

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Note	Group		Bank	
		As at 30 June 2017 RM'000	As at 31 December 2016 RM'000	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
ASSETS					
Cash and short term funds		1,229,519	1,064,383	570,675	478,126
Deposits and placements with banks and other financial institutions		38,073	359,018	-	350,065
Financial assets at fair value through profit or loss ('FVTPL')	8	647,239	612,105	148,650	54,854
Financial investments available-for-sale ('AFS')	9	1,731,481	1,856,676	1,711,394	1,833,518
Financial investments held-to-maturity ('HTM')	10	367,708	398,564	367,708	398,564
Loans and advances	11	1,756,947	1,792,172	1,084,408	1,121,163
Clients' and brokers' balances	12	1,864,429	2,090,784	597,969	790,399
Other assets	13	280,011	274,714	54,920	73,847
Derivative assets		1,272	7,325	1,272	7,202
Statutory deposits		94,201	85,144	90,000	80,700
Tax recoverable		57,499	61,528	54,966	58,393
Deferred tax assets		17,652	19,477	2,517	7,919
Investments in subsidiaries		-	-	1,505,450	1,504,725
Investments in associates and joint ventures		54,718	54,989	21,057	21,057
Property, plant and equipment		55,168	60,402	26,548	27,802
Goodwill and intangible assets		1,316,524	1,320,892	1,142,723	1,145,504
TOTAL ASSETS		9,512,441	10,058,173	7,380,257	7,953,838
LIABILITIES AND EQUITY					
Deposits from customers	14	304,773	682,035	320,749	697,802
Deposits and placements of banks and other financial institutions	15	2,654,094	2,693,618	2,702,437	2,764,787
Bills and acceptances payable		111,670	180,931	-	-
Clients' and brokers' balances		1,531,096	1,740,563	480,823	682,073
Other liabilities	16	516,392	473,795	171,920	169,708
Derivative liabilities		30,810	37,197	28,033	36,425
Puttable financial instruments		74,457	68,706	-	-
Tax liabilities		10,272	11,583	-	-
Deferred tax liabilities		2,917	3,189	-	-
Borrowings		649,456	552,720	-	-
Subordinated obligations		447,539	447,595	447,539	447,595
TOTAL LIABILITIES		6,333,476	6,891,932	4,151,501	4,798,390
Share capital		2,333,796	818,646	2,333,796	818,646
Reserves		836,383	2,339,393	894,960	2,336,802
		3,170,179	3,158,039	3,228,756	3,155,448
Non-controlling interests		8,786	8,202	-	-
TOTAL EQUITY		3,178,965	3,166,241	3,228,756	3,155,448
TOTAL LIABILITIES AND EQUITY		9,512,441	10,058,173	7,380,257	7,953,838
COMMITMENTS AND CONTINGENCIES					
	26	2,411,140	2,663,862	717,968	1,133,863

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2017

<u>Group</u>	Note	2nd Quarter Ended		Six Months Ended	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
		RM'000	RM'000	RM'000	RM'000
Interest income	17	62,079	77,333	129,347	162,663
Interest expense	18	(37,340)	(44,121)	(77,352)	(93,304)
Net interest income		24,739	33,212	51,995	69,359
Fee and commission income	19	213,226	184,082	434,842	365,026
Fee and commission expense	20	(60,065)	(37,246)	(116,860)	(62,992)
Other operating income	21	32,510	42,175	77,838	67,205
		210,410	222,223	447,815	438,598
Other operating expenses	22	(181,903)	(189,168)	(369,725)	(364,430)
Operating profit before allowances		28,507	33,055	78,090	74,168
Allowance (made)/written back for impairment on loans, advances and other losses	23	(42,659)	1,042	(46,425)	(5,707)
Impairment losses written back/(made) on other assets		528	(522)	528	(522)
		(13,624)	33,575	32,193	67,939
Share of results of associates		155	107	246	172
Share of results of joint ventures		111	245	207	301
(Loss)/Profit before taxation		(13,358)	33,927	32,646	68,412
Taxation		(5,841)	(10,746)	(22,375)	(16,350)
Net (loss)/profit for the financial period		(19,199)	23,181	10,271	52,062
(Loss)/Profit attributable to:					
Equity holder of the Bank		(19,499)	22,928	9,749	51,548
Non-controlling interests		300	253	522	514
		(19,199)	23,181	10,271	52,062
Basic (loss)/earnings per share (sen)	24	(2.4)	2.8	1.2	6.3

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017

<u>Group</u>	2nd Quarter Ended		Six Months Ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Net (loss)/profit for the financial period	(19,199)	23,181	10,271	52,062
Other comprehensive (loss)/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)	407	341
(ii) Items that will be reclassified subsequently to profit or loss:				
- Currency translation differences	(22,712)	34,142	(10,325)	(32,957)
- Net investment hedge	4,425	(9,419)	(713)	2,954
- Unrealised net gain on revaluation of financial investments AFS	9,328	11,215	18,647	26,332
- Net transfer (to)/from income statements on disposal or impairment of financial investments AFS	(1,112)	205	(1,282)	10
Income tax relating to components of other comprehensive income	(2,132)	(2,717)	(4,268)	(6,411)
Other comprehensive (loss)/income, net of tax, for the financial period	(12,203)	33,420	2,466	(9,731)
Total comprehensive (loss)/income for the financial period	(31,402)	56,601	12,737	42,331
Total comprehensive (loss)/income attributable to:				
Equity holder of the Bank	(31,670)	56,264	12,141	41,978
Non-controlling interests	268	337	596	353
	(31,402)	56,601	12,737	42,331

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2017

Bank	Note	2nd Quarter Ended		Six Months Ended	
		30 June 2017	30 June 2016	30 June 2017	30 June 2016
		RM'000	RM'000	RM'000	RM'000
Interest income	17	44,507	58,079	92,072	122,518
Interest expense	18	(31,897)	(40,923)	(66,265)	(87,266)
Net interest income		12,610	17,156	25,807	35,252
Fee and commission income	19	83,357	65,858	160,284	134,525
Other operating income	21	20,902	32,895	60,299	47,431
		116,869	115,909	246,390	217,208
Other operating expenses	22	(89,456)	(84,619)	(169,432)	(163,619)
Operating profit before allowances		27,413	31,290	76,958	53,589
Allowance (made)/written back for impairment on loans, advances and other losses	23	(1,222)	2,225	(64)	1,069
Impairment losses written back/(made) on other assets		528	(217)	528	(1,043)
Profit before taxation		26,719	33,298	77,422	53,615
Taxation		(5,611)	(7,808)	(17,307)	(12,647)
Net profit for the financial period		21,108	25,490	60,115	40,968

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2017

<u>Bank</u>	2nd Quarter Ended		Six Months Ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	21,108	25,490	60,115	40,968
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	8,887	11,122	17,531	26,412
- Net transfer (to)/from income statements on disposal or impairment of financial investments AFS	(2)	206	(172)	(57)
Income tax relating to components of other comprehensive income	(2,132)	(2,718)	(4,166)	(6,325)
Other comprehensive income, net of tax, for the financial period	6,753	8,610	13,193	20,030
Total comprehensive income for the financial period	27,861	34,100	73,308	60,998

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

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 2017

Attributable to the Equity Holder of the Bank

Group	Share capital RM'000	Share premium RM'000	Statutory reserves RM'000	AFS reserves RM'000	Translation reserves RM'000	Regulatory reserves RM'000	Retained profits RM'000	Total RM'000	Non-controlling interests RM'000	Total RM'000
Balance as at 1 January 2017	818,646	1,515,150	449,721	876	152,870	21,279	199,497	3,158,039	8,202	3,166,241
Net profit for the financial period	-	-	-	-	-	-	9,749	9,749	522	10,271
Currency translation differences	-	-	-	(27)	(10,215)	-	-	(10,242)	(83)	(10,325)
Net investment hedge	-	-	-	-	(713)	-	-	(713)	-	(713)
Financial investments AFS:										
- Unrealised net gain on revaluation	-	-	-	18,493	-	-	-	18,493	154	18,647
- Net transfer to income statements on disposal or impairment	-	-	-	(1,282)	-	-	-	(1,282)	-	(1,282)
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	-	403	403	4	407
Income tax relating to components of other comprehensive income	-	-	-	(4,166)	-	-	(101)	(4,267)	(1)	(4,268)
Other comprehensive income/(loss), net of tax, for the financial period	-	-	-	13,018	(10,928)	-	302	2,392	74	2,466
Total comprehensive income/(loss) for the financial period	-	-	-	13,018	(10,928)	-	10,051	12,141	596	12,737
Transfer from statutory reserves	-	-	(449,208)	-	-	-	449,208	-	-	-
Transfer to share capital	1,515,150	(1,515,150)	-	-	-	-	-	-	-	-
Transfer from regulatory reserves	-	-	-	-	-	(288)	288	-	-	-
Acquisition of additional interest from non-controlling interests	-	-	-	-	-	-	(1)	(1)	(12)	(13)
Balance as at 30 June 2017	2,333,796	-	513	13,894	141,942	20,991	659,043	3,170,179	8,786	3,178,965

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

Attributable to Equity Holder of the Bank

Group	Share capital	Share premium	Statutory reserves	AFS reserves	Translation reserves	Regulatory reserves	Retained profits	Total	Non-controlling interests	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 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	-	-	-	-	-	-	51,548	51,548	514	52,062
Currency translation differences	-	-	-	(8)	(32,858)	-	-	(32,866)	(91)	(32,957)
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)	(161)	(9,731)
Total comprehensive income/(loss) for the financial period	-	-	-	20,081	(29,904)	-	51,801	41,978	353	42,331
Transfer to regulatory reserves	-	-	-	-	-	(1,380)	1,380	-	-	-
Dilution of interest in a subsidiary	-	-	-	-	-	-	(339)	(339)	339	-
Balance as at 30 June 2016	818,646	1,515,150	433,545	32,339	86,224	21,235	238,759	3,145,898	8,456	3,154,354

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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 2017

	Non-Distributable				Distributable		Total
	Share capital	Share premium	Statutory reserves	AFS reserves	Regulatory reserves	Retained profits	
<u>Bank</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2017	818,646	1,515,150	449,208	7,850	13,008	351,586	3,155,448
Net profit for the financial period	-	-	-	-	-	60,115	60,115
Financial investments AFS:							
- Unrealised net gain on revaluation	-	-	-	17,531	-	-	17,531
- Net transfer to income statements on disposal or impairment	-	-	-	(172)	-	-	(172)
Income tax relating to components of other comprehensive income	-	-	-	(4,166)	-	-	(4,166)
Other comprehensive income, net of tax, for the financial period	-	-	-	13,193	-	-	13,193
Total comprehensive income for the financial period	-	-	-	13,193	-	60,115	73,308
Transfer to share capital	1,515,150	(1,515,150)	-	-	-	-	-
Transfer from regulatory reserves	-	-	-	-	(87)	87	-
Transfer from statutory reserves	-	-	(449,208)	-	-	449,208	-
Balance as at 30 June 2017	2,333,796	-	-	21,043	12,921	860,996	3,228,756

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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 2017

	Non-Distributable				Distributable		Total
	Share capital	Share premium	Statutory reserves	AFS reserves	Regulatory reserves	Retained profits	
Bank	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	433,295	(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

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

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 2017

	Six Months Ended	
	30 June 2017	30 June 2016
	RM'000	RM'000
Group		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	32,646	68,412
Adjustments for non-cash items	43,208	(7,265)
Operating profit before working capital changes	75,854	61,147
Changes in working capital:		
Net changes in operating assets	500,395	(1,234,025)
Net changes in operating liabilities	(620,370)	519,125
Cash used in operations	(44,121)	(653,753)
Taxation paid	(22,107)	(33,437)
Net cash used in operating activities	(66,228)	(687,190)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from disposal of financial investments AFS and HTM	118,801	861,129
Interest income received from financial assets at FVTPL, financial investments AFS and HTM	35,271	68,705
Property, plant and equipment		
- Purchase	(7,270)	(5,599)
- Proceeds from disposal	32	208
Purchase of intangible assets	(2,392)	(6,044)
Dividend income received from financial assets at FVTPL and financial investments AFS	6,984	5,862
Acquisition of additional interest from non-controlling interests	(12)	-
Net cash generated from investing activities	151,414	924,261
CASH FLOWS FROM FINANCING ACTIVITIES		
Redemption of subordinated obligations	-	(100,000)
Net drawdown of borrowings	96,736	69,375
Subordinated obligations interest paid	(10,311)	(13,030)
Net cash generated from/(used in) financing activities	86,425	(43,655)
Net increase in cash and cash equivalents	171,611	193,416
Effects of exchange rate differences	(6,475)	(10,147)
Cash and cash equivalents		
- at the beginning of the financial period	1,064,383	1,132,078
- at the end of the financial period	1,229,519	1,315,347
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	1,229,519	1,315,347

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

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 2017

	Six Months Ended	
	30 June 2017	30 June 2016
	RM'000	RM'000
<u>Bank</u>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	77,422	53,615
Adjustments for non-cash items	1,300	(265)
	78,722	53,350
Operating profit before working capital changes		
Changes in working capital:		
Net changes in operating assets	507,565	(164,188)
Net changes in operating liabilities	(621,491)	(441,727)
	(35,204)	(552,565)
Cash used in operations	(12,644)	(29,187)
Taxation paid	(47,848)	(581,752)
Net cash used in operating activities	(47,848)	(581,752)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net proceeds from disposal of financial investments AFS and HTM	119,673	836,112
Interest income received from financial assets at FVTPL, financial investments AFS and HTM	35,247	68,494
Purchase of property, plant and equipment	(3,503)	(2,398)
Purchase of intangible assets	(1,214)	(5,269)
Dividend income received from financial assets at FVTPL and financial investments AFS	517	2,240
Acquisition of additional interest from non-controlling interests	(12)	-
Additional investments in a subsidiary	-	(60,430)
Net cash generated from investing activities	150,708	838,749
CASH FLOWS FROM FINANCING ACTIVITIES		
Subordinated obligations interest paid	(10,311)	(13,030)
Redemption of subordinated obligations	-	(100,000)
Net cash used in financing activities	(10,311)	(113,030)
Net increase in cash and cash equivalents	92,549	143,967
Cash and cash equivalents		
- at the beginning of the financial period	478,126	718,596
- at the end of the financial period	570,675	862,563
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	570,675	862,563

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017

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 Board ('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 2016.

(a) 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 2016, 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 2017:

- Amendments to MFRS 112 'Income Taxes'
- Amendments to MFRS 107 'Statements of Cash Flows'

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

(b) Changes in regulatory requirements

(i) Companies Act 2016

The Companies Act 2016 ('New Act') was enacted to replace the Companies Act 1965 with the objective of creating a regulatory structure that will facilitate business and promote accountability as well as protection of corporate directors and shareholders, taking into consideration the interest of other stakeholders. The New Act was passed on 4 April 2016 by Dewan Rakyat and on 29 April 2016 by Dewan Negara and gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the date on which the New Act comes into operation (except Section 241 and Division 8 of Part III of the New Act) would be 31 January 2017.

Amongst the key changes introduced in the New Act which will affect the financial statements of the Group and the Bank upon the commencement of the New Act on 31 January 2017 are:

- (1) abolition of the authorised capital; and
- (2) abolition of the concept of nominal value in shares which will also render the share premium account of a company to be no longer relevant. Instead, the amount standing in the share premium account will be recognised as part of the Bank's share capital.

During the financial period, the Group and the Bank had transferred a total of RM1,515,150,000 from its share premium account to the share capital pursuant to the New Act.

(ii) Revised Policy Document on Capital Funds

Bank Negara Malaysia ('BNM') had on 3 May 2017, issued a Revised Policy Document on Capital Funds and Capital Funds for Islamic Banks ('Revised Policy Document') which is applicable to banking institutions in Malaysia that covers licensed bank, licensed investment bank and licensed Islamic bank. The issuance of this Revised Policy Document has superseded two guidelines issued by BNM previously, namely Capital Funds and Capital Funds for Islamic Banks dated 1 July 2013.

The key changes in the Revised Policy Document are:

- (1) the removal of the requirement on maintenance of a reserve fund; and
- (2) the revised component of capital funds shall exclude share premium and reserve fund.

During the financial period, the Group and the Bank had transferred a total of RM449,207,923 from the statutory reserves to retained profits pursuant to the adoption of the Revised Policy Document.

The adoption of the New Act and the Revised Policy Document are not expected to have any financial impact on the Group and the Bank for the current financial year as any effect of adoption, if applicable, will mainly be on disclosures to the financial statements.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

2 Auditors' Report

The auditors' report for the financial year ended 31 December 2016 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 2017.

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 2017.

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 2017.

7 Dividends Paid

No dividend was paid by the Bank during the six months ended 30 June 2017.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

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

	Group		Bank	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
(a) Designated as FVTPL	193,688	202,854	-	-
(b) Held-for-trading	453,551	409,251	148,650	54,854
	647,239	612,105	148,650	54,854

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

At fair value

Quoted securities:

In Malaysia

Unit trusts	51,197	51,343	-	-
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Unquoted securities:

Outside Malaysia

Private equity funds	142,491	151,511	-	-
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**Total financial assets
designated as FVTPL**

	193,688	202,854	-	-
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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	132,190	37,433	132,190	37,433
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Outside Malaysia

Shares and warrants	304,901	354,397	-	-
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Unquoted securities:

In Malaysia

Corporate bonds/Sukuk	16,460	17,420	16,460	17,420
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Outside Malaysia

Corporate bonds	-	1	-	1
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**Total financial assets
held-for-trading**

	453,551	409,251	148,650	54,854
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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (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 2017 were as follows:

	Group and Bank	
	As at	As at
	30 June 2017	31 December 2016
	RM'000	RM'000
<u>Reclassified from financial assets at FVTPL to financial investments AFS</u>		
- Carrying value	15,463	15,535
- Fair value	15,448	15,478
Fair value loss that would have been recognised if the financial assets at FVTPL had not been reclassified	(15)	(57)

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

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

	Group		Bank	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
	RM'000	RM'000	RM'000	RM'000
At fair value				
<u>Money market instruments:</u>				
Malaysian Government Securities	219,324	217,072	219,324	217,072
Malaysian Government Investment Issues	148,759	148,794	148,759	148,794
Khazanah bonds	40,525	39,468	40,525	39,468
Sukuk Perumahan Kerajaan	69,506	68,919	69,506	68,919
<u>Quoted securities:</u>				
In Malaysia				
Shares	46	41	8	8
Unit trusts	15,154	14,263	-	-
Outside Malaysia				
Shares	2,090	1,910	-	-
Unit trusts	42,085	43,539	42,085	39,392
<u>Unquoted securities:</u>				
In Malaysia				
Corporate bonds/Sukuk	1,209,800	927,587	1,209,800	927,587
Shares	34,285	32,341	31,775	29,831
Loan stocks	15,933	15,612	15,933	15,612
Prasarana bonds	25,389	25,242	25,389	25,242
Outside Malaysia				
Corporate bonds	-	413,303	-	413,303
Shares	296	296	-	-
	1,823,192	1,948,387	1,803,104	1,925,228
Accumulated impairment losses	(91,711)	(91,711)	(91,710)	(91,710)
	1,731,481	1,856,676	1,711,394	1,833,518

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

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

	Group and Bank	
	As at 30 June 2017	As at 31 December 2016
	RM'000	RM'000
At amortised cost		
<u>Money market instruments:</u>		
Malaysian Government Securities	20,252	20,295
Malaysian Government Investment Issues	245,127	245,678
Khazanah bonds	11,337	11,119
Wakala Global Sukuk	9,506	9,810
<u>Unquoted Securities:</u>		
<u>In Malaysia</u>		
Corporate bonds/Sukuk	142,200	142,673
Credit link notes	-	30,047
Bonds	23	23
Loan stocks	27,378	27,504
Prasarana bonds	20,173	20,231
	475,996	507,380
Accumulated impairment losses	(108,288)	(108,816)
	367,708	398,564

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

11 Loans and Advances

	Group		Bank	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
(a) By type				
At amortised cost				
Term loans:				
- syndicated term loans	-	27,359	-	27,359
- other term loans	76,055	131,448	19,017	58,859
Share margin financing	1,771,278	1,687,759	1,074,867	999,748
Staff loans	584	723	584	723
Revolving credits	-	-	-	44,892
Gross loans and advances	1,847,917	1,847,289	1,094,468	1,131,581
Allowance for impaired loans and advances:				
- individual impairment allowance	(90,876)	(54,887)	(9,966)	(9,966)
- collective impairment allowance	(94)	(230)	(94)	(452)
Net loans and advances	1,756,947	1,792,172	1,084,408	1,121,163
(b) By type of customer				
Domestic business enterprises:				
- small and medium enterprises	202,892	211,413	202,892	211,413
- others	150,322	175,238	150,322	175,238
Individuals	739,054	667,490	739,054	667,490
Foreign entities	755,649	793,148	2,200	77,440
	1,847,917	1,847,289	1,094,468	1,131,581
(c) By geographical distribution				
In Malaysia	1,094,468	1,086,689	1,094,468	1,131,581
Outside Malaysia				
- Singapore	148,636	83,987	-	-
- Hong Kong	263,995	368,797	-	-
- Indonesia	89,705	52,511	-	-
- Thailand	251,113	255,305	-	-
	1,847,917	1,847,289	1,094,468	1,131,581

RHB INVESTMENT BANK BERHAD (19663-P)
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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

11 Loans and Advances (cont'd)

	Group		Bank	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
(d) By interest rate sensitivity				
Fixed rate:				
- other fixed rate loans	1,329,838	1,192,689	1,091,497	1,056,191
Variable rate:				
- cost plus	-	27,359	-	72,251
- base lending rate plus	518,079	627,241	2,971	3,139
	1,847,917	1,847,289	1,094,468	1,131,581
(e) By purpose				
Purchase of securities	1,847,331	1,779,291	1,093,882	1,018,691
Purchase of transport vehicles	43	53	43	53
Purchase of landed property:				
- residential	543	672	543	672
- non-residential	-	39,914	-	39,914
Working capital	-	-	-	44,892
Other purpose	-	27,359	-	27,359
	1,847,917	1,847,289	1,094,468	1,131,581
(f) By remaining contractual maturities				
Maturity within one year	1,831,285	1,803,401	1,077,836	1,087,693
One year to three years	16,204	281	16,204	281
Three years to five years	30	43,177	30	43,177
Over five years	398	430	398	430
	1,847,917	1,847,289	1,094,468	1,131,581

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

11 Loans and Advances (cont'd)

	Group		Bank	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
	RM'000	RM'000	RM'000	RM'000
(g) Impaired Loans and Advances				
(i) Movements in impaired loans and advances				
Balance as at the beginning of the financial period/year	129,166	118,142	55,803	115,552
Classified as impaired	51,969	179,672	13,987	111,203
Reclassified as non-impaired	(17,244)	-	-	-
Amount recovered	(57,886)	(168,952)	(53,686)	(166,029)
Amount written off	(357)	(5,252)	-	(4,923)
Exchange differences	(3,611)	5,556	-	-
Balance as at the end of the financial period/year	102,037	129,166	16,104	55,803
(ii) By purpose				
Purchase of securities	102,037	89,252	16,104	15,889
Purchase of landed property:				
- Non-residential	-	39,914	-	39,914
	102,037	129,166	16,104	55,803
(iii) By geographical distribution				
In Malaysia	16,104	55,803	16,104	55,803
Outside Malaysia:				
- Singapore	-	356	-	-
- Hong Kong	77,355	73,007	-	-
- Thailand	8,578	-	-	-
	102,037	129,166	16,104	55,803
(iv) Movements in allowance for impaired loans and advances				
Individual impairment allowance				
Balance as at the beginning of the financial period/year	54,887	12,301	9,966	9,711
Net allowance made	38,352	47,904	-	5,178
Amount written off	(357)	(5,252)	-	(4,923)
Exchange differences	(2,006)	(66)	-	-
Balance as at the end of the financial period/year	90,876	54,887	9,966	9,966

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

11 Loans and Advances (cont'd)

	Group		Bank	
	As at	As at	As at	As at
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
(g) Impaired Loans and Advances (cont'd)				
(iv) Movements in allowance for impaired loans and advances (cont'd)				
Collective impairment allowance				
Balance as at the beginning of the financial period/year	230	2,250	452	2,474
Net allowance written back	(136)	(2,020)	(358)	(2,022)
Balance as at the end of the financial period/year	94	230	94	452

12 Clients' and Brokers' Balances

	Group		Bank	
	As at	As at	As at	As at
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Amounts owing by clients	950,198	1,055,739	490,325	552,160
Allowance for impairment balances:				
- individual impairment allowance	(29,079)	(16,568)	(7,389)	(7,924)
- collective impairment allowance	(3,630)	(16,608)	(89)	(47)
	917,489	1,022,563	482,847	544,189
Amounts owing by brokers	406,600	679,891	13,376	107,672
Amounts owing by clearing houses and stock exchanges	540,340	388,330	101,746	138,538
	1,864,429	2,090,784	597,969	790,399
Individual impairment allowance				
Balance as at the beginning of the financial period/year	16,568	17,777	7,924	7,629
Net allowance made/(written back)	12,403	(301)	(489)	1,368
Amount written off	(46)	(1,073)	(46)	(1,073)
Exchange differences	154	165	-	-
Balance as at the end of the financial period/year	29,079	16,568	7,389	7,924

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

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

	Group		Bank	
	As at	As at	As at	As at
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Collective impairment allowance				
Balance as at the beginning of the financial period/year	16,608	6,654	47	2,409
Net allowance (written back)/made	(12,925)	9,445	42	(2,362)
Exchange differences	(53)	509	-	-
Balance as at the end of the financial period/year	3,630	16,608	89	47

13 Other Assets

	Group		Bank	
	As at	As at	As at	As at
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Other receivables	65,917	67,668	34,218	37,950
Unit trust fee receivables	24,150	14,804	-	-
Management fee receivables	9,713	10,831	-	-
Cash collateral in relation to derivative transactions	-	8,532	-	8,532
Deposits	44,299	41,943	7,407	6,511
Prepayments	27,051	19,302	8,824	4,812
Amount receivable for release of units from funds	108,248	99,785	-	-
Transferable memberships	345	349	262	262
Amount due from holding company	2	11,075	-	11,075
Amount due from subsidiaries	-	-	4,037	4,636
Amount due from related companies	286	425	172	69
	280,011	274,714	54,920	73,847

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

14 Deposits from Customers

	Group		Bank	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
(a) By type of deposits				
Short term deposits	83,920	243,406	99,896	243,406
Fixed deposits	220,048	435,390	220,048	451,157
Negotiable instruments of deposits	805	3,239	805	3,239
	304,773	682,035	320,749	697,802
(b) By type of customers				
Government and statutory bodies	10,364	17,348	10,364	17,348
Business enterprises	294,409	664,586	310,385	680,353
Individuals	-	101	-	101
	304,773	682,035	320,749	697,802
(c) By maturity structure of deposits and negotiable instruments of deposits				
Due within six months	296,781	677,300	312,757	693,067
Six months to one year	7,992	4,735	7,992	4,735
	304,773	682,035	320,749	697,802

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

15 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	As at	As at	As at	As at
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Licensed banks	1,704,486	2,267,902	1,704,486	2,267,902
Licensed investment banks	321,318	50,140	321,318	50,140
Other financial institutions	628,290	375,576	676,633	446,745
	2,654,094	2,693,618	2,702,437	2,764,787

16 Other Liabilities

	Group		Bank	
	As at	As at	As at	As at
	30 June 2017	31 December 2016	30 June 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Other creditors and accruals	104,814	110,661	46,899	46,124
Structured deposits	20,477	9,809	20,477	9,809
Deferred income	2,452	12,961	-	10,000
Remisiers' trust deposits	62,569	60,060	62,569	60,060
Amount payable for creation of units due to funds	28,228	25,792	-	-
Amount payable for redemption units	198,601	127,651	-	-
Short-term employee benefits	65,819	101,043	20,921	39,393
Amount due to holding company	32,622	17,353	17,807	-
Amount due to subsidiaries	-	-	2,561	3,965
Amount due to related companies	810	8,465	686	357
	516,392	473,795	171,920	169,708

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
17 Interest Income				
<u>Group</u>				
Loans and advances	30,077	33,401	60,726	67,887
Money at call and deposits and placements with banks and other financial institutions	11,449	9,818	25,772	20,229
Financial assets at FVTPL	45	104	121	243
Financial investments AFS	15,059	23,687	29,889	51,366
Financial investments HTM	3,614	5,204	7,340	10,514
Others	1,835	5,119	5,499	12,424
	62,079	77,333	129,347	162,663
Of which:				
Interest income accrued on impaired loans and advances	2,755	3,227	4,139	5,337
<u>Bank</u>				
Loans and advances	16,856	20,332	33,662	41,738
Money at call and deposits and placements with banks and other financial institutions	8,565	8,163	20,335	17,002
Financial assets at FVTPL	42	6	109	34
Financial investments AFS	15,047	23,621	29,877	51,121
Financial investments HTM	3,614	5,204	7,340	10,514
Others	383	753	749	2,109
	44,507	58,079	92,072	122,518
Of which:				
Interest income accrued on impaired loans and advances	334	3,227	658	5,337
18 Interest Expense				
<u>Group</u>				
Deposits and placements of banks and other financial institutions	20,498	26,147	42,758	55,842
Deposits from customers	5,670	8,860	11,942	18,453
Subordinated obligations	5,155	5,356	10,255	11,808
Borrowings	5,298	3,255	10,947	6,158
Others	719	503	1,450	1,043
	37,340	44,121	77,352	93,304

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
18 Interest Expense (cont'd)				
<u>Bank</u>				
Deposits and placements of banks and other financial institutions	20,932	26,443	43,732	56,471
Deposits from customers	5,781	8,968	12,162	18,668
Subordinated obligations	5,155	5,356	10,255	11,808
Others	29	156	116	319
	31,897	40,923	66,265	87,266

19 Fee and Commission Income

Group

Arrangement fees and underwriting	4,573	5,688	10,428	13,849
Service charges and fees	982	1,472	1,745	2,282
Commission	1,857	1,442	3,162	3,117
Brokerage income	80,841	70,657	172,964	146,967
Unit trust fee income	34,701	13,959	69,789	24,161
Corporate advisory fees	9,988	24,987	21,283	50,176
Fund management fees	58,002	50,870	112,547	92,653
Placement fees	1,095	4,759	9,746	6,369
Rollover fees	1,322	1,621	4,092	3,212
Other fee income	19,865	8,627	29,086	22,240
	213,226	184,082	434,842	365,026

Bank

Arrangement fees and underwriting	4,127	3,203	8,486	10,379
Service charges and fees	-	8	-	13
Commission	517	601	1,060	1,302
Brokerage income	56,694	41,257	111,259	84,923
Corporate advisory fees	5,012	11,856	10,227	15,326
Placement fees	576	4,108	6,623	5,353
Rollover fees	1,323	1,592	2,784	3,183
Other fee income	15,108	3,233	19,845	14,046
	83,357	65,858	160,284	134,525

20 Fee and Commission Expense

Group

Unit trust fees	33,179	14,495	65,932	23,687
Fund management fees	26,886	22,751	50,928	39,305
	60,065	37,246	116,860	62,992

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
21 Other Operating Income				
<u>Group</u>				
(a) Net gain arising from financial instruments at FVTPL				
- net gain on disposal	3,904	9,830	15,326	274
- net gain/(loss) on revaluation	2,321	(679)	(8,640)	7,816
- gross dividend income	2,929	1,918	6,377	5,113
	<u>9,154</u>	<u>11,069</u>	<u>13,063</u>	<u>13,203</u>
(b) Net gain/(loss) arising from derivatives				
- net loss on disposal	(39,622)	(26,850)	(36,277)	(14,374)
- net gain on revaluation	44,675	21,511	51,540	27,028
	<u>5,053</u>	<u>(5,339)</u>	<u>15,263</u>	<u>12,654</u>
(c) Net gain arising from financial investments AFS				
- net gain on disposal	1,156	108	1,613	1,653
- gross dividend income	479	669	607	749
	<u>1,635</u>	<u>777</u>	<u>2,220</u>	<u>2,402</u>
(d) Other income				
- Net foreign exchange gain/(loss)				
- realised	6,954	14,798	35,679	67,038
- unrealised	(9,934)	10,174	(36,575)	(49,521)
- Gain on disposal of property, plant and equipment	-	7	32	23
- Rental income	302	85	302	85
- Other operating income	19,346	10,604	47,854	21,321
	<u>16,668</u>	<u>35,668</u>	<u>47,292</u>	<u>38,946</u>
	<u>32,510</u>	<u>42,175</u>	<u>77,838</u>	<u>67,205</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
21 Other Operating Income (cont'd)				
<u>Bank</u>				
(a) Net (loss)/gain arising from financial assets at FVTPL				
- net gain/(loss) on disposal	3,828	(4,404)	11,823	(17,992)
- net (loss)/gain on revaluation	(4,622)	(1,866)	29	2,680
- gross dividend income	502	321	517	1,913
	<u>(292)</u>	<u>(5,949)</u>	<u>12,369</u>	<u>(13,399)</u>
(b) Net gain arising from derivatives				
- net loss on disposal	(45,563)	(14,159)	(53,389)	(2,723)
- net gain on revaluation	49,771	17,596	54,533	25,528
	<u>4,208</u>	<u>3,437</u>	<u>1,144</u>	<u>22,805</u>
(c) Net gain arising from financial investments AFS				
- net gain on disposal	36	105	492	1,557
- gross dividend income	-	327	-	327
	<u>36</u>	<u>432</u>	<u>492</u>	<u>1,884</u>
(d) Other income				
- Net foreign exchange gain/(loss)				
- realised	5,519	14,659	34,107	66,954
- unrealised	(7,305)	10,402	(34,069)	(49,451)
- Other operating income	18,736	9,914	46,256	18,638
	<u>16,950</u>	<u>34,975</u>	<u>46,294</u>	<u>36,141</u>
	<u>20,902</u>	<u>32,895</u>	<u>60,299</u>	<u>47,431</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
22 Other Operating Expenses				
<u>Group</u>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	82,403	86,758	171,214	168,750
- Defined contribution plan	8,452	8,910	16,767	17,373
- Other staff related costs	9,844	9,475	17,984	13,517
	100,699	105,143	205,965	199,640
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	5,681	5,898	11,611	11,928
- written off	333	2	541	83
- Amortisation of intangible assets	3,337	3,211	6,691	6,496
- Information technology expenses	15,988	14,524	32,542	27,995
- Security and escorting charges	49	166	96	345
- Repair and maintenance	883	1,068	1,699	2,455
- Rental of premises	11,583	13,483	23,047	26,232
- Water and electricity	1,437	1,732	2,775	3,323
- Rental of equipment	27	217	369	698
- Insurance	3,044	3,257	5,673	5,258
- Others	4,074	3,538	7,816	6,777
	46,436	47,096	92,860	91,590
<u>Marketing expenses</u>				
- Advertisements and publicity	834	1,326	2,062	3,096
- Sales commission	351	3,948	884	6,508
- Others	9,214	8,226	17,529	15,146
	10,399	13,500	20,475	24,750
<u>Administration and general expenses</u>				
- Communication expenses	12,705	12,271	25,800	25,414
- Legal and professional fees	1,863	2,301	4,488	3,714
- Others	9,801	8,857	20,137	19,322
	24,369	23,429	50,425	48,450
	181,903	189,168	369,725	364,430

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
22 Other Operating Expenses (cont'd)				
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	39,224	32,046	73,647	64,930
- Defined contribution plan	5,369	5,591	10,482	10,948
- Other staff related costs	5,112	4,719	8,322	4,791
	49,705	42,356	92,451	80,669
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	2,265	2,542	4,617	5,095
- written off	2	-	140	15
- Amortisation of intangible assets	1,974	2,070	3,995	4,225
- Information technology expenses	10,372	9,080	21,025	17,210
- Security and escorting charges	42	61	78	131
- Repair and maintenance	690	765	1,271	1,822
- Rental of premises	3,612	4,695	7,313	9,643
- Water and electricity	1,004	1,260	1,862	2,354
- Rental of equipment	37	38	241	348
- Insurance	2,397	2,360	4,635	3,799
- Others	3,452	1,880	5,682	3,421
	25,847	24,751	50,859	48,063
<u>Marketing expenses</u>				
- Advertisements and publicity	254	965	774	1,862
- Sales commission	36	3,566	270	4,845
- Others	2,157	1,927	3,617	4,140
	2,447	6,458	4,661	10,847
<u>Administration and general expenses</u>				
- Communication expenses	3,424	4,140	7,399	9,303
- Legal and professional fees	647	71	754	536
- Others	7,386	6,843	13,308	14,201
	11,457	11,054	21,461	24,040
	89,456	84,619	169,432	163,619

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
	RM'000	RM'000	RM'000	RM'000
23 Allowance Made/(Written Back) for Impairment on Loans, Advances and Other Losses				
<u>Group</u>				
Individual impairment allowance made/(written back)	32,927	(1,110)	38,352	502
Collective impairment allowance written back	(7)	(113)	(136)	(339)
Bad debts written off	312	-	312	-
Bad debts recovered	(13)	(63)	(109)	(79)
Allowance made for impairment on other receivables and clients' and brokers' balances	9,440	244	8,006	5,623
	42,659	(1,042)	46,425	5,707

Bank

Individual impairment allowance (written back)/made	-	(631)	-	1,165
Collective impairment allowance written back	(233)	(684)	(358)	(932)
Bad debts written off	312	-	312	-
Bad debts recovered	(12)	(8)	(13)	(13)
Allowance made/(written back) for impairment on other debtors and clients' and brokers' balances	1,155	(902)	123	(1,289)
	1,222	(2,225)	64	(1,069)

24 (Loss)/Earnings Per Share

The basic (loss)/earnings per share ('EPS') is calculated by dividing the net (loss)/profit attributable to the owner of the Bank for the second quarter and six months ended 30 June 2017 by the weighted average number of ordinary shares in issue during the financial period.

Group

	2nd Quarter Ended		Six Months Ended	
	30 June 2017	30 June 2016	30 June 2017	30 June 2016
Net (loss)/profit attributable to equity holders (RM'000)	(19,499)	22,928	9,749	51,548
Weighted average number of ordinary shares in issue ('000)	818,646	818,646	818,646	818,646
Basic (loss)/earnings per share (sen)	(2.4)	2.8	1.2	6.3

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

25 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 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
	RM'000	RM'000	RM'000	RM'000
Common Equity Tier I ('CET I')/ Tier I Capital				
Paid-up ordinary share capital	2,333,796	818,646	2,333,796	818,646
Share premium	-	1,515,150	-	1,515,150
Retained profits	648,993	199,497	800,881	351,586
Other reserves	142,455	602,591	-	449,208
AFS reserves	13,894	876	21,043	7,850
	<u>3,139,138</u>	<u>3,136,760</u>	<u>3,155,720</u>	<u>3,142,440</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) *	(43,774)	(32,993)	(1,221,206)	(915,469)
Other intangible assets (include associated deferred tax liabilities)	(46,590)	(50,958)	(24,305)	(27,086)
55% of cumulative gains of AFS financial instruments	(7,642)	(482)	(11,574)	(4,318)
Other deductions	(20)	(29)	(20)	(29)
Deferred tax assets	(17,652)	(19,477)	(2,517)	(7,919)
Reduction in excess of Tier II Capital due to insufficient Tier II Capital #	-	-	-	(151,853)
Total CET I Capital	<u>1,753,526</u>	<u>1,762,887</u>	<u>777,680</u>	<u>917,348</u>
Qualifying non-controlling interests recognised as Tier I Capital	14,129	12,321	-	-
Total Tier I Capital	<u>1,767,655</u>	<u>1,775,208</u>	<u>777,680</u>	<u>917,348</u>
Tier II Capital				
Subordinated obligations **	245,000	245,000	245,000	245,000
Subordinated obligations meeting all relevant criteria	200,000	200,000	200,000	200,000
Qualifying non-controlling interests recognised as Tier II Capital	3,238	2,822	-	-
Collective impairment allowance and regulatory reserves ^	22,121	29,873	8,412	13,460
	<u>470,359</u>	<u>477,695</u>	<u>453,412</u>	<u>458,460</u>
Less: Investments in subsidiaries, associates and joint ventures	(10,944)	(21,996)	(305,301)	(458,460)
Total Tier II Capital	<u>459,415</u>	<u>455,699</u>	<u>148,111</u>	<u>-</u>
Total Capital	<u>2,227,070</u>	<u>2,230,907</u>	<u>925,791</u>	<u>917,348</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

25 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 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	29.294%	30.376%	32.818%	29.623%
Tier I Capital Ratio	29.530%	30.588%	32.818%	29.623%
Total Capital Ratio	37.206%	38.440%	39.068%	29.623%
After proposed dividends:				
CET I Capital Ratio	29.294%	30.376%	32.818%	29.623%
Tier I Capital Ratio	29.530%	30.588%	32.818%	29.623%
Total Capital Ratio	37.206%	38.440%	39.068%	29.623%

* Investments 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 RM18,488,000 (31 December 2016: RM13,082,000) and RM8,318,000 (31 December 2016: RM13,008,000) respectively.

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

	Group		Bank	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
Credit risk	1,769,689	2,389,833	672,962	1,269,201
Market risk	2,308,877	1,485,510	571,053	676,232
Operational risk	1,907,294	1,928,196	1,125,673	1,151,279
Total risk-weighted assets	5,985,860	5,803,539	2,369,688	3,096,712

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

26 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 2017 RM'000	As at 31 December 2016 RM'000
Principal amount		
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	2,124,209	2,067,036
- maturity exceeding one year	1,121	600
Foreign exchange related contracts: ^		
- less than one year	144,102	351,858
Interest rate related contracts: ^		
- less than one year	60,000	140,000
- one year to less than five years	30,000	90,000
Equity related contracts: ^		
- less than one year	51,708	14,368
	2,411,140	2,663,862

^ 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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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

26 Commitments and Contingencies (cont'd)

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

<u>Bank</u>	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
Principal amount		
Direct credit substitutes #	27,723	184,222
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	537,529	357,990
- maturity exceeding one year	22	22
Foreign exchange related contracts: ^		
- less than one year	11,924	351,858
Interest rate related contracts: ^		
- less than one year	60,000	140,000
- one year to less than five years	30,000	90,000
Equity related contracts: ^		
- less than one year	50,770	9,771
	717,968	1,133,863

Direct credit substitutes comprise 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.

27 Capital Commitments

	Group		Bank	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
Capital expenditure for property, plant and equipment				
- authorised and contracted for	23,982	26,113	14,935	10,321
- authorised but not contracted for	26,018	24,611	12,607	13,423
	50,000	50,724	27,542	23,744

28 Valuation of Property, Plant and Equipment

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

29 Status of Corporate Proposals

Proposed Subscription

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 and a 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 each subscribe for 50% redeemable convertible preference shares ('RCPS') of USD1.00 each at par in DFLL for RM10 million each ('Proposed Subscription'). The Agreement is conditional on the fulfilment of certain terms and conditions, including regulatory approval.

Further to discussions with our local regulator, certain terms of the proposal have been reviewed and a revised proposal was submitted to Bank Negara Malaysia ('BNM') on 17 June 2016.

Following receipt of BNM's letter dated 6 March 2017 rejecting the revised proposal, the Agreement entered into on 6 August 2015 has by mutual consent been terminated on 5 May 2017.

30 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 interim financial statements.

31 Changes in the Composition of the Group

Acquisition of remaining shares in RHB Securities (Thailand) Public Company Limited ('RST')

On 23 March 2017, the Bank acquired 37,500 ordinary shares of THB2.61 each in RST from its minority shareholders for a total cash consideration of THB 97,875 (equivalent to RM12,511), thereby increasing the Bank's equity interest in RST from 99.949% to 99.954% as of 31 March 2017.

32 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	As at
	30 June 2017	31 December 2016
Outstanding credit exposures with connected parties (RM'000)	158,423	243,585
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	5.70%	8.16%
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 2017 (cont'd)

33 Changes in Profit for the Quarter

For the current financial quarter ended 30 June 2017, the Group recorded a pre-tax loss of RM13.4 million, a decrease of 129.0% as compared to the pre-tax profit of RM46.0 million for the preceding quarter ended 31 March 2017. The lower profit was mainly due to higher allowance for impairment on loans, advances and other losses by RM38.9 million, lower other operating income by RM12.8 million, lower net fee and commission income by RM11.7 million, lower net interest income by RM2.5 million; partially offset with lower other operating expenses by RM5.9 million, higher impairment losses written back on other assets by RM0.5 million and lastly higher share of results of associates and joint ventures by RM0.1 million.

34 Performance Review

For the six months ended 30 June 2017, the Group recorded a pre-tax profit of RM32.6 million, declined 52.3% as compared to the previous corresponding period of RM68.4 million. The decrease in profit was mainly due to higher allowance for impairment on loans, advances and other losses by RM40.7 million, lower net interest income by RM17.4 million, higher other operating expenses by RM5.3 million, partially offset with higher net fee and commission income by RM15.9 million, higher other operating income by RM10.6 million, higher impairment losses written back on other assets by RM1.1 million.

35 Prospects for 2017

Malaysia's real GDP recorded a robust growth of 5.8% year-on-year in the second quarter of 2017, up from 5.6% in the first quarter, on the back of stronger external activities and private consumption. Real GDP for the year is forecast to grow at 5.3%, up from 4.2% recorded in 2016 on the back of continued expansion in exports, albeit at a moderate pace, pick up in domestic demand and increase in public spending and investments.

The Malaysian banking sector is expected to see signs of modest growth, underpinned by moderate increase in lending to household sector and recovery in business loans. A rebound in the capital market activities and the return of investors' interest are expected to contribute to an improved outlook for non-funding income.

The Group will continue to pursue selective growth while also effectively managing asset quality and enhancing productivity. The Group expects to deliver a better performance this year and is on track to achieve our long term objectives.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

36 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 2017	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	488,288	70	158,881	647,239
- quoted securities	488,288	-	-	488,288
- unquoted securities	-	70	158,881	158,951
Financial investments AFS	59,375	1,622,929	49,177	1,731,481
- money market instruments	-	478,114	-	478,114
- quoted securities	59,375	-	-	59,375
- unquoted securities	-	1,144,815	49,177	1,193,992
Derivative assets	-	1,272	-	1,272
	547,663	1,624,271	208,058	2,379,992
<u>Financial liabilities</u>				
Derivative liabilities	28,221	2,589	-	30,810
Puttable financial instruments	74,457	-	-	74,457
	102,678	2,589	-	105,267
Group	Level 1	Level 2	Level 3	Total
31 December 2016	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	443,173	1,031	167,901	612,105
- quoted securities	443,173	-	-	443,173
- unquoted securities	-	1,031	167,901	168,932
Financial investments AFS	59,753	1,750,013	46,910	1,856,676
- money market instruments	-	474,253	-	474,253
- quoted securities	59,753	-	-	59,753
- unquoted securities	-	1,275,760	46,910	1,322,670
Derivative assets	-	7,325	-	7,325
	502,926	1,758,369	214,811	2,476,106
<u>Financial liabilities</u>				
Derivative liabilities	11,817	25,380	-	37,197
Puttable financial instruments	68,706	-	-	68,706
	80,523	25,380	-	105,903

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

36 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 2017	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	132,190	70	16,390	148,650
- quoted securities	132,190	-	-	132,190
- unquoted securities	-	70	16,390	16,460
Financial investments AFS	42,093	1,622,930	46,371	1,711,394
- money market instruments	-	478,114	-	478,114
- quoted securities	42,093	-	-	42,093
- unquoted securities	-	1,144,816	46,371	1,191,187
Derivative assets	-	1,272	-	1,272
	174,283	1,624,272	62,761	1,861,316
<u>Financial liabilities</u>				
Derivative liabilities	27,987	46	-	28,033

Bank	Level 1	Level 2	Level 3	Total
31 December 2016	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	37,433	1,031	16,390	54,854
- quoted securities	37,433	-	-	37,433
- unquoted securities	-	1,031	16,390	17,421
Financial investments AFS	39,400	1,750,013	44,105	1,833,518
- money market instruments	-	474,253	-	474,253
- quoted securities	39,400	-	-	39,400
- unquoted securities	-	1,275,760	44,105	1,319,865
Derivative assets	-	7,202	-	7,202
	76,833	1,758,246	60,495	1,895,574
<u>Financial liabilities</u>				
Derivative liabilities	11,045	25,380	-	36,425

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

36 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 2017 and 31 December 2016 for the Group and the Bank:

<u>Group</u>	Financial assets at FVTPL		Financial investments AFS	
	As at 30 June 2017	As at 31 December 2016	As at 30 June 2017	As at 31 December 2016
	RM'000	RM'000	RM'000	RM'000
Balance as at the beginning of the financial period/year	167,901	153,863	46,910	120,071
Total gains/(losses) recognised in other comprehensive income	-	-	1,945	(20,401)
Total (losses)/gains recognised in income statements				
- Other operating income	(6,442)	(4,936)	321	950
- Impairment losses made	-	-	-	(8,726)
- Impairment losses written back	-	-	-	640
Purchases	8,593	252,043	-	-
Settlements	(4,840)	(238,577)	-	(640)
Transfer to investments in associates	-	-	-	(45,000)
Exchange differences	(6,331)	5,508	1	16
Balance as at the end of the financial period/year	158,881	167,901	49,177	46,910

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

36 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 2017 and 31 December 2016 for the Group and the Bank: (cont'd)

	Financial assets FVTPL		Financial investments AFS	
	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000	As at 30 June 2017 RM'000	As at 31 December 2016 RM'000
Bank				
Balance as at the beginning of the financial period/year	16,390	35,131	44,105	48,202
Total gains recognised in other comprehensive income	-	-	1,945	3,679
Total (losses)/gains recognised in income statements				
- Other operating income	-	(18,741)	321	950
- Impairment losses made	-	-	-	(8,726)
- Impairment losses written back	-	-	-	640
Settlements	-	-	-	(640)
Balance as at the end of the financial period/year	16,390	16,390	46,371	44,105

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

37 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 2017 (cont'd)

37 Segment Reporting (cont'd)

Segment Profit and Loss for the Six Months Ended 30 June 2017

<u>Group</u>	Investment		Asset	Inter-segment	Total
	Banking	Treasury	Management	Elimination	
	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	321,263	43,333	83,219	-	447,815
Inter-segment revenue	1,324	973	(2,105)	(192)	-
Segment revenue	322,587	44,306	81,114	(192)	447,815
Overhead expenses	(313,627)	(7,422)	(48,868)	192	(369,725)
Including:					
Depreciation of property, plant and equipment	(11,080)	(121)	(410)	-	(11,611)
Amortisation of intangible assets	(5,954)	(653)	(84)	-	(6,691)
Allowance (made)/written back for impairment on loans, advances and other losses	(46,496)	-	71	-	(46,425)
Impairment losses written back on other assets	528	-	-	-	528
	(37,008)	36,884	32,317	-	32,193
Share of results of associates					246
Share of results of joint ventures					207
Profit before taxation					32,646
Taxation					(22,375)
Net profit for the financial period					10,271

Segment Assets and Liabilities as at 30 June 2017

<u>Group</u>	Investment		Asset	Others and	Total
	Banking	Treasury	Management	Elimination	
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	5,588,827	3,346,880	768,492	(1,591,561)	8,112,638
Goodwill	512,391	614,176	143,367	-	1,269,934
Investments in associates and joint ventures					54,718
Tax recoverable					57,499
Deferred tax assets					17,652
Total assets					9,512,441
Segment liabilities	2,183,154	2,673,693	455,193	(88,748)	5,223,292
Tax liabilities					10,272
Deferred tax liabilities					2,917
Borrowings					649,456
Subordinated obligations					447,539
Total liabilities					6,333,476

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2017 (cont'd)

37 Segment Reporting (cont'd)

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

<u>Group</u>	<u>Investment Banking</u>	<u>Treasury</u>	<u>Asset Management</u>	<u>Inter-segment Elimination</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	324,772	38,037	75,789	-	438,598
Inter-segment revenue	1,199	630	(1,594)	(235)	-
Segment revenue	325,971	38,667	74,195	(235)	438,598
Overhead expenses	(308,774)	(9,226)	(46,665)	235	(364,430)
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)/written back for impairment on loans, advances and other losses	(5,641)	-	(66)	-	(5,707)
Impairment losses written back on other assets	1,599	(2,121)	-	-	(522)
	13,155	27,320	27,464	-	67,939
Share of results of associates					172
Share of results of joint ventures					301
Profit before taxation					68,412
Taxation					(16,350)
Net profit for the financial period					52,062

Segment Assets and Liabilities as at 31 December 2016

<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	5,888,003	3,875,168	662,534	(1,773,460)	8,652,245
Goodwill	512,391	614,176	143,367	-	1,269,934
Investments in associates and joint ventures					54,989
Tax recoverable					61,528
Deferred tax assets					19,477
Total assets					10,058,173
Segment liabilities	2,485,995	3,119,390	379,833	(108,373)	5,876,845
Tax liabilities					11,583
Deferred tax liabilities					3,189
Borrowings					552,720
Subordinated obligations					447,595
Total liabilities					6,891,932