increased from SGD9,000,000 to SGD12,000,000. The rationale for the increase is to facilitate the subscription of additional shares in RHB Asset Management Pte Ltd (formerly known as RHB OSK Asset Management Pte Ltd) ('RAM') as disclosed in Note 28(b).
- b) On 30 June 2015, RII subscribed for SGD3,000,000 new ordinary shares in RAM. The issued and paid-up share capital of RAM 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.

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

**29 Changes in Profit for the Quarter**

For the current financial quarter ended 30 September 2015, the Group recorded a pre-tax profit of RM65.5 million, more than double the pre-tax profit of RM28.9 million for the preceding quarter ended 30 June 2015. The higher profit was mainly due to higher impairment losses written back on other assets by RM39.8 million, higher other operating income by RM26.6 million, lower allowance for impairment made on loans, advances and other losses by RM2.4 million and higher net interest income by RM1.1 million, partially offset with higher other operating expenses by RM33.3 million, which is attributable largely to the one-off expenses on Career Transition Scheme ('CTS').

**30 Performance Review**

For the nine months ended 30 September 2015, the Group recorded a pre-tax profit of RM122.5 million, 39.5% lower as compared to the previous corresponding nine months ended 30 September 2014 of RM202.5 million. Excluding the one-off expenses on CTS, profit was lower by 25.4%. The decrease in profit was mainly due to lower allowance written back on loans, advances and other losses by RM31.9 million, higher other operating expenses by RM28.0 million, lower other operating income by RM23.9 million and lower net interest income by RM18.0 million, partially offset with higher impairment losses written back on other assets by RM50.3 million.

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

**31 Prospects for 2015**

The 2015 economic growth is expected to moderate to 4.8% from 6.0% in 2014 due to weaker external and domestic demand. Domestic industry loan growth is expected to moderate to 7.5% - 8.5%, while capital market activities will continue to remain low given the macroeconomic uncertainties.

The Bank expected 2015 to be challenging and has focused on maintaining asset quality and improving operational efficiency. Following that, the Bank has adopted the Groups' reframed strategy and IGNITE 2017 Transformation Programme that has optimised to 17 high priority areas, with particular emphasis on performance. The strategy is anchored on three (3) key broad themes namely, funding our journey, winning by differentiating ourselves in the medium term, and getting the people and organization right. The Group is confident that the Transformation Programme will continue its positive momentum to achieve its targets.

Barring unforeseen circumstances, the Group's 2015 performance will be satisfactory.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (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:

<b>30 September 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>				
<b>Financial assets</b>				
Financial assets FVTPL:	293,745	62	40,000	333,807
- money market instruments	-	3	-	3
- quoted securities	293,745	-	-	293,745
- unquoted securities	-	59	40,000	40,059
Financial investments AFS:	43,538	3,628,787	193,247	3,865,572
- money market instruments	-	1,582,688	-	1,582,688
- quoted securities	43,538	-	-	43,538
- unquoted securities	-	2,046,099	193,247	2,239,346
Derivative assets				
- money market instruments	-	105,183	-	105,183
	<u>337,283</u>	<u>3,734,032</u>	<u>233,247</u>	<u>4,304,562</u>
<b>Financial liabilities</b>				
Derivative liabilities				
- money market instruments	<u>20,664</u>	<u>110,443</u>	<u>-</u>	<u>131,107</u>
<b>31 December 2014</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Group</b>				
<b>Financial assets</b>				
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>
<b>Financial liabilities</b>				
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 NINE MONTHS ENDED 30 SEPTEMBER 2015 (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)

<b>30 September 2015</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Bank</b>				
<b>Financial assets</b>				
Financial assets FVTPL:	56,782	62	40,000	96,844
- money market instruments	-	3	-	3
- quoted securities	56,782	-	-	56,782
- unquoted securities	-	59	40,000	40,059
Financial investments AFS:	23,199	3,619,914	54,024	3,697,137
- money market instruments	-	1,582,688	-	1,582,688
- quoted securities	23,199	-	-	23,199
- unquoted securities	-	2,037,226	54,024	2,091,250
Derivative assets				
- money market instruments	-	105,183	-	105,183
	<u>79,981</u>	<u>3,725,159</u>	<u>94,024</u>	<u>3,899,164</u>
<b>Financial liabilities</b>				
Derivative liabilities				
- money market instruments	<u>20,416</u>	<u>110,443</u>	<u>-</u>	<u>130,859</u>
<b>31 December 2014</b>				
	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Bank</b>				
<b>Financial assets</b>				
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
	<u>76,517</u>	<u>3,586,983</u>	<u>91,602</u>	<u>3,755,102</u>
<b>Financial liabilities</b>				
Derivative liabilities				
- money market instruments	<u>11,836</u>	<u>48,444</u>	<u>-</u>	<u>60,280</u>



**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)**

**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 are 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.

**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 2015 and 31 December 2014 for the Group and the Bank:

	Financial assets FVTPL		Financial investments AFS	
	As at 30 September 2015	As at 31 December 2014	As at 30 September 2015	As at 31 December 2014
	RM'000	RM'000	RM'000	RM'000
<b><u>Group</u></b>				
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	558	(29,006)
- Impairment losses made	-	-	(497)	(15,600)
- Reversal of impairment losses	-	-	190	4,616
Purchases	-	-	67,351	-
Settlements	-	(2,448)	(190)	(6,540)
Disposal	-	-	-	(3,459)
Transfer to loans and advances	-	-	-	(9,877)
Exchange differences	-	-	75	(83)
Balance as at the end of the financial period/year	<u>40,000</u>	<u>40,000</u>	<u>193,247</u>	<u>123,896</u>

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

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

	Financial assets FVTPL		Financial investments AFS	
	As at 30 September 2015	As at 31 December 2014	As at 30 September 2015	As at 31 December 2014
	RM'000	RM'000	RM'000	RM'000
<b><u>Bank</u></b>				
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	-	-	1,864	5,433
Total gains/(losses) recognised in income statements				
- Other operating income	-	603	558	1,535
- Impairment losses made	-	-	-	(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	<b>40,000</b>	<b>40,000</b>	<b>54,024</b>	<b>51,602</b>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2015 (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. 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 NINE MONTHS ENDED 30 SEPTEMBER 2015 (cont'd)

33 Segment Reporting (cont'd)

**Segment Profit and Loss for the Nine Months Ended 30 September 2015**

	Investment Banking	Treasury	Asset Management	Others and Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	538,142	78,288	166,672	-	783,102
Inter-segment revenue	19,178	-	-	(19,178)	-
Segment revenue	557,320	78,288	166,672	(19,178)	783,102
Overhead expenses	(528,756)	(25,140)	(140,896)	(9,320)	(704,112)
Including:					
Depreciation of property, plant and equipment	(17,584)	(809)	(724)	-	(19,117)
Amortisation of intangible assets	(14,435)	(1,530)	(200)	-	(16,165)
Career Transition Scheme	-	-	-	(28,498)	(28,498)
Allowance (made)/written back for impairment on loans, advances and other losses	(8,011)	-	36	-	(7,975)
Impairment losses written back on other assets	10,326	40,375	-	-	50,701
	30,879	93,523	25,812	(28,498)	121,716
Share of results of associates					530
Share of results of joint ventures					237
Profit before taxation					122,483
Taxation					(37,880)
Net profit for the financial period					84,603

**Segment Assets and Liabilities As At 30 September 2015**

	Investment Banking	Treasury	Asset Management	Others and Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	6,108,146	6,341,821	323,263	(1,673,976)	11,099,254
Goodwill	512,391	614,176	143,367	-	1,269,934
Investments in associates and joint ventures					28,861
Tax recoverable					24,658
Deferred tax assets					28,834
Total assets					12,451,541
Segment liabilities	2,600,808	5,616,802	233,389	(154,027)	8,296,972
Tax liabilities					4,823
Deferred tax liabilities					5,553
Borrowings					468,240
Subordinated obligations					555,275
Total liabilities					9,330,863

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

33 Segment Reporting (cont'd)

**Segment Profit and Loss for the Nine Months Ended 30 September 2014**

	Investment Banking	Treasury	Asset Management	Others and Elimination	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	627,037	67,464	130,471	-	824,972
Inter-segment revenue	20,984	-	-	(20,984)	-
Segment revenue	648,021	67,464	130,471	(20,984)	824,972
Overhead expenses	(531,416)	(22,113)	(115,076)	20,984	(647,621)
Including:					
Depreciation of property, plant and equipment	(15,579)	(135)	(1,205)	-	(16,919)
Amortisation of intangible assets	(14,262)	(1,473)	(273)	-	(16,008)
Allowance written back for impairment on loans, advances and other losses	23,637	-	216	-	23,853
Impairment losses written back on other assets	3,787	(3,363)	-	-	424
	144,029	41,988	15,611	-	201,628
Share of results of associates					634
Share of results of joint ventures					202
Profit before taxation					202,464
Taxation					(33,891)
Net profit for the financial period					168,573

**Segment Assets and Liabilities As At 31 December 2014**

	Investment Banking	Treasury	Asset Management	Others and 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