

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2016

	Note	Group		Bank	
		As at 30 June 2016 RM'000	As at 31 December 2015 RM'000	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
ASSETS					
Cash and short term funds		1,315,347	1,132,078	862,563	718,596
Deposits and placements with banks and other financial institutions		134,958	13,179	100,009	-
Financial assets at fair value through profit or loss ('FVTPL')	8	585,365	398,127	106,608	131,577
Financial investments available-for-sale ('AFS')	9	2,580,818	3,412,471	2,488,855	3,311,449
Financial investments held-to-maturity ('HTM')	10	548,056	590,461	548,056	590,461
Loans and advances	11	1,903,744	2,069,802	1,304,067	1,320,752
Clients' and brokers' balances	12	2,841,571	1,654,213	809,229	572,001
Other assets	13	248,906	231,819	70,223	127,533
Derivative assets		8,106	57,906	8,106	57,906
Statutory deposits		107,445	144,152	103,500	144,152
Tax recoverable		58,192	38,979	56,048	36,894
Deferred tax assets		21,137	30,601	12,123	21,063
Investment in subsidiaries		-	-	1,508,322	1,451,367
Investment in associates and joint ventures		20,505	20,899	21,057	21,057
Property, plant and equipment		59,857	67,478	28,635	31,347
Goodwill and intangible assets		1,320,611	1,321,377	1,144,992	1,143,948
TOTAL ASSETS		11,754,618	11,183,542	9,172,393	9,680,103
LIABILITIES AND EQUITY					
Deposits from customers	14	747,570	1,082,009	761,334	1,095,657
Deposits and placements of banks and other financial institutions	15	3,778,025	3,671,153	3,833,092	3,721,848
Obligations on securities sold under repurchase agreements		-	170,568	-	170,568
Obligations on securities borrowed		-	12,202	-	12,202
Bills and acceptances payable		131,392	138,794	-	-
Clients' and brokers' balances		2,444,392	1,346,924	743,644	585,773
Other liabilities	16	442,927	503,094	198,761	340,443
Derivative liabilities		49,898	127,546	48,168	125,994
Tax liabilities		8,388	8,895	-	-
Deferred tax liabilities		3,455	3,728	-	-
Borrowings		482,791	457,784	-	-
Subordinated obligations		447,600	548,822	447,600	548,822
TOTAL LIABILITIES		8,536,438	8,071,519	6,032,599	6,601,307
Share capital		818,646	818,646	818,646	818,646
Reserves		2,327,252	2,285,613	2,321,148	2,260,150
		3,145,898	3,104,259	3,139,794	3,078,796
Non-controlling interests		72,282	7,764	-	-
TOTAL EQUITY		3,218,180	3,112,023	3,139,794	3,078,796
TOTAL LIABILITIES AND EQUITY		11,754,618	11,183,542	9,172,393	9,680,103
COMMITMENTS AND CONTINGENCIES					
	24	3,905,740	4,296,861	2,526,520	3,650,315

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

Group	Note	2nd Quarter Ended		Six Months Ended	
		30 June 2016	30 June 2015	30 June 2016	30 June 2015
		RM'000	RM'000	RM'000	RM'000
Interest income	17	77,333	95,509	162,663	197,535
Interest expense	18	(44,121)	(60,559)	(93,304)	(129,558)
Net interest income		33,212	34,950	69,359	67,977
Other operating income	19	229,667	223,038	438,195	429,453
Net income		262,879	257,988	507,554	497,430
Other operating expenses	20	(227,897)	(226,672)	(430,836)	(444,093)
Operating profit before allowances		34,982	31,316	76,718	53,337
Allowance written back/(made) for impairment on loans, advances and other losses	21	1,042	(6,427)	(5,707)	(3,909)
Impairment losses (made)/written back on other assets		(522)	3,807	(522)	7,107
		35,502	28,696	70,489	56,535
Share of results of associates		107	202	172	334
Share of results of joint ventures		245	39	301	124
Profit before taxation		35,854	28,937	70,962	56,993
Taxation		(10,746)	(7,372)	(16,350)	(16,066)
Net profit for the financial period		25,108	21,565	54,612	40,927
Profit attributable to:					
Equity holder of the Bank		23,155	21,268	51,789	40,476
Non-controlling interests		1,953	297	2,823	451
		25,108	21,565	54,612	40,927
Basic earnings per share (sen)	22	2.8	2.6	6.3	4.9

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016

<u>Group</u>	2nd Quarter Ended		Six Months Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	25,108	21,565	54,612	40,927
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	(6)	(1)	341	230
(ii) Items that will be reclassified subsequently to profit or loss:				
- Currency translation differences	35,803	13,116	(33,688)	43,237
- Net investment hedge	(9,419)	-	2,954	-
- Unrealised net gain on revaluation of financial investments AFS	11,215	1,212	26,332	22,869
- Net transfer to income statements on disposal or impairment of financial investments AFS	205	703	10	(1,513)
Income tax relating to components of other comprehensive income	(2,717)	(199)	(6,411)	(5,266)
Other comprehensive income/(loss), net of tax, for the financial period	35,081	14,831	(10,462)	59,557
Total comprehensive income for the financial period	60,189	36,396	44,150	100,484
Total comprehensive income attributable to:				
Equity holder of the Bank	56,491	36,206	42,219	100,006
Non-controlling interests	3,698	190	1,931	478
	60,189	36,396	44,150	100,484

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2016

Bank	Note	2nd Quarter Ended		Six Months Ended	
		30 June 2016	30 June 2015	30 June 2016	30 June 2015
		RM'000	RM'000	RM'000	RM'000
Interest income	17	58,079	77,452	122,518	161,593
Interest expense	18	(40,923)	(57,431)	(87,266)	(122,410)
Net interest income		17,156	20,021	35,252	39,183
Other operating income	19	98,753	97,848	181,956	198,645
Net income		115,909	117,869	217,208	237,828
Other operating expenses	20	(84,619)	(103,281)	(163,619)	(205,979)
Operating profit before allowances		31,290	14,588	53,589	31,849
Allowance written back/(made) for impairment on loans, advances and other losses	21	2,225	(6,721)	1,069	(6,302)
Impairment losses (made)/written back on other assets		(217)	3,987	(1,043)	7,222
Profit before taxation		33,298	11,854	53,615	32,769
Taxation		(7,808)	(408)	(12,647)	(5,912)
Net profit for the financial period		25,490	11,446	40,968	26,857

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015.

RHB INVESTMENT BANK BERHAD (19663-P)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2016

Bank	2nd Quarter Ended		Six Months Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	25,490	11,446	40,968	26,857
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	11,122	1,329	26,412	21,678
- Net transfer to income statements on disposal or impairment of financial investments AFS	206	965	(57)	(2,425)
Income tax relating to components of other comprehensive income	(2,718)	(199)	(6,325)	(5,207)
Other comprehensive income, net of tax, for the financial period	8,610	2,095	20,030	14,046
Total comprehensive income for the financial period	34,100	13,541	60,998	40,903

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015.

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 2016

Attributable to the Equity Holder of the Bank

<u>Group</u>	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 2016	818,646	1,515,150	433,545	12,258	116,128	22,615	185,917	3,104,259	7,764	3,112,023
Net profit for the financial period	-	-	-	-	-	-	51,789	51,789	2,823	54,612
Currency translation differences	-	-	-	(8)	(32,858)	-	-	(32,866)	(822)	(33,688)
Net investment hedge	-	-	-	-	2,954	-	-	2,954	-	2,954
Financial investments AFS:										
- Unrealised net gain/(loss) on revaluation	-	-	-	26,404	-	-	-	26,404	(72)	26,332
- Net transfer to income statements on disposal or impairment	-	-	-	10	-	-	-	10	-	10
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	-	338	338	3	341
Income tax relating to components of other comprehensive income	-	-	-	(6,325)	-	-	(85)	(6,410)	(1)	(6,411)
Other comprehensive income/(loss), net of tax, for the financial period	-	-	-	20,081	(29,904)	-	253	(9,570)	(892)	(10,462)
Total comprehensive income/(loss) for the financial period	-	-	-	20,081	(29,904)	-	52,042	42,219	1,931	44,150
Contribution by non-controlling interests	-	-	-	-	-	-	-	-	62,007	62,007
Transfer from regulatory reserves	-	-	-	-	-	(1,380)	1,380	-	-	-
Dilution of interest in subsidiaries	-	-	-	-	-	-	(580)	(580)	580	-
Balance as at 30 June 2016	818,646	1,515,150	433,545	32,339	86,224	21,235	238,759	3,145,898	72,282	3,218,180

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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 SIX MONTHS ENDED 30 JUNE 2016

Attributable to Equity Holder of the Bank

<u>Group</u>	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)
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	-	227	227	3	230
Income tax relating to components of other comprehensive income	-	-	-	(5,208)	-	-	(57)	(5,265)	(1)	(5,266)
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)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2016

	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 2016	818,646	1,515,150	433,295	(5,149)	13,405	303,449	3,078,796
Net profit for the financial period	-	-	-	-	-	40,968	40,968
Financial investments AFS:							
- Unrealised net gain on revaluation	-	-	-	26,412	-	-	26,412
- Net transfer to income statements on disposal or impairment	-	-	-	(57)	-	-	(57)
Income tax relating to components of other comprehensive income	-	-	-	(6,325)	-	-	(6,325)
Other comprehensive income, net of tax, for the financial period	-	-	-	20,030	-	-	20,030
Total comprehensive income for the financial period	-	-	-	20,030	-	40,968	60,998
Transfer to regulatory reserves	-	-	-	-	721	(721)	-
Balance as at 30 June 2016	818,646	1,515,150	433,295	14,881	14,126	343,696	3,139,794

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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 2016

	<u>Non-Distributable</u>				<u>Distributable</u>		<u>Total</u>
	<u>Share capital</u>	<u>Share premium</u>	<u>Statutory reserves</u>	<u>AFS reserves</u>	<u>Regulatory reserves</u>	<u>Retained profits</u>	
Bank	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	406,544	(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

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015.

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 2016

	Six Months Ended	
	30 June 2016	30 June 2015
	RM'000	RM'000
Group		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	70,962	56,993
Adjustments for non-cash items	(19,073)	(143,554)
Operating profit/(loss) before working capital changes	51,889	(86,561)
Changes in working capital:		
Net changes in operating assets	(1,234,025)	(157,685)
Net changes in operating liabilities	453,346	(56,661)
Cash used in operations	(728,790)	(300,907)
Taxation paid	(33,437)	(42,385)
Net cash used in operating activities	(762,227)	(343,292)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from disposal/(purchase) of financial investments AFS and HTM	861,129	(611,435)
Interest income received from financial assets at FVTPL, financial investments AFS and HTM	68,705	94,881
Property, plant and equipment		
- Purchase	(5,599)	(9,533)
- Proceeds from disposal	208	454
Purchase of intangible assets	(6,044)	(12,668)
Dividend income received from financial assets at FVTPL and financial investments AFS	5,862	10,690
Net cash generated from/(used in) investing activities	924,261	(527,611)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of subordinated obligations	(100,000)	-
Net drawdown of borrowings	69,375	210,551
Dividend paid to non-controlling interest	-	(322)
Contribution by non-controlling interests	62,007	-
Net cash generated from financing activities	31,382	210,229
Net increase/(decrease) in cash and cash equivalents	193,416	(660,674)
Effects of exchange rate differences	(10,147)	9,668
Cash and cash equivalents		
- at the beginning of the financial period	1,132,078	1,496,220
- at the end of the financial period	1,315,347	845,214
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	1,315,347	845,214

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015.

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 2016

	Six Months Ended	
	30 June 2016	30 June 2015
	RM'000	RM'000
Bank		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	53,615	32,769
Adjustments for non-cash items	(12,073)	(131,050)
Operating profit/(loss) before working capital changes	41,542	(98,281)
Changes in working capital:		
Net changes in operating assets	(164,188)	507,999
Net changes in operating liabilities	(442,949)	(537,825)
Cash used in operations	(565,595)	(128,107)
Taxation paid	(29,187)	(33,743)
Net cash used in operating activities	(594,782)	(161,850)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from disposal/(purchase) of financial investments AFS and HTM	836,112	(636,351)
Interest income received from financial assets at FVTPL, financial investments AFS and HTM	68,494	87,614
Purchase of property, plant and equipment	(2,398)	(5,280)
Purchase of intangible assets	(5,269)	(10,481)
Dividend income received from financial assets at FVTPL and financial investments AFS	2,240	423
Dividend income received from subsidiaries	-	322
Additional investment in a subsidiary	(60,430)	(8,417)
Net cash generated from/(used in) investing activities	838,749	(572,170)
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of subordinated obligations	(100,000)	-
Net cash used in financing activities	(100,000)	-
Net increase/(decrease) in cash and cash equivalents	143,967	(734,020)
Cash and cash equivalents		
- at the beginning of the financial period	718,596	1,235,690
- at the end of the financial period	862,563	501,670
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	862,563	501,670

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2015.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016

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 2015.

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 2015, except for the adoption of the following annual improvements and amendments to MFRS which are effective for annual periods beginning on or after 1 January 2016:

- Annual Improvements to MFRSs 2012 - 2014 Cycle
- Amendments to MFRS 11 'Joint Arrangements'
- Amendments to MFRS 116 'Property Plant and Equipment' and MFRS 138 'Intangible Assets'
- Amendments to MFRS 127 'Separate Financial Statements'
- Amendments to MFRS 10 'Consolidated Financial Statements' and MFRS 128 'Investments in Associates'
- Amendments to MFRS 101 'Presentation of Financial Statements'

The adoption of the above annual improvements and amendments do not give rise to any material financial impact to the Group and to the Bank.

2 Auditors' Report

The auditors' report for the financial year ended 31 December 2015 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 six months ended 30 June 2016.

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 2016.

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 2016, other than as disclosed below:

On 15 April 2016, the Bank has fully redeemed its existing Subordinated Notes of RM100.0 million in nominal value. The Subordinated Notes were issued on 15 April 2011 by the former OSK Investment Bank Berhad (now known as OSKIB Sdn Bhd), which was undertaken by the Bank pursuant to the transfer of the business, assets and liabilities of OSK Investment Bank Berhad to the Bank which took effect from 13 April 2013.

7 Dividends Paid

No dividend was paid by the Bank during the six months ended 30 June 2016.

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

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

	Group		Bank	
	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
(a) Designated as FVTPL	168,045	170,315	-	-
(b) Held-for-trading	<u>417,320</u>	<u>227,812</u>	<u>106,608</u>	<u>131,577</u>
	<u>585,365</u>	<u>398,127</u>	<u>106,608</u>	<u>131,577</u>

(a) Financial assets designated as FVTPL are as follows:

At fair value

Quoted securities:

In Malaysia

Unit trusts	52,575	51,583	-	-
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Unquoted securities:

Outside Malaysia

Private equity funds	115,470	118,732	-	-
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**Total financial assets
designated as FVTPL**

	<u>168,045</u>	<u>170,315</u>	<u>-</u>	<u>-</u>
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(b) Financial assets held-for-trading are as follows:

At fair value

Quoted securities:

In Malaysia

Shares and exchange traded funds	66,099	91,389	66,099	91,389
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Outside Malaysia

Shares and warrants	316,090	96,544	5,378	5,057
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Unquoted securities:

In Malaysia

Private debt securities	35,131	35,131	35,131	35,131
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Outside Malaysia

Private debt securities	-	4,748	-	-
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**Total financial assets
held-for-trading**

	<u>417,320</u>	<u>227,812</u>	<u>106,608</u>	<u>131,577</u>
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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

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

In 2008, the Bank reclassified a portion of their financial assets at 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 2016 were as follows:

	Group and Bank	
	As at	As at
	30 June 2016	31 December 2015
	RM'000	RM'000
<u>Reclassified from financial assets at FVTPL to financial investments AFS</u>		
- Carrying value	30,375	30,188
- Fair value	30,490	30,146
	<hr/> <hr/>	<hr/> <hr/>
Fair value gain/(loss) that would have been recognised if the financial assets at FVTPL had not been reclassified	115	(42)
	<hr/> <hr/>	<hr/> <hr/>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

9 Financial Investments Available-for-sale ('AFS')

At fair value	Group		Bank	
	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
Money market instruments:				
Malaysian Government Securities	244,031	381,992	244,031	381,992
Malaysian Government Investment Issues	150,929	415,958	150,929	415,958
Cagamas bonds	10,167	35,235	10,167	35,235
Khazanah bonds	53,825	51,701	53,825	51,701
Negotiable instruments of deposits	50,661	349,010	50,661	349,010
Bankers' acceptances	7,568	58,458	7,568	58,458
Sukuk Perumahan Kerajaan Bonds ('SPK')	69,531	67,040	69,531	67,040
Quoted securities:				
In Malaysia				
Shares	40	40	9	8
Unit trusts	15,051	14,753	-	-
Outside Malaysia				
Shares	1,583	1,595	-	-
Unit trusts	40,652	28,562	36,925	25,062
Unquoted securities:				
In Malaysia				
Private and Islamic debt securities	1,146,471	1,149,697	1,146,471	1,149,697
Shares	101,132	99,356	29,831	27,767
Loan stocks	15,300	14,997	15,300	14,997
Prasarana bonds	25,539	24,902	25,539	24,902
Outside Malaysia				
Private and Islamic debt securities	798,177	868,056	798,177	858,782
Shares	271	280	-	-
	2,730,928	3,561,632	2,638,964	3,460,609
Accumulated impairment losses	(150,110)	(149,161)	(150,109)	(149,160)
	2,580,818	3,412,471	2,488,855	3,311,449

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 RM NIL (31 December 2015: RM188,814,000).

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

10 Financial Investments Held-to-maturity ('HTM')

	Group and Bank	
	As at 30 June 2016	As at 31 December 2015
At amortised cost	RM'000	RM'000
<u>Money market instruments:</u>		
Malaysian Government Securities	20,330	20,370
Malaysian Government Investment Issues	346,860	347,678
Khazanah bonds	10,902	10,691
Wakala Global Sukuk	9,142	9,153
<u>Unquoted Securities:</u>		
In Malaysia		
Private and Islamic debt securities	190,605	231,756
Credit link notes	30,044	30,044
Bonds	23	23
Loan stocks	27,737	28,433
Prasarana bonds	40,349	40,388
Outside Malaysia		
Private and Islamic debt securities	192	480
	676,184	719,016
Accumulated impairment losses	(128,128)	(128,555)
	548,056	590,461

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

11 Loans and Advances

	Group		Bank	
	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
At amortised cost				
Term Loans:				
- syndicated term loans	28,193	46,402	28,193	46,402
- other term loans	309,424	442,914	248,960	309,136
Share margin financing	1,579,838	1,594,074	998,150	933,471
Staff loans	887	963	887	963
Revolving credits	-	-	40,295	42,965
Gross loans and advances	<u>1,918,342</u>	<u>2,084,353</u>	<u>1,316,485</u>	<u>1,332,937</u>
Allowance for impaired loans and advances:				
- individual impairment allowance	(12,683)	(12,301)	(10,876)	(9,711)
- collective impairment allowance	(1,915)	(2,250)	(1,542)	(2,474)
Net loans and advances	<u>1,903,744</u>	<u>2,069,802</u>	<u>1,304,067</u>	<u>1,320,752</u>

(i) By type of customer

Domestic business enterprises:				
- small and medium enterprises	152,827	106,634	152,827	106,634
- others	324,761	413,382	324,761	413,382
Individuals	704,638	663,770	704,638	663,770
Foreign entities	736,116	900,567	134,259	149,151
	<u>1,918,342</u>	<u>2,084,353</u>	<u>1,316,485</u>	<u>1,332,937</u>

(ii) By geographical distribution

In Malaysia	1,276,189	1,289,972	1,316,485	1,332,937
Outside Malaysia				
- Singapore	131,979	222,501	-	-
- Hong Kong	279,062	358,550	-	-
- Indonesia	57,246	28,977	-	-
- Thailand	173,866	184,353	-	-
	<u>1,918,342</u>	<u>2,084,353</u>	<u>1,316,485</u>	<u>1,332,937</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

11 Loans and Advances (cont'd)

	Group		Bank	
	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
(iii) By interest rate sensitivity				
Fixed rate:				
- other fixed rate loans	1,347,526	1,478,252	1,158,301	1,145,621
Variable rate:				
- cost plus	88,605	110,805	128,900	153,770
- base lending rate plus	482,211	495,296	29,284	33,546
	1,918,342	2,084,353	1,316,485	1,332,937
(iv) By purpose				
Purchase of securities	1,846,244	1,963,138	1,204,092	1,168,757
Purchase of transport vehicles	63	72	63	72
Purchase of landed property:				
- residential	826	893	826	893
- non-residential	38,093	53,842	38,093	53,842
Construction	-	12,053	-	12,053
Working capital	-	-	40,295	42,965
Other purpose	33,116	54,355	33,116	54,355
	1,918,342	2,084,353	1,316,485	1,332,937
(v) By remaining contractual maturities				
Maturity within one year	1,843,731	1,956,766	1,241,874	1,205,350
One year to three years	29,464	76,517	29,464	76,517
Three years to five years	44,603	50,503	44,603	50,503
Over five years	544	567	544	567
	1,918,342	2,084,353	1,316,485	1,332,937

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

11 Loans and Advances (cont'd)

	Group		Bank	
	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
(vi) Impaired Loans and Advances				
(a) Movements in impaired loans and advances				
Balance as at the beginning of the financial period/year	118,142	162,785	115,552	160,151
Classified as impaired	107,755	70,883	106,682	68,676
Reclassified as non-impaired	-	(15,072)	-	(15,072)
Amount recovered	(60,499)	(98,847)	(58,764)	(98,203)
Amount written off	-	(2,017)	-	-
Exchange differences	(120)	410	-	-
Balance as at the end of the financial period/year	<u>165,278</u>	<u>118,142</u>	<u>163,470</u>	<u>115,552</u>
(b) By purpose				
Purchase of securities	122,263	32,241	120,455	29,651
Purchase of landed property:				
- Non-residential	38,092	53,842	38,092	53,842
Construction	-	12,053	-	12,053
Other purpose	4,923	20,006	4,923	20,006
	<u>165,278</u>	<u>118,142</u>	<u>163,470</u>	<u>115,552</u>
(c) By geographical distribution				
In Malaysia	163,470	115,552	163,470	115,552
Outside Malaysia:				
- Singapore	671	681	-	-
- Hong Kong	1,137	1,909	-	-
	<u>165,278</u>	<u>118,142</u>	<u>163,470</u>	<u>115,552</u>
(d) Movements in allowance for impaired loans and advances				
Individual impairment allowance				
Balance as at the beginning of the financial period/year	12,301	7,557	9,711	4,924
Net allowance made	502	6,351	1,165	4,787
Amount written off	-	(2,017)	-	-
Exchange differences	(120)	410	-	-
Balance as at the end of the financial period/year	<u>12,683</u>	<u>12,301</u>	<u>10,876</u>	<u>9,711</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

11 Loans and Advances (cont'd)

	Group		Bank	
	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000	As at 30 June 2016 RM'000	As at 31 December 2015 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	2,250	10,888	2,474	10,888
Net allowance written back	(339)	(8,638)	(932)	(8,414)
Exchange differences	4	-	-	-
Balance as at the end of the financial period/year	<u>1,915</u>	<u>2,250</u>	<u>1,542</u>	<u>2,474</u>

12 Clients' and Brokers' Balances

	Group		Bank	
	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
Amounts owing by clients	1,259,761	481,139	435,310	37,901
Allowance for impairment balances:				
- individual impairment allowance	(17,288)	(16,480)	(8,680)	(6,332)
- collective impairment allowance	(12,485)	(6,654)	(67)	(2,409)
	<u>1,229,988</u>	<u>458,005</u>	<u>426,563</u>	<u>29,160</u>
Amounts owing by brokers	895,502	821,511	204,377	421,237
Allowance for impairment balances:				
- individual impairment allowance	-	(1,297)	-	(1,297)
	<u>895,502</u>	<u>820,214</u>	<u>204,377</u>	<u>419,940</u>
Amounts owing by clearing houses and stock exchanges	716,081	375,994	178,289	122,901
	<u>2,841,571</u>	<u>1,654,213</u>	<u>809,229</u>	<u>572,001</u>

Individual impairment allowance

Balance as at the beginning of the financial period/year	17,777	36,814	7,629	7,827
Net allowance (written back)/made	(57)	4,941	1,314	1,783
Amount written off	(263)	(26,743)	(263)	(1,981)
Exchange differences	(169)	2,765	-	-
Balance as at the end of the financial period/year	<u>17,288</u>	<u>17,777</u>	<u>8,680</u>	<u>7,629</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

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

	Group		Bank	
	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
Collective impairment allowance				
Balance as at the beginning of the financial period/year	6,654	6,142	2,409	4,700
Net allowance made/(written back)	5,840	127	(2,342)	(2,291)
Exchange differences	(9)	385	-	-
Balance as at the end of the financial period/year	12,485	6,654	67	2,409

13 Other Assets

	Group		Bank	
	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
Other receivables	91,700	71,867	24,417	25,795
Cash collateral in relation to derivative transactions	23,411	72,757	23,411	72,757
Deposits	51,663	44,461	6,996	7,032
Prepayments	26,976	21,033	12,412	5,102
Amount receivable for release of units due from funds	53,581	6,311	-	-
Amount due from reverse repo transactions	-	12,508	-	12,508
Transferable memberships	340	346	262	262
Amount due from former holding company	-	1	-	-
Amount due from subsidiaries	-	-	1,978	3,256
Amount due from related companies	1,235	2,535	747	821
	248,906	231,819	70,223	127,533

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

14 Deposits from Customers

	Group		Bank	
	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
(i) By type of deposits				
Short term deposits	466,322	460,093	466,322	460,093
Fixed/investment deposits	273,240	613,657	287,004	627,305
Negotiable instruments of deposits	8,008	8,259	8,008	8,259
	747,570	1,082,009	761,334	1,095,657
(ii) By type of customers				
Government and statutory bodies	28,893	161,872	28,894	161,872
Business enterprises	711,016	908,304	724,779	921,952
Individuals	7,661	11,833	7,661	11,833
	747,570	1,082,009	761,334	1,095,657
(iii) By maturity structure of fixed/ investment deposits and negotiable instruments of deposits				
Due within six months	731,712	1,072,482	745,476	1,086,130
Six months to one year	11,346	9,426	11,346	9,426
One year to three years	4,512	101	4,512	101
	747,570	1,082,009	761,334	1,095,657

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

15 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	As at 30 June 2016	As at 31 December 2015	As at 30 June 2016	As at 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Licensed banks	2,847,075	2,206,884	2,847,075	2,206,884
Licensed investment banks	260,865	140,188	260,865	140,188
Other financial institutions	670,085	1,324,081	725,152	1,374,776
	3,778,025	3,671,153	3,833,092	3,721,848

16 Other Liabilities

	Group		Bank	
	As at 30 June 2016	As at 31 December 2015	As at 30 June 2016	As at 31 December 2015
	RM'000	RM'000	RM'000	RM'000
Other creditors and accruals	117,301	132,056	57,215	78,526
Deferred income	14,557	13,294	12,000	10,438
Remisiers' trust deposits	61,044	62,824	61,044	62,824
Amount payable for creation of units due to funds	50,205	42,017	-	-
Amount payable for redemption units	84,820	9,333	-	-
Short-term employee benefits	67,732	106,712	29,812	55,153
Amount due to holding company	46,801	-	35,769	-
Amount due to subsidiaries	-	-	2,618	5,741
Amount due to related companies	467	136,858	303	127,761
	442,927	503,094	198,761	340,443

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	RM'000	RM'000	RM'000	RM'000
17 Interest Income				
Group				
Loans and advances	33,401	36,726	67,887	74,846
Money at call and deposits and placements with banks and other financial institutions	9,818	7,869	20,229	19,138
Financial assets at FVTPL	104	35	243	534
Financial investments AFS	23,687	40,189	51,366	81,445
Financial investments HTM	5,204	6,815	10,514	13,389
Others	5,119	3,875	12,424	8,183
	<u>77,333</u>	<u>95,509</u>	<u>162,663</u>	<u>197,535</u>
Of which:				
Interest income accrued on impaired loans and advances	<u>3,227</u>	<u>2,283</u>	<u>5,337</u>	<u>4,809</u>
Bank				
Loans and advances	20,332	24,005	41,738	51,320
Money at call and deposits and placements with banks and other financial institutions	8,163	5,675	17,002	15,634
Financial assets at FVTPL	6	-	34	94
Financial investments AFS	23,621	39,842	51,121	79,244
Financial investments HTM	5,204	6,815	10,514	13,389
Others	753	1,115	2,109	1,912
	<u>58,079</u>	<u>77,452</u>	<u>122,518</u>	<u>161,593</u>
Of which:				
Interest income accrued on impaired loans and advances	<u>3,227</u>	<u>2,283</u>	<u>5,337</u>	<u>4,809</u>
18 Interest Expense				
Group				
Deposits and placements of banks and other financial institutions	26,147	33,923	55,842	70,154
Deposits from customers	9,016	16,101	18,772	36,921
Subordinated obligations	5,356	6,936	11,808	14,433
Borrowings	3,255	3,227	6,158	6,852
Others	347	372	724	1,198
	<u>44,121</u>	<u>60,559</u>	<u>93,304</u>	<u>129,558</u>
Bank				
Deposits and placements of banks and other financial institutions	26,443	34,311	56,471	70,865
Deposits from customers	9,124	16,184	18,987	37,112
Subordinated obligations	5,356	6,936	11,808	14,433
	<u>40,923</u>	<u>57,431</u>	<u>87,266</u>	<u>122,410</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	RM'000	RM'000	RM'000	RM'000
19 Other Operating Income				
Group				
a) Fee Income				
- Arrangement fees and underwriting	5,688	16,681	13,849	19,791
- Service charges and fees	1,222	1,518	2,032	3,450
- Commission	1,442	780	3,117	1,727
- Brokerage income	70,657	87,930	146,967	174,366
- Unit trust fee income	13,959	24,395	24,161	36,405
- Corporate advisory fees	24,987	9,749	50,176	24,352
- Fund management fees	52,354	31,719	96,067	58,193
- Placement fees	4,759	10,811	6,369	23,565
- Rollover fees	1,621	3,853	3,212	5,672
- Other fee income	8,877	10,089	22,490	26,640
	185,566	197,525	368,440	374,161
b) Net gain arising from financial assets at FVTPL				
- net gain on disposal	9,830	7,616	274	3,471
- net gain on revaluation	1,247	11,183	10,366	6,079
- gross dividend income	1,918	1,114	5,113	9,745
	12,995	19,913	15,753	19,295
c) Net (loss)/gain arising from derivatives				
- net loss on disposal	(26,850)	(16,267)	(14,374)	(21,336)
- net gain on revaluation	21,511	1,638	27,028	16,334
	(5,339)	(14,629)	12,654	(5,002)
d) Net gain arising from financial investments AFS				
- net gain on disposal	108	124	1,653	3,799
- gross dividend income	669	945	749	945
	777	1,069	2,402	4,744
e) Net gain arising from financial investments HTM				
- net gain on redemption	-	21	-	21
f) Other income				
- Net foreign exchange gain/(loss)				
- realised	14,798	(36,734)	67,038	(39,285)
- unrealised	10,174	43,516	(49,521)	49,977
- Gain/(loss) on disposal of property, plant and equipment	7	(22)	23	(22)
- Rental income	85	-	85	-
- Other operating income	10,562	11,766	21,010	24,270
- Other non-operating income	42	613	311	1,294
	35,668	19,139	38,946	36,234
	229,667	223,038	438,195	429,453

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	RM'000	RM'000	RM'000	RM'000
19 Other Operating Income (cont'd)				
<u>Bank</u>				
a) Fee Income				
- Arrangement fees and underwriting	3,203	13,006	10,379	15,982
- Service charges and fees	8	9	13	159
- Commission	601	624	1,302	1,058
- Brokerage income	41,257	49,818	84,923	100,439
- Corporate advisory fees	11,856	4,500	15,326	14,357
- Placement fees	4,108	4,608	5,353	14,474
- Rollover fees	1,592	1,808	3,183	3,550
- Other fee income	3,233	5,381	14,046	8,765
	<u>65,858</u>	<u>79,754</u>	<u>134,525</u>	<u>158,784</u>
b) Net loss arising from financial assets at FVTPL				
- net loss on disposal	(4,404)	(4,137)	(17,992)	(8,440)
- net (loss)/gain on revaluation	(1,866)	1,645	2,680	7,396
- gross dividend income	321	100	1,913	116
	<u>(5,949)</u>	<u>(2,392)</u>	<u>(13,399)</u>	<u>(928)</u>
c) Net gain/(loss) arising from derivatives				
- net loss on disposal	(14,159)	(15,918)	(2,723)	(18,967)
- net gain on revaluation	17,596	14,756	25,528	17,972
	<u>3,437</u>	<u>(1,162)</u>	<u>22,805</u>	<u>(995)</u>
d) Net gain/(loss) arising from financial investments AFS				
- net gain/(loss) on disposal	105	(567)	1,557	4,094
- gross dividend income	327	307	327	307
	<u>432</u>	<u>(260)</u>	<u>1,884</u>	<u>4,401</u>
e) Net gain arising from financial investments HTM				
- net gain on redemption	-	21	-	21
f) Gross dividend income from subsidiaries				
- in Malaysia	-	322	-	322
g) Gross dividend income from an associate				
- in Malaysia	-	4,606	-	4,606
h) Other income				
- Net foreign exchange gain/(loss)				
- realised	14,659	(37,021)	66,954	(40,850)
- unrealised	10,402	43,262	(49,451)	50,182
- Rental income	-	1	-	31
- Other operating income	9,914	10,717	18,638	23,071
	<u>34,975</u>	<u>16,959</u>	<u>36,141</u>	<u>32,434</u>
	<u>98,753</u>	<u>97,848</u>	<u>181,956</u>	<u>198,645</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	RM'000	RM'000	RM'000	RM'000
20 Other Operating Expenses				
Group				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	86,758	91,895	168,750	186,924
- Defined contribution plan	8,910	9,744	17,373	17,629
- Other staff related costs	9,475	12,580	13,517	24,020
	105,143	114,219	199,640	228,573
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	5,898	6,258	11,928	13,168
- written off	2	2	83	15
- Amortisation of intangible assets	3,211	5,431	6,496	11,273
- Information technology expenses	13,902	9,946	26,881	19,751
- Security and escorting charges	166	185	345	388
- Repair and maintenance	1,068	1,563	2,455	2,963
- Rental of premises	13,483	11,653	26,232	23,224
- Water and electricity	1,732	1,660	3,323	3,386
- Rental of equipment	217	754	698	1,219
- Insurance	3,257	1,623	5,258	3,376
- Others	3,538	3,469	6,777	6,860
	46,474	42,544	90,476	85,623
<u>Marketing expenses</u>				
- Advertisements and publicity	1,326	3,438	3,096	5,904
- Sales commission	14,549	23,359	25,792	42,615
- Others	19,559	14,458	33,205	25,524
	35,434	41,255	62,093	74,043
<u>Administration and general expenses</u>				
- Communication expenses	12,893	12,637	26,528	24,038
- Legal and professional fees	2,301	3,065	3,714	4,329
- Others	25,652	12,952	48,385	27,487
	40,846	28,654	78,627	55,854
	227,897	226,672	430,836	444,093

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	RM'000	RM'000	RM'000	RM'000
20 Other Operating Expenses (cont'd)				
Bank				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	32,046	43,496	64,930	88,078
- Defined contribution plan	5,591	6,554	10,948	11,133
- Other staff related costs	4,719	7,870	4,791	14,107
	42,356	57,920	80,669	113,318
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	2,542	3,033	5,095	6,671
- written off	-	2	15	3
- Amortisation of intangible assets	2,070	4,223	4,225	8,926
- Information technology expenses	8,505	5,759	16,192	11,769
- Security and escorting charges	61	95	131	194
- Repair and maintenance	765	610	1,822	1,320
- Rental of premises	4,695	4,961	9,643	9,917
- Water and electricity	1,260	1,195	2,354	2,432
- Rental of equipment	38	604	348	916
- Insurance	2,360	1,094	3,799	2,357
- Others	1,880	1,659	3,421	3,317
	24,176	23,235	47,045	47,822
<u>Marketing expenses</u>				
- Advertisements and publicity	965	1,626	1,862	2,673
- Sales commission	3,566	3,165	4,845	10,296
- Others	1,927	2,992	4,140	4,735
	6,458	7,783	10,847	17,704
<u>Administration and general expenses</u>				
- Communication expenses	4,715	6,329	10,321	11,229
- Legal and professional fees	71	1,827	536	2,232
- Others	6,843	6,187	14,201	13,674
	11,629	14,343	25,058	27,135
	84,619	103,281	163,619	205,979

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
	RM'000	RM'000	RM'000	RM'000
21 Allowance for Impairment on Loans, Advances and Other Losses				
Group				
Individual impairment allowance (written back)/made	(1,110)	1,357	502	1,520
Collective impairment allowance written back	(113)	(1,186)	(339)	(2,056)
Bad debts written off	-	-	-	40
Bad debts recovered	(63)	(32)	(79)	(66)
Allowance made for impairment on other debtors	244	6,288	5,623	4,471
	(1,042)	6,427	5,707	3,909

Bank

Individual impairment allowance (written back)/made	(631)	1,358	1,165	1,521
Collective impairment allowance written back	(684)	(1,186)	(932)	(2,056)
Bad debts written off	-	-	-	40
Bad debts recovered	(8)	(32)	(13)	(37)
Allowance (written back)/made for impairment on other debtors	(902)	6,581	(1,289)	6,834
	(2,225)	6,721	(1,069)	6,302

22 Earnings Per Share

	2nd Quarter Ended		Six Months Ended	
	30 June 2016	30 June 2015	30 June 2016	30 June 2015
Net profit attributable to equity holders (RM'000)	23,155	21,268	51,789	40,476
Weighted average number of ordinary shares in issue ('000)	818,646	818,646	818,646	818,646
Basic earnings per share (sen)	2.8	2.6	6.3	4.9

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (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 2016 RM'000	As at 31 December 2015 RM'000	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
Common Equity Tier I ('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	187,297	185,917	302,728	303,449
Other reserves	519,769	549,673	433,295	433,295
AFS reserves	32,339	12,258	14,881	(5,149)
	<u>3,073,201</u>	<u>3,081,644</u>	<u>3,084,700</u>	<u>3,065,391</u>
Less: Goodwill	(1,269,934)	(1,269,934)	(1,118,418)	(1,118,418)
Investment in subsidiaries, associates and joint ventures (portion deducted from CET I Capital) *	(12,303)	(8,359)	(917,627)	(588,970)
Other intangible assets (include associated deferred tax liabilities)	(50,677)	(51,443)	(26,574)	(25,530)
55% of cumulative gains of AFS financial instruments	(17,786)	(6,741)	(8,185)	-
Other deductions	(41)	(84)	(41)	(84)
Deferred tax assets	(21,137)	(30,601)	(12,123)	(21,063)
Reduction in excess of Tier II Capital due to insufficient Tier II Capital #	-	-	(151,084)	(322,564)
Total CET I Capital	<u>1,701,323</u>	<u>1,714,482</u>	<u>850,648</u>	<u>988,762</u>
Qualifying non-controlling interests recognised as Tier I Capital	<u>12,839</u>	<u>843</u>	<u>-</u>	<u>-</u>
Total Tier I Capital	<u>1,714,162</u>	<u>1,715,325</u>	<u>850,648</u>	<u>988,762</u>
Tier II Capital				
Subordinated obligations **	245,000	345,000	245,000	345,000
Subordinated obligations meeting all relevant criteria	200,000	200,000	200,000	200,000
Qualifying non-controlling interests recognised as Tier II Capital	2,932	118	-	-
Collective impairment allowance and regulatory reserves ^	35,569	29,121	15,668	15,890
	<u>483,501</u>	<u>574,239</u>	<u>460,668</u>	<u>560,890</u>
Less: Investment in subsidiaries, associates and joint ventures	(8,202)	(12,540)	(460,668)	(560,890)
Total Tier II Capital	<u>475,299</u>	<u>561,699</u>	<u>-</u>	<u>-</u>
Total Capital	<u>2,189,461</u>	<u>2,277,024</u>	<u>850,648</u>	<u>988,762</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (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 2016 RM'000	As at 31 December 2015 RM'000	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	24.937%	30.483%	23.251%	22.917%
Tier I Capital Ratio	25.125%	30.498%	23.251%	22.917%
Total Capital Ratio	<u>32.091%</u>	<u>40.485%</u>	<u>23.251%</u>	<u>22.917%</u>
After proposed dividends:				
CET I Capital Ratio	24.937%	30.483%	23.251%	22.917%
Tier I Capital Ratio	25.125%	30.498%	23.251%	22.917%
Total Capital Ratio	<u>32.091%</u>	<u>40.485%</u>	<u>23.251%</u>	<u>22.917%</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 37.11 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 37.7 of the BNM's Guidelines on Capital Adequacy Framework (Capital Components).

^ Excludes collective 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 non-impaired loans of the Group and the Bank of RM21,235,000 (31 December 2015: RM22,615,000) and RM14,126,000 (31 December 2015: RM13,405,000) respectively.

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

	Group		Bank	
	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
Credit risk	3,170,347	2,962,955	1,744,812	2,640,434
Market risk	1,514,768	578,405	714,017	469,440
Operational risk	2,137,472	2,083,014	1,199,746	1,204,734
Total risk-weighted assets	<u>6,822,587</u>	<u>5,624,374</u>	<u>3,658,575</u>	<u>4,314,608</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).

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

24 Commitments and Contingencies

In the normal course of business, the Group and the Bank make various commitments and incur 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:

Group	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
Principal amount		
Obligations under underwriting agreements	19,530	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	-	195,053
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	1,872,706	1,761,866
- maturity exceeding one year	22	22
Foreign exchange related contracts: ^		
- less than one year	1,014,600	1,050,731
- one year to less than five years	-	198,874
Interest rate related contracts: ^		
- less than one year	900,000	860,000
- one year to less than five years	90,000	230,000
Equity related contracts: ^		
- less than one year	4,382	315
- one year to less than five years	4,500	-
	3,905,740	4,296,861

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

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24 Commitments and Contingencies (cont'd)

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

Bank	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
Principal amount		
Direct credit substitute #	185,896	800,539
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions	-	195,053
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	330,142	314,781
- maturity exceeding one year	22	22
Foreign exchange related contracts: ^		
- less than one year	1,013,415	1,050,731
- one year to less than five years	-	198,874
Interest rate related contracts: ^		
- less than one year	900,000	860,000
- one year to less than five years	90,000	230,000
Equity related contracts: ^		
- less than one year	2,545	315
- one year to less than five years	4,500	-
	2,526,520	3,650,315

Direct credit substitute comprises of financial guarantee given by the Bank to its subsidiaries.

^ 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.

25 Capital Commitments

	Group		Bank	
	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000	As at 30 June 2016 RM'000	As at 31 December 2015 RM'000
Capital expenditure for property, plant and equipment				
- authorised and contracted for	23,004	38,881	36,261	30,480
- authorised but not contracted for	30,564	21,465	25,163	18,584
	53,568	60,346	61,424	49,064

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

26 Valuation of Property, Plant and Equipment

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

27 Status of Corporate Proposals

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 Bank Berhad ('RHB Bank') holds a 100% effective equity interest through its 59.95% direct shareholding (following the transfer of 59.95% shareholding of the former holding company, RHB Capital Berhad to RHB Bank effective 14 April 2016 in the group internal reorganisation) and 40.05% indirect shareholding through the Bank, which in turn is a wholly-owned subsidiary of RHB Bank, 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.

28 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.

29 Changes in the Composition of the Group

Acquisition of RHB Entrepreneur Fund ('Fund')

During the financial period, the Bank has acquired effective control in the Fund, via:

- i) injection of capital amounting to SGD5,000,000, equivalent to RM15,325,000 on 22 January 2016; and
- ii) additional capital injection of SGD15,000,000, equivalent to RM45,105,000 on 15 March 2016.

The Group has consolidated the Fund in accordance with MFRS 10 'Consolidated Financial Statements' as a subsidiary of the Bank with effective equity interest of 49.26% as at 30 June 2016.

30 Credit Exposure Arising from Transactions with Connected Parties

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

	Group and Bank	
	As at 30 June 2016	As at 31 December 2015
Outstanding credit exposures with connected parties (RM'000)	329,721	65,639
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	7.03%	1.72%
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 2016 (cont'd)

31 Changes in Profit for the Quarter

For the current financial quarter ended 30 June 2016, the Group recorded a pre-tax profit of RM35.9 million, an increase of 2.3% as compared to the pre-tax profit of RM35.1 million for the preceding quarter ended 31 March 2016. The higher profit was mainly due to higher other operating income by RM21.1 million, higher allowance for impairment written back on loans, advances and other losses by RM7.9 million and higher share of results of associates and joint venture by RM0.2 million, partially offset with higher other operating expenses by RM25.0 million, lower net interest income by RM2.9 million and higher impairment losses on other assets by RM0.5 million.

32 Performance Review

For the six months ended 30 June 2016, the Group recorded a pre-tax profit of RM71.0 million, 24.5% higher as compared to the previous year corresponding period of RM57.0 million. The increase in profit was mainly due to lower other operating expenses by RM13.3 million, higher other operating income by RM8.7 million and higher net interest income by RM1.4 million, partially offset with higher impairment losses made on other assets by RM7.6 million and higher allowance made for impairment on loans, advances and other losses by RM1.8 million.

33 Prospects for 2016

The second half of 2016 will continue to be challenging as macro-economic uncertainties in most parts of the world will not spare Malaysia from the headwinds. Risks on external demands and softer consumer sentiments are expected to moderate Malaysia's GDP growth in 2016 to about 4.0% from 5.0% in 2015.

The Malaysian banking sector growth will remain modest, attributed to a deceleration in corporate loans growth and ongoing consolidation in the growth of household loans. A softer financial and capital market, and rising pressure on liquidity and asset quality will also weigh on the performance of banks.

Effective 14 April 2016, RHB Bank Berhad, the immediate holding company, is the new group holding company and has officially been listed on Bursa Securities on 28 June 2016. The RHB Banking Group is now on a much firmer footing with stronger capitalisation, leaner organisation and greater efficiency.

The Group will continue to remain steadfast on delivering the various initiatives under the Group 2017 IGNITE transformation programme, that has thus far registered many positive achievements, while remaining vigilant on the challenging macro environment and volatility in the market place.

The Group is expected to deliver a better performance this year and is on the right trajectory to achieve its long-term objectives.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

34 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:

Group	Level 1	Level 2	Level 3	Total
30 June 2016	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	434,764	-	150,601	585,365
- quoted securities	434,764	-	-	434,764
- unquoted securities	-	-	150,601	150,601
Financial investments AFS	57,326	2,401,107	122,385	2,580,818
- money market instruments	-	586,712	-	586,712
- quoted securities	57,326	-	-	57,326
- unquoted securities	-	1,814,395	122,385	1,936,780
Derivative assets	-	8,106	-	8,106
	<u>492,090</u>	<u>2,409,213</u>	<u>272,986</u>	<u>3,174,289</u>
<u>Financial liabilities</u>				
Derivative liabilities	-	49,898	-	49,898
	<u>-</u>	<u>49,898</u>	<u>-</u>	<u>49,898</u>
<u>Group</u>				
31 December 2015	Level 1	Level 2	Level 3	Total
31 December 2015	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	239,516	4,748	153,863	398,127
- quoted securities	239,516	-	-	239,516
- unquoted securities	-	4,748	153,863	158,611
Financial investments AFS	44,950	3,247,450	120,071	3,412,471
- money market instruments	-	1,359,394	-	1,359,394
- quoted securities	44,950	-	-	44,950
- unquoted securities	-	1,888,056	120,071	2,008,127
Derivative assets	-	57,906	-	57,906
	<u>284,466</u>	<u>3,310,104</u>	<u>273,934</u>	<u>3,868,504</u>
<u>Financial liabilities</u>				
Derivative liabilities	30,038	97,508	-	127,546
	<u>30,038</u>	<u>97,508</u>	<u>-</u>	<u>127,546</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

34 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)

Bank	Level 1	Level 2	Level 3	Total
30 June 2016	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at FVTPL	71,477	-	35,131	106,608
- quoted securities	71,477	-	-	71,477
- unquoted securities	-	-	35,131	35,131
Financial investments AFS	36,934	2,401,108	50,813	2,488,855
- money market instruments	-	586,712	-	586,712
- quoted securities	36,934	-	-	36,934
- unquoted securities	-	1,814,396	50,813	1,865,209
Derivative assets	-	8,106	-	8,106
	108,411	2,409,214	85,944	2,603,569
Financial liabilities				
Derivative liabilities				
- money market instruments	10,372	37,796	-	48,168

Bank	Level 1	Level 2	Level 3	Total
31 December 2015	RM'000	RM'000	RM'000	RM'000
Financial assets				
Financial assets at FVTPL	96,446	-	35,131	131,577
- quoted securities	96,446	-	-	96,446
- unquoted securities	-	-	35,131	35,131
Financial investments AFS	25,070	3,238,177	48,202	3,311,449
- money market instruments	-	1,359,394	-	1,359,394
- quoted securities	25,070	-	-	25,070
- unquoted securities	-	1,878,783	48,202	1,926,985
Derivative assets	-	57,906	-	57,906
	121,516	3,296,083	83,333	3,500,932
Financial liabilities				
Derivative liabilities	28,486	97,508	-	125,994

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

34 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 June 2016 and 31 December 2015 for the Group and the Bank:

Group	Financial assets at FVTPL		Financial investments AFS	
	As at	As at	As at	As at
	30 June 2016	31 December 2015	30 June 2016	31 December 2015
	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial period/year	153,863	40,000	120,071	123,896
Total gains recognised in other comprehensive income	-	-	1,777	1,864
Total (losses)/gains recognised in income statements				
- Other operating income	-	(19,868)	547	830
- Impairment losses made	-	-	-	(6,348)
Purchases	4,136	133,731	-	-
Settlements	-	-	-	(190)
Exchange differences	(7,398)	-	(10)	19
Balance as at the end of the financial period/year	150,601	153,863	122,385	120,071

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

34 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 2016 and 31 December 2015 for the Group and the Bank: (cont'd)

	Financial assets FVTPL		Financial investments AFS	
	As at 30 June 2016	As at 31 December 2015	As at 30 June 2016	As at 31 December 2015
	RM'000	RM'000	RM'000	RM'000
<u>Bank</u>				
Balance as at the beginning of the financial period/year	35,131	40,000	48,202	51,602
Total gains recognised in other comprehensive income	-	-	2,064	1,864
Total (losses)/gains recognised in income statements				
- Other operating income	-	(4,869)	547	830
- Impairment losses made	-	-	-	(6,094)
Balance as at the end of the financial period/year	<u>35,131</u>	<u>35,131</u>	<u>50,813</u>	<u>48,202</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

35 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 Banking 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 also 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.

Asset Management consists of the Group's Asset Management and Trustee businesses, which includes overseas business operations in Singapore, Hong Kong and Indonesia.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

35 Segment Reporting (cont'd)

Segment Profit and Loss for the Six Months Ended 30 June 2016

Group	Investment	Treasury	Asset	Others and	Total
	Banking		Management	Elimination	
	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	339,996	38,666	128,892	-	507,554
Inter-segment revenue	10,256	-	-	(10,256)	-
Segment revenue	350,252	38,666	128,892	(10,256)	507,554
Overhead expenses	(323,131)	(9,526)	(108,435)	10,256	(430,836)
Including:					
Depreciation of property, plant and equipment	(11,365)	(127)	(436)	-	(11,928)
Amortisation of intangible assets	(5,389)	(930)	(177)	-	(6,496)
Allowance made for impairment on loans, advances and other losses	(5,640)	-	(67)	-	(5,707)
Impairment losses written back/(made) on other assets	1,600	(2,122)	-	-	(522)
	23,081	27,018	20,390	-	70,489
Share of results of associates					172
Share of results of joint ventures					301
Profit before taxation					70,962
Taxation					(16,350)
Net profit for the financial period					54,612

Segment Assets and Liabilities as at 30 June 2016

Group	Investment	Treasury	Asset	Others and	Total
	Banking		Management	Elimination	
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	6,825,448	4,877,130	390,344	(1,708,072)	10,384,850
Goodwill	512,391	614,176	143,367	-	1,269,934
Investment in associates and joint ventures					20,505
Tax recoverable					58,192
Deferred tax assets					21,137
Total assets					11,754,618
Segment liabilities	3,126,015	4,353,401	277,717	(162,929)	7,594,204
Tax liabilities					8,388
Deferred tax liabilities					3,455
Borrowings					482,791
Subordinated obligations					447,600
Total liabilities					8,536,438

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2016 (cont'd)

35 Segment Reporting (cont'd)

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

<u>Group</u>	<u>Investment Banking</u>	<u>Treasury</u>	<u>Asset Management</u>	<u>Others and Elimination</u>	<u>Total</u>
	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 (made)/written back 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 31 December 2015

<u>Group</u>	<u>Investment Banking</u>	<u>Treasury</u>	<u>Asset Management</u>	<u>Others and Elimination</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	5,375,615	5,815,299	284,162	(1,651,947)	9,823,129
Goodwill	512,391	614,176	143,367	-	1,269,934
Investment in associates and joint ventures					20,899
Tax recoverable					38,979
Deferred tax assets					30,601
Total assets					11,183,542
Segment liabilities	2,193,056	4,819,561	187,896	(148,223)	7,052,290
Tax liabilities					8,895
Deferred tax liabilities					3,728
Borrowings					457,784
Subordinated obligations					548,822
Total liabilities					8,071,519