

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017**

	Note	Group		Bank	
		As at 30 September 2017 RM'000	As at 31 December 2016 RM'000	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000
<b>ASSETS</b>					
Cash and short term funds		1,686,501	1,064,383	1,076,358	478,126
Deposits and placements with banks and other financial institutions		37,981	359,018	-	350,065
Financial assets at fair value through profit or loss ('FVTPL')	8	557,619	612,105	128,915	54,854
Financial investments available-for-sale ('AFS')	9	904,833	1,856,676	884,748	1,833,518
Financial investments held-to-maturity ('HTM')	10	302,803	398,564	302,803	398,564
Loans and advances	11	1,740,156	1,792,172	1,105,073	1,121,163
Clients' and brokers' balances	12	1,930,291	2,090,784	727,750	790,399
Other assets	13	535,508	274,714	53,755	73,847
Derivative assets		3,361	7,325	3,361	7,202
Statutory deposits		33,365	85,144	29,200	80,700
Tax recoverable		57,422	61,528	53,528	58,393
Deferred tax assets		16,538	19,477	1,983	7,919
Investments in subsidiaries		-	-	1,505,233	1,504,725
Investments in associates and joint ventures		54,637	54,989	21,057	21,057
Property, plant and equipment		52,964	60,402	26,029	27,802
Goodwill and intangible assets		569,290	1,320,892	395,457	1,145,504
<b>TOTAL ASSETS</b>		<b>8,483,269</b>	<b>10,058,173</b>	<b>6,315,250</b>	<b>7,953,838</b>
<b>LIABILITIES AND EQUITY</b>					
Deposits from customers	14	748,715	682,035	764,773	697,802
Deposits and placements of banks and other financial institutions	15	1,800,100	2,693,618	1,808,763	2,764,787
Bills and acceptances payable		70,599	180,931	-	-
Clients' and brokers' balances		1,766,552	1,740,563	687,310	682,073
Other liabilities	16	717,611	473,795	164,779	169,708
Derivative liabilities		37,801	37,197	37,321	36,425
Puttable financial instruments		76,511	68,706	-	-
Tax liabilities		8,590	11,583	-	-
Deferred tax liabilities		2,781	3,189	-	-
Borrowings		464,671	552,720	-	-
Subordinated obligations		452,751	447,595	452,751	447,595
<b>TOTAL LIABILITIES</b>		<b>6,146,682</b>	<b>6,891,932</b>	<b>3,915,697</b>	<b>4,798,390</b>
Share capital		1,487,773	818,646	1,487,773	818,646
Reserves		839,864	2,339,393	911,780	2,336,802
		2,327,637	3,158,039	2,399,553	3,155,448
Non-controlling interests		8,950	8,202	-	-
<b>TOTAL EQUITY</b>		<b>2,336,587</b>	<b>3,166,241</b>	<b>2,399,553</b>	<b>3,155,448</b>
<b>TOTAL LIABILITIES AND EQUITY</b>		<b>8,483,269</b>	<b>10,058,173</b>	<b>6,315,250</b>	<b>7,953,838</b>
<b>COMMITMENTS AND CONTINGENCIES</b>					
	26	1,825,126	2,663,862	1,243,899	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 NINE MONTHS ENDED 30 SEPTEMBER 2017**

<u>Group</u>	Note	3rd Quarter Ended		Nine Months Ended	
		30 September 2017	30 September 2016	30 September 2017	30 September 2016
		RM'000	RM'000	RM'000	RM'000
Interest income	17	54,699	71,001	184,045	233,664
Interest expense	18	(27,684)	(39,256)	(105,036)	(132,560)
Net interest income		27,015	31,745	79,009	101,104
Fee and commission income	19	185,746	207,056	623,150	572,082
Fee and commission expense	20	(48,774)	(51,394)	(165,634)	(114,386)
Other operating income	21	35,332	58,930	113,170	126,135
		199,319	246,337	649,695	684,935
Other operating expenses	22	(179,971)	(194,684)	(552,258)	(559,114)
Operating profit before allowances		19,348	51,653	97,437	125,821
Allowance (made)/written back for impairment on loans, advances and other losses	23	(6,323)	48	(52,748)	(5,659)
Impairment losses written back on other assets		312	3,640	840	3,116
		13,337	55,341	45,529	123,278
Share of results of associates		101	75	347	247
Share of results of joint ventures		94	95	301	396
<b>Profit before taxation</b>		<b>13,532</b>	<b>55,511</b>	<b>46,177</b>	<b>123,921</b>
Taxation		(5,957)	(21,374)	(28,332)	(37,724)
<b>Profit for the financial period</b>		<b>7,575</b>	<b>34,137</b>	<b>17,845</b>	<b>86,197</b>
Profit attributable to:					
Equity holder of the Bank		7,275	33,741	17,077	85,287
Non-controlling interests		300	396	768	910
		7,575	34,137	17,845	86,197
Basic earnings per share (sen)	24	0.9	4.1	2.1	10.4

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

<u>Group</u>	3rd Quarter Ended		Nine Months Ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	7,575	34,137	17,845	86,197
Other comprehensive (loss)/income in respect of:				
(i) Item that will not be reclassified to profit or loss:				
- Actuarial gain on defined benefit plan of subsidiaries	2	3	409	344
(ii) Items that will be reclassified subsequently to profit or loss:				
- Currency translation differences	(8,792)	28,590	(19,117)	(4,367)
- Net investment hedge	217	(3,971)	(496)	(1,017)
- Unrealised net gain on revaluation of financial investments AFS	1,215	15,306	19,862	41,638
- Net transfer from income statements on disposal or impairment of financial investments AFS	4,914	572	3,632	582
Income tax relating to components of other comprehensive income	(1,485)	(3,904)	(5,753)	(10,315)
Other comprehensive (loss)/income, net of tax, for the financial period	(3,929)	36,596	(1,463)	26,865
Total comprehensive income for the financial period	<b>3,646</b>	<b>70,733</b>	<b>16,382</b>	<b>113,062</b>
Total comprehensive income attributable to:				
Equity holder of the Bank	3,482	70,032	15,622	112,345
Non-controlling interests	164	701	760	717
	<b>3,646</b>	<b>70,733</b>	<b>16,382</b>	<b>113,062</b>

*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 NINE MONTHS ENDED 30 SEPTEMBER 2017**

<b>Bank</b>	<b>Note</b>	<b>3rd Quarter Ended</b>		<b>Nine Months Ended</b>	
		<b>30 September 2017</b>	<b>30 September 2016</b>	<b>30 September 2017</b>	<b>30 September 2016</b>
		<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Interest income	17	38,672	51,982	130,744	174,500
Interest expense	18	(22,925)	(34,600)	(89,190)	(121,866)
Net interest income		15,747	17,382	41,554	52,634
Fee and commission income	19	57,557	70,415	217,841	204,940
Other operating income	21	22,300	51,677	82,599	99,108
		95,604	139,474	341,994	356,682
Other operating expenses	22	(80,491)	(85,198)	(249,923)	(248,817)
Operating profit before allowances		15,113	54,276	92,071	107,865
Allowance made for impairment on loans, advances and other losses	23	(291)	(1,343)	(355)	(274)
Impairment losses written back on other assets		312	4,159	840	3,116
<b>Profit before taxation</b>		<b>15,134</b>	<b>57,092</b>	<b>92,556</b>	<b>110,707</b>
Taxation		(3,016)	(18,126)	(20,323)	(30,773)
<b>Net profit for the financial period</b>		<b>12,118</b>	<b>38,966</b>	<b>72,233</b>	<b>79,934</b>

*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 NINE MONTHS ENDED 30 SEPTEMBER 2017**

<u>Bank</u>	3rd Quarter Ended		Nine Months Ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	<b>12,118</b>	38,966	<b>72,233</b>	79,934
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	<b>1,305</b>	26,810	<b>18,836</b>	42,100
- Net transfer from income statements on disposal or impairment of financial investments AFS	<b>4,882</b>	779	<b>4,710</b>	516
Income tax relating to components of other comprehensive income	<b>(1,485)</b>	(6,621)	<b>(5,651)</b>	(10,228)
Other comprehensive income, net of tax, for the financial period	<b>4,702</b>	20,968	<b>17,895</b>	32,388
Total comprehensive income for the financial period	<b>16,820</b>	59,934	<b>90,128</b>	112,322

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

Attributable to the Equity Holder of the Bank

Group	Note	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
<b>Balance as at 1 January 2017</b>		<b>818,646</b>	<b>1,515,150</b>	<b>449,721</b>	<b>876</b>	<b>152,870</b>	<b>21,279</b>	<b>199,497</b>	<b>3,158,039</b>	<b>8,202</b>	<b>3,166,241</b>
Net profit for the financial		-	-	-	-	-	-	17,077	17,077	768	17,845
Currency translation differences		-	-	-	(52)	(18,916)	-	-	(18,968)	(149)	(19,117)
Net investment hedge		-	-	-	-	(496)	-	-	(496)	-	(496)
Financial investments AFS:											
- Unrealised net gain on revaluation		-	-	-	19,726	-	-	-	19,726	136	19,862
- Net transfer from income statements on disposal or impairment		-	-	-	3,632	-	-	-	3,632	-	3,632
Actuarial gain on defined benefit plan of subsidiaries		-	-	-	-	-	-	403	403	6	409
Income tax relating to components of other comprehensive income		-	-	-	(5,651)	-	-	(101)	(5,752)	(1)	(5,753)
Other comprehensive income/(loss), net of tax, for the financial period		-	-	-	17,655	(19,412)	-	302	(1,455)	(8)	(1,463)
Total comprehensive income/(loss) for the financial period		-	-	-	17,655	(19,412)	-	17,379	15,622	760	16,382
Transfer to share capital		1,515,150	(1,515,150)	-	-	-	-	-	-	-	-
Capital cancellation	6	(846,023)	-	-	-	-	-	-	(846,023)	-	(846,023)
Transfer from statutory reserves		-	-	(449,208)	-	-	-	449,208	-	-	-
Transfer from regulatory reserves		-	-	-	-	-	(398)	398	-	-	-
Acquisition of additional interest from non-controlling interests		-	-	-	-	-	-	(1)	(1)	(12)	(13)
<b>Balance as at 30 September 2017</b>		<b>1,487,773</b>	<b>-</b>	<b>513</b>	<b>18,531</b>	<b>133,458</b>	<b>20,881</b>	<b>666,481</b>	<b>2,327,637</b>	<b>8,950</b>	<b>2,336,587</b>

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**RHB INVESTMENT BANK BERHAD (19663-P)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENTS OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

**Attributable to Equity Holder of the Bank**

<b>Group</b>	<b>Share capital</b>	<b>Share premium</b>	<b>Statutory reserves</b>	<b>AFS reserves</b>	<b>Translation reserves</b>	<b>Regulatory reserves</b>	<b>Retained profits</b>	<b>Total</b>	<b>Non-controlling interests</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b>Balance as at 1 January 2016</b>	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	-	-	-	-	-	-	85,287	85,287	910	86,197
Currency translation differences	-	-	-	26	(4,393)	-	-	(4,367)	-	(4,367)
Net investment hedge	-	-	-	-	(1,017)	-	-	(1,017)	-	(1,017)
Financial investments AFS:										
- Unrealised net gain/(loss) on revaluation	-	-	-	41,833	-	-	-	41,833	(195)	41,638
- Net transfer from income statements on disposal or impairment	-	-	-	582	-	-	-	582	-	582
Actuarial gain on defined benefit plan of subsidiaries	-	-	-	-	-	-	341	341	3	344
Income tax relating to components of other comprehensive income	-	-	-	(10,229)	-	-	(85)	(10,314)	(1)	(10,315)
Other comprehensive income/(loss), net of tax, for the financial period	-	-	-	32,212	(5,410)	-	256	27,058	(193)	26,865
Total comprehensive income/(loss) for the financial period	-	-	-	32,212	(5,410)	-	85,543	112,345	717	113,062
Transfer from regulatory reserves	-	-	-	-	-	(2,246)	2,246	-	-	-
Disposal of a subsidiary	-	-	-	-	-	-	-	-	(688)	(688)
Dividend paid	-	-	-	-	-	-	-	-	(337)	(337)
Dilution of interest in a subsidiary	-	-	-	-	-	-	(339)	(339)	339	-
<b>Balance as at 30 September 2016</b>	<b>818,646</b>	<b>1,515,150</b>	<b>433,545</b>	<b>44,470</b>	<b>110,718</b>	<b>20,369</b>	<b>273,367</b>	<b>3,216,265</b>	<b>7,795</b>	<b>3,224,060</b>

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

	Attributable to Equity Holders of the Bank						Retained profits	Total
	Non-Distributable			Distributable				
<u>Note</u>	Share capital	Share premium	Statutory reserves	AFS reserves	Regulatory reserves	Retained profits	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
<b>Bank</b>								
<b>Balance as at 1 January 2017</b>	818,646	1,515,150	449,208	7,850	13,008	351,586	3,155,448	
Net profit for the financial period	-	-	-	-	-	72,233	72,233	
Financial investments AFS:								
- Unrealised net gain on revaluation	-	-	-	18,836	-	-	18,836	
- Net transfer from income statements on disposal or impairment	-	-	-	4,710	-	-	4,710	
Income tax relating to components of other comprehensive income	-	-	-	(5,651)	-	-	(5,651)	
Other comprehensive income, net of tax, for the financial period	-	-	-	17,895	-	-	17,895	
Total comprehensive income for the financial period	-	-	-	17,895	-	72,233	90,128	
Transfer to share capital	1,515,150	(1,515,150)	-	-	-	-	-	
Capital cancellation	6 (846,023)	-	-	-	-	-	(846,023)	
Transfer from statutory reserves	-	-	(449,208)	-	-	449,208	-	
Transfer to regulatory reserves	-	-	-	-	253	(253)	-	
<b>Balance as at 30 September 2017</b>	<b>1,487,773</b>	<b>-</b>	<b>-</b>	<b>25,745</b>	<b>13,261</b>	<b>872,774</b>	<b>2,399,553</b>	

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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED STATEMENT OF CHANGES IN EQUITY**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

	Non-Distributable				Distributable		Total
	Share capital	Share premium	Statutory reserves	AFS reserves	Regulatory reserves	Retained profits	
<b>Bank</b>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Balance as at 1 January 2016</b>	818,646	1,515,150	433,295	(5,149)	13,405	303,449	3,078,796
Net profit for the financial period	-	-	-	-	-	79,934	79,934
Financial investments AFS:							
- Unrealised net gain on revaluation	-	-	-	42,100	-	-	42,100
- Net transfer from income statements on disposal or impairment	-	-	-	516	-	-	516
Income tax relating to components of other comprehensive income	-	-	-	(10,228)	-	-	(10,228)
Other comprehensive income, net of tax, for the financial period	-	-	-	32,388	-	-	32,388
Total comprehensive income for the financial period	-	-	-	32,388	-	79,934	112,322
Transfer from regulatory reserves	-	-	-	-	(680)	680	-
<b>Balance as at 30 September 2016</b>	818,646	1,515,150	433,295	27,239	12,725	384,063	3,191,118

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

**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

	Nine Months Ended	
	30 September 2017	30 September 2016
	RM'000	RM'000
<b>Group</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	46,177	123,921
Adjustments for non-cash items	28,599	(48,722)
Operating profit before working capital changes	74,776	75,199
Changes in working capital:		
Net changes in operating assets	301,046	(567,019)
Net changes in operating liabilities	1,035,120	(888,679)
Cash generated from/(used in) operations	1,410,942	(1,380,499)
Taxation paid	(29,682)	(35,701)
Net cash generated from/(used in) operating activities	1,381,260	(1,416,200)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from disposal of financial investments AFS and HTM	138,649	1,377,279
Interest income received from financial assets at FVTPL, financial investments AFS and HTM	47,262	94,027
Property, plant and equipment		
- Purchase	(10,772)	(8,620)
- Proceeds from disposal	32	170
Purchase of intangible assets	(4,460)	(8,820)
Dividend income received from financial assets at FVTPL and financial investments AFS	10,149	9,013
Proceeds from redemption of trust fund	-	845
Acquisition of additional interest from non-controlling interests	(13)	-
Net cash generated from investing activities	180,847	1,463,894
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital repayment to shareholder	(846,023)	-
Redemption of subordinated obligations	-	(100,000)
Net (repayment)/drawdown of borrowings	(73,255)	225,974
Dividend paid to non-controlling interest	-	(337)
Subordinated obligations interest paid	(10,311)	(13,029)
Net cash (used in)/generated from financing activities	(929,589)	112,608
Net increase in cash and cash equivalents	632,518	160,302
Effects of exchange rate differences	(10,400)	(1,617)
Cash and cash equivalents		
- at the beginning of the financial period	1,064,383	1,132,078
- at the end of the financial period	1,686,501	1,290,763
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>		
Cash and short-term funds	1,686,501	1,290,763

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**RHB INVESTMENT BANK BERHAD (19663-P)**  
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**INTERIM FINANCIAL STATEMENTS**  
**UNAUDITED CONDENSED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017**

	Nine Months Ended	
	30 September 2017	30 September 2016
	RM'000	RM'000
<b>Bank</b>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before taxation	92,556	110,707
Adjustments for non-cash items	(12,022)	(10,089)
Operating profit before working capital changes	80,534	100,618
Changes in working capital:		
Net changes in operating assets	418,842	303,586
Net changes in operating liabilities	791,874	(1,569,085)
Cash generated from/(used in) operations	1,291,250	(1,164,881)
Taxation paid	(15,173)	(42,575)
Net cash generated from/(used in) operating activities	1,276,077	(1,207,456)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Net proceeds from disposal of financial investments AFS and HTM	136,323	1,308,419
Interest income received from financial assets at FVTPL, financial investments AFS and HTM	47,069	88,592
Purchase of property, plant and equipment	(5,293)	(4,179)
Purchase of intangible assets	(1,799)	(7,316)
Dividend income received from financial assets at FVTPL and financial investments AFS	2,201	2,668
Dividend income received from subsidiaries	-	340
Acquisition of additional interest from non-controlling interests	(12)	-
Additional investments in a subsidiary	-	(60,430)
Proceeds from redemption of trust fund	-	5,488
Net cash generated from investing activities	178,489	1,333,582
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Capital repayment to shareholder	(846,023)	-
Redemption of subordinated obligations	-	(100,000)
Subordinated obligations interest paid	(10,311)	(13,029)
Net cash used in financing activities	(856,334)	(113,029)
Net increase in cash and cash equivalents	598,232	13,097
Cash and cash equivalents		
- at the beginning of the financial period	478,126	718,596
- at the end of the financial period	1,076,358	731,693
<b>ANALYSIS OF CASH AND CASH EQUIVALENTS:</b>		
Cash and short-term funds	1,076,358	731,693

*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 NINE MONTHS ENDED 30 SEPTEMBER 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.

The Revised Policy Document is only applicable for banking institutions operating in Malaysia.

During the financial period, the Group and the Bank had transferred a total of RM449,208,000 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 NINE MONTHS ENDED 30 SEPTEMBER 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 nine months ended 30 September 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 nine months ended 30 September 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 nine months ended 30 September 2017, other than as disclosed below:

Changes in Equity Securities

The capital repayment via a reduction of the consolidated issued capital of the Bank, which includes the entire issued share capital and the entire share premium account of the Bank pursuant to Section 116 of the Companies Act 2016 ('Act'). The capital repayment forms part of Bank's capital management strategy which seeks to achieve a more efficient capital structure.

The Bank had on 18 September 2017 obtained a confirmation order from the High Court with regards to the capital repayment ('Confirmation Order') by cancelling 718,646,000 ordinary shares amounting to RM846,023,000 from the entire consolidated issued capital of the Bank of RM2,333,796,000 and the credit of RM846,023,000 arising from the said cancellation has been distributed to the shareholder of the Bank on 25 September 2017. On the same date, the Confirmation Order was lodged with the Companies Commission of Malaysia.

**7 Dividends Paid**

No dividend was paid by the Bank during the nine months ended 30 September 2017.

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

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

	Group		Bank	
	As at 30 September 2017	As at 31 December 2016	As at 30 September 2017	As at 31 December 2016
	RM'000	RM'000	RM'000	RM'000
(a) Designated as FVTPL	189,337	202,854	-	-
(b) Held-for-trading	368,282	409,251	128,915	54,854
	<u>557,619</u>	<u>612,105</u>	<u>128,915</u>	<u>54,854</u>

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

**At fair value**

**Quoted securities:**

**In Malaysia**

Unit trusts	50,498	51,343	-	-
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**Unquoted securities:**

**Outside Malaysia**

Private equity funds	138,839	151,511	-	-
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**Total financial assets**

<b>designated as FVTPL</b>	<u>189,337</u>	<u>202,854</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	128,806	37,433	128,806	37,433
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**Outside Malaysia**

Shares and warrants	239,367	354,397	-	-
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**Unquoted securities:**

**In Malaysia**

Corporate bonds/Sukuk	109	17,420	109	17,420
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**Outside Malaysia**

Corporate bonds	-	1	-	1
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**Total financial assets**

<b>held-for-trading</b>	<u>368,282</u>	<u>409,251</u>	<u>128,915</u>	<u>54,854</u>
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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 September 2017 were as follows:

	<b>Group and Bank</b>	
	<b>As at</b>	<b>As at</b>
	<b>30 September 2017</b>	<b>31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<u>Reclassified from financial assets at FVTPL to financial investments AFS</u>		
- Carrying value	<b>15,589</b>	15,535
- Fair value	<b>15,622</b>	15,478
	<hr/> <hr/>	<hr/> <hr/>
Fair value gain/(loss) that would have been recognised if the financial assets at FVTPL had not been reclassified	<b>33</b>	<b>(57)</b>
	<hr/> <hr/>	<hr/> <hr/>

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

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

	Group		Bank	
	As at 30 September 2017	As at 31 December 2016	As at 30 September 2017	As at 31 December 2016
	RM'000	RM'000	RM'000	RM'000
<b>At fair value</b>				
<b><u>Money market instruments:</u></b>				
Malaysian Government Securities	139,120	217,072	139,120	217,072
Malaysian Government Investment Issues	142,634	148,794	142,634	148,794
Khazanah bonds	40,959	39,468	40,959	39,468
Sukuk Perumahan Kerajaan	70,048	68,919	70,048	68,919
<b><u>Quoted securities:</u></b>				
<b><u>In Malaysia</u></b>				
Shares	37	41	1	8
Unit trusts	15,104	14,263	-	-
<b><u>Outside Malaysia</u></b>				
Shares	2,139	1,910	-	-
Unit trusts	41,703	43,539	41,703	39,392
<b><u>Unquoted securities:</u></b>				
<b><u>In Malaysia</u></b>				
Corporate bonds/Sukuk	457,436	927,587	457,436	927,587
Shares	34,285	32,341	31,775	29,831
Loan stocks	-	15,612	-	15,612
Prasarana bonds	25,147	25,242	25,147	25,242
<b><u>Outside Malaysia</u></b>				
Corporate bonds	-	413,303	-	413,303
Shares	296	296	-	-
	<b>968,908</b>	1,948,387	<b>948,823</b>	1,925,228
Accumulated impairment losses	<b>(64,075)</b>	(91,711)	<b>(64,075)</b>	(91,710)
	<b>904,833</b>	1,856,676	<b>884,748</b>	1,833,518



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

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

	Group and Bank	
	As at	As at
	30 September 2017	31 December 2016
	RM'000	RM'000
<b>At amortised cost</b>		
<b><u>Money market instruments:</u></b>		
Malaysian Government Securities	-	20,295
Malaysian Government Investment Issues	246,574	245,678
Khazanah bonds	11,449	11,119
Wakala Global Sukuk	9,202	9,810
<b><u>Unquoted Securities:</u></b>		
<b><u>In Malaysia</u></b>		
Corporate bonds/Sukuk	91,465	142,673
Credit link notes	-	30,047
Bonds	23	23
Loan stocks	27,263	27,504
Prasarana bonds	20,363	20,231
	406,339	507,380
Accumulated impairment losses	(103,536)	(108,816)
	302,803	398,564

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

11 Loans and Advances

	Group		Bank	
	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000
<b>(a) By type</b>				
<b>At amortised cost</b>				
Term loans:				
- syndicated term loans	-	27,359	-	27,359
- other term loans	52,712	131,448	2	58,859
Share margin financing	1,772,526	1,687,759	1,104,518	999,748
Staff loans	556	723	556	723
Revolving credits	-	-	-	44,892
Gross loans and advances	<b>1,825,794</b>	1,847,289	<b>1,105,076</b>	1,131,581
Allowance for impaired loans and advances:				
- individual impairment allowance	(85,637)	(54,887)	(2)	(9,966)
- collective impairment allowance	(1)	(230)	(1)	(452)
Net loans and advances	<b>1,740,156</b>	1,792,172	<b>1,105,073</b>	1,121,163
<b>(b) By type of customer</b>				
Domestic business enterprises:				
- small and medium enterprises	199,011	211,413	199,011	211,413
- others	119,251	175,238	119,251	175,238
Individuals	783,531	667,490	783,531	667,490
Foreign entities	724,001	793,148	3,283	77,440
	<b>1,825,794</b>	1,847,289	<b>1,105,076</b>	1,131,581
<b>(c) By geographical distribution</b>				
In Malaysia	1,105,076	1,086,689	1,105,076	1,131,581
Outside Malaysia				
- Singapore	161,199	83,987	-	-
- Hong Kong	213,571	368,797	-	-
- Indonesia	102,202	52,511	-	-
- Thailand	243,746	255,305	-	-
	<b>1,825,794</b>	1,847,289	<b>1,105,076</b>	1,131,581

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (cont'd)**

**11 Loans and Advances (cont'd)**

	Group		Bank	
	As at 30 September 2017	As at 31 December 2016	As at 30 September 2017	As at 31 December 2016
	RM'000	RM'000	RM'000	RM'000
<b>(d) By interest rate sensitivity</b>				
Fixed rate:				
- other fixed rate loans	1,368,475	1,192,689	1,105,074	1,056,191
Variable rate:				
- cost plus	-	27,359	-	72,251
- base lending rate plus	457,319	627,241	2	3,139
	<b>1,825,794</b>	<b>1,847,289</b>	<b>1,105,076</b>	<b>1,131,581</b>
<b>(e) By purpose</b>				
Purchase of securities	1,825,236	1,779,291	1,104,518	1,018,691
Purchase of transport vehicles	38	53	38	53
Purchase of landed property:				
- residential	520	672	520	672
- non-residential	-	39,914	-	39,914
Working capital	-	-	-	44,892
Other purpose	-	27,359	-	27,359
	<b>1,825,794</b>	<b>1,847,289</b>	<b>1,105,076</b>	<b>1,131,581</b>
<b>(f) By remaining contractual maturities</b>				
Maturity within one year	1,825,238	1,803,401	1,104,520	1,087,693
One year to three years	136	281	136	281
Three years to five years	29	43,177	29	43,177
Over five years	391	430	391	430
	<b>1,825,794</b>	<b>1,847,289</b>	<b>1,105,076</b>	<b>1,131,581</b>

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

11 Loans and Advances (cont'd)

	Group		Bank	
	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000
<b>(g) Impaired Loans and Advances</b>				
<b>(i) Movements in impaired loans and advances</b>				
Balance as at the beginning of the financial period/year	129,166	118,142	55,803	115,552
Classified as impaired	65,445	179,672	14,999	111,203
Reclassified as non-impaired	(17,661)	-	-	-
Amount recovered	(67,241)	(168,952)	(60,548)	(166,029)
Amount written off	(356)	(5,252)	-	(4,923)
Disposal	(9,966)	-	(9,966)	-
Exchange differences	(4,802)	5,556	-	-
Balance as at the end of the financial period/year	<u>94,585</u>	<u>129,166</u>	<u>288</u>	<u>55,803</u>
<b>(ii) By purpose</b>				
Purchase of securities	94,585	89,252	288	15,889
Purchase of landed property:				
- Non-residential	-	39,914	-	39,914
	<u>94,585</u>	<u>129,166</u>	<u>288</u>	<u>55,803</u>
<b>(iii) By geographical distribution</b>				
In Malaysia	288	55,803	288	55,803
Outside Malaysia:				
- Singapore	12,161	356	-	-
- Hong Kong	73,544	73,007	-	-
- Thailand	8,592	-	-	-
	<u>94,585</u>	<u>129,166</u>	<u>288</u>	<u>55,803</u>
<b>(iv) Movements in allowance for impaired loans and advances</b>				
<b>Individual impairment allowance</b>				
Balance as at the beginning of the financial period/year	54,887	12,301	9,966	9,711
Net allowance made	44,357	47,904	2	5,178
Amount written off	(356)	(5,252)	-	(4,923)
Disposal	(9,966)	-	(9,966)	-
Exchange differences	(3,285)	(66)	-	-
Balance as at the end of the financial period/year	<u>85,637</u>	<u>54,887</u>	<u>2</u>	<u>9,966</u>

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

11 Loans and Advances (cont'd)

	Group		Bank	
	As at	As at	As at	As at
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
<b>(g) Impaired Loans and Advances (cont'd)</b>				
<b>(iv) Movements in allowance for impaired loans and advances (cont'd)</b>				
<b>Collective impairment allowance</b>				
Balance as at the beginning of the financial period/year	230	2,250	452	2,474
Net allowance written back	(229)	(2,020)	(451)	(2,022)
Balance as at the end of the financial period/year	1	230	1	452

12 Clients' and Brokers' Balances

	Group		Bank	
	As at	As at	As at	As at
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Amounts owing by clients	1,143,690	1,055,739	538,465	552,160
Allowance for impairment balances:				
- individual impairment allowance	(28,600)	(16,568)	(7,219)	(7,924)
- collective impairment allowance	(3,289)	(16,608)	(29)	(47)
	1,111,801	1,022,563	531,217	544,189
Amounts owing by brokers	282,494	679,891	46,512	107,672
Amounts owing by clearing houses and stock exchanges	535,996	388,330	150,021	138,538
	1,930,291	2,090,784	727,750	790,399
<b>Individual impairment allowance</b>				
Balance as at the beginning of the financial period/year	16,568	17,777	7,924	7,629
Net allowance made/(written back)	11,968	(301)	(705)	1,368
Amount written off	-	(1,073)	-	(1,073)
Exchange differences	64	165	-	-
Balance as at the end of the financial period/year	28,600	16,568	7,219	7,924

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (cont'd)**

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

	Group		Bank	
	As at	As at	As at	As at
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
<b>Collective impairment allowance</b>				
Balance as at the beginning of the financial period/year	16,608	6,654	47	2,409
Net allowance (written back)/made	(13,387)	9,445	(18)	(2,362)
Exchange differences	68	509	-	-
Balance as at the end of the financial period/year	<b>3,289</b>	16,608	<b>29</b>	47

**13 Other Assets**

	Group		Bank	
	As at	As at	As at	As at
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Other receivables	73,923	67,668	35,382	37,950
Unit trust fee receivables	19,549	14,804	-	-
Management fee receivables	9,056	10,831	-	-
Cash collateral in relation to derivative transactions	-	8,532	-	8,532
Deposits	36,821	41,943	7,415	6,511
Prepayments	23,814	19,302	6,935	4,812
Amount receivable for release of units from funds	371,731	99,785	-	-
Transferable memberships	344	349	262	262
Amount due from holding company	13	11,075	-	11,075
Amount due from subsidiaries	-	-	3,758	4,636
Amount due from related companies	257	425	3	69
	<b>535,508</b>	274,714	<b>53,755</b>	73,847

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

14 Deposits from Customers

	Group		Bank	
	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000
<b>(a) By type of deposits</b>				
Short term deposits	251,181	243,406	251,181	243,406
Fixed deposits	497,534	435,390	513,592	451,157
Negotiable instruments of deposits	-	3,239	-	3,239
	<u>748,715</u>	<u>682,035</u>	<u>764,773</u>	<u>697,802</u>
<b>(b) By type of customers</b>				
Government and statutory bodies	116,780	17,348	116,780	17,348
Business enterprises	631,935	664,586	647,993	680,353
Individuals	-	101	-	101
	<u>748,715</u>	<u>682,035</u>	<u>764,773</u>	<u>697,802</u>
<b>(c) By maturity structure of deposits and negotiable instruments of deposits</b>				
Due within six months	746,259	677,300	762,317	693,067
Six months to one year	2,456	4,735	2,456	4,735
	<u>748,715</u>	<u>682,035</u>	<u>764,773</u>	<u>697,802</u>

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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2017 (cont'd)**

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

	Group		Bank	
	As at	As at	As at	As at
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Licensed banks	1,207,257	2,267,902	1,207,257	2,267,902
Licensed investment banks	150,744	50,140	150,744	50,140
Other financial institutions	442,099	375,576	450,762	446,745
	<b>1,800,100</b>	<b>2,693,618</b>	<b>1,808,763</b>	<b>2,764,787</b>

**16 Other Liabilities**

	Group		Bank	
	As at	As at	As at	As at
	30 September 2017	31 December 2016	30 September 2017	31 December 2016
	RM'000	RM'000	RM'000	RM'000
Other creditors and accruals	104,755	110,661	52,113	46,124
Structured deposits	8,814	9,809	8,814	9,809
Deferred income	2,953	12,961	-	10,000
Remisiers' trust deposits	63,249	60,060	63,249	60,060
Amount payable for creation of units due to funds	36,031	25,792	-	-
Amount payable for redemption units	401,880	127,651	-	-
Short-term employee benefits	78,390	101,043	25,412	39,393
Amount due to holding company	18,817	17,353	9,869	-
Amount due to subsidiaries	-	-	2,592	3,965
Amount due to related companies	2,722	8,465	2,730	357
	<b>717,611</b>	<b>473,795</b>	<b>164,779</b>	<b>169,708</b>



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

	3rd Quarter Ended		Nine Months Ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
<b>17 Interest Income</b>				
<b><u>Group</u></b>				
Loans and advances	28,474	32,086	89,200	99,973
Money at call and deposits and placements with banks and other financial institutions	11,277	8,733	37,049	28,962
Financial assets at FVTPL	71	29	63	272
Financial investments AFS	10,120	21,157	40,009	72,523
Financial investments HTM	3,137	4,497	10,477	15,011
Others	1,620	4,499	7,247	16,923
	<b>54,699</b>	<b>71,001</b>	<b>184,045</b>	<b>233,664</b>
Of which:				
Interest income accrued on impaired loans and advances	<b>1,795</b>	1,973	<b>5,934</b>	7,310
<b><u>Bank</u></b>				
Loans and advances	15,790	18,926	49,452	60,664
Money at call and deposits and placements with banks and other financial institutions	8,959	6,991	29,294	23,993
Financial assets at FVTPL	67	17	48	51
Financial investments AFS	9,953	21,157	39,830	72,278
Financial investments HTM	3,137	4,497	10,477	15,011
Others	766	394	1,643	2,503
	<b>38,672</b>	<b>51,982</b>	<b>130,744</b>	<b>174,500</b>
Of which:				
Interest income accrued on impaired loans and advances	<b>86</b>	1,973	<b>744</b>	7,310
<b>18 Interest Expense</b>				
<b><u>Group</u></b>				
Deposits and placements of banks and other financial institutions	13,007	24,218	55,765	80,060
Deposits from customers	3,912	4,517	15,854	22,970
Subordinated obligations	5,212	5,212	15,467	17,020
Borrowings	4,679	4,677	15,626	10,835
Others	874	632	2,324	1,675
	<b>27,684</b>	<b>39,256</b>	<b>105,036</b>	<b>132,560</b>

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

	3rd Quarter Ended		Nine Months Ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
<b>18 Interest Expense (cont'd)</b>				
<b><u>Bank</u></b>				
Deposits and placements of banks and other financial institutions	13,459	24,655	57,191	81,126
Deposits from customers	4,022	4,622	16,184	23,290
Subordinated obligations	5,212	5,212	15,467	17,020
Others	232	111	348	430
	<b>22,925</b>	<b>34,600</b>	<b>89,190</b>	<b>121,866</b>

**19 Fee and Commission Income**

**Group**

Arrangement fees and underwriting	3,226	15,986	13,654	29,835
Service charges and fees	4	1,345	1,749	3,627
Commission	1,777	1,878	4,939	4,995
Brokerage income	73,200	74,999	248,726	221,966
Unit trust fee income	21,861	30,739	91,650	54,900
Corporate advisory fees	14,116	14,866	35,399	65,042
Fund management fees	59,746	49,141	172,293	141,794
Placement fees	1,778	7,525	11,524	13,894
Rollover fees	1,260	1,803	5,352	5,015
Other fee income	8,778	8,774	37,864	31,014
	<b>185,746</b>	<b>207,056</b>	<b>623,150</b>	<b>572,082</b>

**Bank**

Arrangement fees and underwriting	1,724	12,621	10,210	23,000
Service charges and fees	-	1	-	14
Commission	481	427	1,541	1,729
Brokerage income	44,059	41,430	155,318	126,353
Corporate advisory fees	4,870	5,740	15,097	21,066
Placement fees	1,286	4,150	7,909	9,503
Rollover fees	1,259	1,717	4,043	4,900
Other fee income	3,878	4,329	23,723	18,375
	<b>57,557</b>	<b>70,415</b>	<b>217,841</b>	<b>204,940</b>

**20 Fee and Commission Expense**

**Group**

Unit trust fees	21,381	32,017	87,313	55,703
Fund management fees	27,393	19,377	78,321	58,683
	<b>48,774</b>	<b>51,394</b>	<b>165,634</b>	<b>114,386</b>

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	3rd Quarter Ended		Nine Months Ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
<b>21 Other Operating Income</b>				
<b><u>Group</u></b>				
(a) Net gain arising from financial instruments at FVTPL				
- net gain on disposal	3,878	57,278	19,204	57,552
- net gain/(loss) on revaluation	11,457	(7,431)	2,817	385
- gross dividend income	2,925	3,041	9,302	8,154
	<u>18,260</u>	<u>52,888</u>	<u>31,323</u>	<u>66,091</u>
(b) Net gain/(loss) arising from derivatives				
- net gain/(loss) on disposal	50,991	(47,363)	14,714	(61,737)
- net (loss)/gain on revaluation	(48,079)	20,678	3,461	47,706
	<u>2,912</u>	<u>(26,685)</u>	<u>18,175</u>	<u>(14,031)</u>
(c) Net gain arising from financial investments AFS				
- net gain on disposal	-	1,595	1,613	3,248
- gross dividend income	240	110	847	859
	<u>240</u>	<u>1,705</u>	<u>2,460</u>	<u>4,107</u>
(d) Net gain arising from financial investments HTM				
- net gain on redemption	-	198	-	198
(e) Other income				
- Net foreign exchange (loss)/gain				
- realised	(995)	17,936	34,684	84,974
- unrealised	607	257	(35,968)	(49,264)
- Gain on disposal of property, plant and equipment	-	-	32	23
- Gain on disposal of a subsidiary	-	434	-	434
- Rental income	153	-	455	85
- Other operating income	14,155	12,197	62,009	33,518
	<u>13,920</u>	<u>30,824</u>	<u>61,212</u>	<u>69,770</u>
	<u><u>35,332</u></u>	<u><u>58,930</u></u>	<u><u>113,170</u></u>	<u><u>126,135</u></u>

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	3rd Quarter Ended		Nine Months Ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
<b>21 Other Operating Income (cont'd)</b>				
<b><u>Bank</u></b>				
(a) Net gain arising from financial assets at FVTPL				
- net gain on disposal	411	34,355	12,234	16,363
- net gain/(loss) on revaluation	4,678	(1,242)	4,707	1,438
- gross dividend income	1,562	428	2,079	2,341
	<u>6,651</u>	<u>33,541</u>	<u>19,020</u>	<u>20,142</u>
(b) Net gain/(loss) arising from derivatives				
- net gain/(loss) on disposal	40,711	(26,225)	(12,678)	(28,948)
- net (loss)/gain on revaluation	(37,256)	11,405	17,277	36,933
	<u>3,455</u>	<u>(14,820)</u>	<u>4,599</u>	<u>7,985</u>
(c) Net gain arising from financial investments AFS				
- net gain on disposal	-	1,596	492	3,153
- gross dividend income	122	-	122	327
	<u>122</u>	<u>1,596</u>	<u>614</u>	<u>3,480</u>
(d) Net gain arising from financial investments HTM				
- net gain on redemption	-	198	-	198
(e) Gross dividend income from subsidiaries in Malaysia	-	340	-	340
(f) Other income				
- Net foreign exchange (loss)/gain				
- realised	(1,693)	17,371	32,414	84,325
- unrealised	214	194	(33,855)	(49,257)
- Gain on disposal of a subsidiary	-	1,880	-	1,880
- Other operating income	13,551	11,377	59,807	30,015
	<u>12,072</u>	<u>30,822</u>	<u>58,366</u>	<u>66,963</u>
	<u><u>22,300</u></u>	<u><u>51,677</u></u>	<u><u>82,599</u></u>	<u><u>99,108</u></u>

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	3rd Quarter Ended		Nine Months Ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
<b>22 Other Operating Expenses</b>				
<b><u>Group</u></b>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	82,987	89,098	256,058	257,848
- Defined contribution plan	8,141	8,623	25,117	25,996
- Other staff related costs	10,862	9,974	29,342	23,491
	<b>101,990</b>	107,695	<b>310,517</b>	307,335
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	5,550	5,866	17,161	17,794
- written off	-	82	541	165
- Amortisation of intangible assets	3,209	3,032	9,900	9,528
- Information technology expenses	15,507	14,484	48,049	42,479
- Security and escorting charges	42	146	138	491
- Repair and maintenance	1,002	450	2,701	2,905
- Rental of premises	11,413	13,839	34,460	40,071
- Water and electricity	1,256	1,741	4,031	5,064
- Rental of equipment	104	550	473	1,248
- Insurance	2,596	2,089	8,269	7,347
- Others	2,367	3,454	10,183	10,231
	<b>43,046</b>	45,733	<b>135,906</b>	137,323
<u>Marketing expenses</u>				
- Advertisements and publicity	1,077	1,575	3,139	4,671
- Sales commission	393	3,168	1,277	9,676
- Others	8,747	10,662	26,276	25,808
	<b>10,217</b>	15,405	<b>30,692</b>	40,155
<u>Administration and general expenses</u>				
- Communication expenses	11,655	14,654	37,455	40,068
- Legal and professional fees	2,854	1,764	7,342	5,478
- Others	10,209	9,433	30,346	28,755
	<b>24,718</b>	25,851	<b>75,143</b>	74,301
	<b>179,971</b>	194,684	<b>552,258</b>	559,114

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	3rd Quarter Ended		Nine Months Ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
<b>22 Other Operating Expenses (cont'd)</b>				
<b><u>Bank</u></b>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	32,902	34,311	106,549	99,241
- Defined contribution plan	4,949	5,421	15,431	16,369
- Other staff related costs	5,832	4,677	14,154	9,468
	<b>43,683</b>	<b>44,409</b>	<b>136,134</b>	<b>125,078</b>
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	2,309	2,500	6,926	7,595
- written off	-	75	140	90
- Amortisation of intangible assets	1,828	2,038	5,823	6,263
- Information technology expenses	9,878	10,746	30,903	27,956
- Security and escorting charges	37	49	115	180
- Repair and maintenance	768	56	2,039	1,878
- Rental of premises	3,690	4,720	11,003	14,363
- Water and electricity	744	1,272	2,606	3,626
- Rental of equipment	-	389	92	737
- Insurance	1,984	1,400	6,619	5,199
- Others	1,238	1,674	7,069	5,095
	<b>22,476</b>	<b>24,919</b>	<b>73,335</b>	<b>72,982</b>
<u>Marketing expenses</u>				
- Advertisements and publicity	364	1,384	1,138	3,246
- Sales commission	66	1,576	336	6,421
- Others	1,709	1,305	5,326	5,445
	<b>2,139</b>	<b>4,265</b>	<b>6,800</b>	<b>15,112</b>
<u>Administration and general expenses</u>				
- Communication expenses	3,925	4,378	11,890	13,681
- Legal and professional fees	458	255	1,212	791
- Others	7,810	6,972	20,552	21,173
	<b>12,193</b>	<b>11,605</b>	<b>33,654</b>	<b>35,645</b>
	<b>80,491</b>	<b>85,198</b>	<b>249,923</b>	<b>248,817</b>

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

	3rd Quarter Ended		Nine Months Ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
	RM'000	RM'000	RM'000	RM'000
<b>23 Allowance Made/(Written Back) for Impairment on Loans, Advances and Other Losses</b>				
<b>Group</b>				
Individual impairment allowance made	6,005	1,447	44,357	1,949
Collective impairment allowance written back	(93)	(1,534)	(229)	(1,873)
Bad debts written off	40	-	352	-
Bad debts recovered	(46)	(112)	(155)	(191)
Allowance made for impairment on other receivables and clients' and brokers' balances	417	151	8,423	5,774
	<b>6,323</b>	<b>(48)</b>	<b>52,748</b>	<b>5,659</b>

**Bank**

Individual impairment allowance made	2	2,596	2	3,761
Collective impairment allowance written back	(93)	(948)	(451)	(1,880)
Bad debts written off	40	-	352	-
Bad debts recovered	(28)	(100)	(41)	(113)
Allowance made/(written back) for impairment on other receivables and clients' and brokers' balances	370	(205)	493	(1,494)
	<b>291</b>	<b>1,343</b>	<b>355</b>	<b>274</b>

**24 Earnings Per Share**

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

**Group**

	3rd Quarter Ended		Nine Months Ended	
	30 September 2017	30 September 2016	30 September 2017	30 September 2016
Net profit attributable to equity holders (RM'000)	7,275	33,741	17,077	85,287
Weighted average number of ordinary shares in issue ('000)				
- Issued ordinary shares at 1 Jul/1 Jan	818,646	818,646	818,646	818,646
- Effect of capital cancellation (Note 6)	(46,868)	-	(15,794)	-
	<b>771,778</b>	<b>818,646</b>	<b>802,852</b>	<b>818,646</b>
Basic earnings per share (sen)	<b>0.9</b>	<b>4.1</b>	<b>2.1</b>	<b>10.4</b>

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**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 September 2017 RM'000	As at 31 December 2016 RM'000	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000
<b>Common Equity Tier I ('CET I')/ Tier I Capital</b>				
Paid-up ordinary share capital	1,487,773	818,646	1,487,773	818,646
Share premium	-	1,515,150	-	1,515,150
Retained profits	649,103	199,497	800,541	351,586
Other reserves	133,971	602,591	-	449,208
AFS reserves	18,531	876	25,745	7,850
	<u>2,289,378</u>	<u>3,136,760</u>	<u>2,314,059</u>	<u>3,142,440</u>
Less: Goodwill	(523,911)	(1,269,934)	(372,395)	(1,118,418)
Investments in subsidiaries, associates and joint ventures (portion deducted from CET I Capital) *	(43,710)	(32,993)	(1,221,032)	(915,469)
Other intangible assets (include associated deferred tax liabilities)	(45,379)	(50,958)	(23,062)	(27,086)
55% of cumulative gains of AFS financial instruments	(10,192)	(482)	(14,160)	(4,318)
Other deductions	(16)	(29)	(16)	(29)
Deferred tax assets	(16,538)	(19,477)	(1,983)	(7,919)
Reduction in excess of Tier II Capital due to insufficient Tier II Capital #	-	-	-	(151,853)
Total CET I Capital	<u>1,649,632</u>	<u>1,762,887</u>	<u>681,411</u>	<u>917,348</u>
Qualifying non-controlling interests recognised as Tier I Capital	18,972	12,321	-	-
Total Tier I Capital	<u>1,668,604</u>	<u>1,775,208</u>	<u>681,411</u>	<u>917,348</u>
<b>Tier II Capital</b>				
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	4,374	2,822	-	-
Collective impairment allowance and regulatory reserves ^	20,894	29,873	8,406	13,460
	<u>470,268</u>	<u>477,695</u>	<u>453,406</u>	<u>458,460</u>
Less: Investments in subsidiaries, associates and joint ventures	(10,927)	(21,996)	(305,258)	(458,460)
Total Tier II Capital	<u>459,341</u>	<u>455,699</u>	<u>148,148</u>	<u>-</u>
<b>Total Capital</b>	<u>2,127,945</u>	<u>2,230,907</u>	<u>829,559</u>	<u>917,348</u>



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**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 September 2017	As at 31 December 2016	As at 30 September 2017	As at 31 December 2016
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	28.105%	30.376%	28.225%	29.623%
Tier I Capital Ratio	28.428%	30.588%	28.225%	29.623%
Total Capital Ratio	<u>36.254%</u>	<u>38.440%</u>	<u>34.362%</u>	<u>29.623%</u>
After proposed dividends:				
CET I Capital Ratio	28.105%	30.376%	28.225%	29.623%
Tier I Capital Ratio	28.428%	30.588%	28.225%	29.623%
Total Capital Ratio	<u>36.254%</u>	<u>38.440%</u>	<u>34.362%</u>	<u>29.623%</u>

\* 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 loans of the Group and the Bank of RM17,634,000 (31 December 2016: RM13,082,000) and RM8,406,000 (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 September 2017 RM'000	As at 31 December 2016 RM'000	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000
Credit risk	1,671,548	2,389,833	672,475	1,269,201
Market risk	2,378,899	1,485,510	685,359	676,232
Operational risk	1,819,144	1,928,196	1,056,345	1,151,279
Total risk-weighted assets	<u>5,869,591</u>	<u>5,803,539</u>	<u>2,414,179</u>	<u>3,096,712</u>

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

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

<u>Group</u>	<b>As at 30 September 2017</b>	<b>As at 31 December 2016</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Principal amount</b>		
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	1,628,058	2,067,036
- maturity exceeding one year	4,340	600
Foreign exchange related contracts: ^		
- less than one year	78,173	351,858
Interest rate related contracts: ^		
- less than one year	90,000	140,000
- one year to less than five years	-	90,000
Equity related contracts: ^		
- less than one year	24,555	14,368
	<b>1,825,126</b>	<b>2,663,862</b>

^ 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 NINE MONTHS ENDED 30 SEPTEMBER 2017 (cont'd)**

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

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

<u>Bank</u>	<u>As at 30 September 2017</u>	<u>As at 31 December 2016</u>
	RM'000	RM'000
<b>Principal amount</b>		
Direct credit substitutes <sup>#</sup>	27,483	184,222
Obligations under underwriting agreements	483,382	-
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	540,288	357,990
- maturity exceeding one year	18	22
Foreign exchange related contracts: <sup>^</sup>		
- less than one year	78,173	351,858
Interest rate related contracts: <sup>^</sup>		
- less than one year	90,000	140,000
- one year to less than five years	-	90,000
Equity related contracts: <sup>^</sup>		
- less than one year	24,555	9,771
	<u>1,243,899</u>	<u>1,133,863</u>

<sup>#</sup> Direct credit substitutes comprise of financial guarantee given by the Bank to its subsidiaries.

<sup>^</sup> 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	
	<u>As at 30 September 2017</u>	<u>As at 31 December 2016</u>	<u>As at 30 September 2017</u>	<u>As at 31 December 2016</u>
	RM'000	RM'000	RM'000	RM'000
Capital expenditure for property, plant and equipment				
- authorised and contracted for	28,386	26,113	17,299	10,321
- authorised but not contracted for	21,889	24,611	10,809	13,423
	<u>50,275</u>	<u>50,724</u>	<u>28,108</u>	<u>23,744</u>

**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 NINE MONTHS ENDED 30 SEPTEMBER 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.

RHB Investment Bank Berhad ('RHB Investment Bank'), a wholly-owned subsidiary had on 11 October 2017 issued Subordinated Notes of RM200 million in nominal value under a RM1 billion (or its equivalent in other foreign currencies) multi-currency medium term note programme ('MCMTN Programme'). The Subordinated Notes is issued for a tenure of 10 non-callable 5 years with a fixed coupon rate of 4.90% per annum, payable semi-annually in arrears throughout the entire tenure.

**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 additional 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 Changes in Profit for the Quarter**

For the current financial quarter ended 30 September 2017, the Group recorded a pre-tax profit of RM13.5 million, an increase of 201.3% as compared to the pre-tax loss of RM13.4 million for the immediate preceding quarter. The higher profit was mainly due to lower allowance for impairment on loans, advances and other losses by RM36.4 million, higher other operating income by RM2.8 million, higher net interest income by RM2.3 million; partially offset with lower net fee and commission income by RM11.1 million, higher other operating expenses by RM3.2 million, lower impairment written back on other assets by RM0.2 million, and lastly lower share of results of associates by RM0.1 million.

**34 Performance Review**

For the nine months ended 30 September 2017, the Group recorded a pre-tax profit of RM46.2 million, 62.7% lower as compared to the previous corresponding period of RM123.9 million. The decrease in profit was mainly due to higher allowance for impairment on loans, advances and other losses by RM47.1 million, lower net interest income by RM22.1 million, lower other operating income by RM13.0 million, lower impairment losses written back on other assets by RM2.3 million; partially offset with lower other operating expenses by RM6.9 million.

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

**35 Prospects for 2017**

The Malaysian economy grew at a robust pace in the first nine months of the year with the third quarter registering a 6.2% growth year-on-year. This was achieved through a combination of higher exports and increase in domestic demand. Moving forward, sustained domestic demand underpinned by investment spending will be the principal growth catalysts while improving exports will provide additional boost. Real GDP for the year is estimated to grow at 5.6%, up from 4.2% recorded in 2016.

The Malaysian banking sector is expected to see modest growth, with lending momentum expected to improve in the last quarter of the year. Nevertheless, rising pressure on funding cost may weigh on the performance of banks.

The Group will continue to focus on selective areas of growth while also effectively managing asset quality and enhancing productivity, particularly through our various digitisation initiatives. The Group expects to deliver a better performance this year.

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

<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30 September 2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Financial assets</u></b>				
Financial assets at FVTPL	418,671	109	138,839	557,619
- quoted securities	418,671	-	-	418,671
- unquoted securities	-	109	138,839	138,948
Financial investments AFS	58,983	812,764	33,086	904,833
- money market instruments	-	392,761	-	392,761
- quoted securities	58,983	-	-	58,983
- unquoted securities	-	420,003	33,086	453,089
Derivative assets	-	3,361	-	3,361
	<u>477,654</u>	<u>816,234</u>	<u>171,925</u>	<u>1,465,813</u>
<b><u>Financial liabilities</u></b>				
Derivative liabilities	37,709	92	-	37,801
Puttable financial instruments	76,511	-	-	76,511
	<u>114,220</u>	<u>92</u>	<u>-</u>	<u>114,312</u>
<b>Group</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Financial assets</u></b>				
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
	<u>502,926</u>	<u>1,758,369</u>	<u>214,811</u>	<u>2,476,106</u>
<b><u>Financial liabilities</u></b>				
Derivative liabilities	11,817	25,380	-	37,197
Puttable financial instruments	68,706	-	-	68,706
	<u>80,523</u>	<u>25,380</u>	<u>-</u>	<u>105,903</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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)

<b>Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>30 September 2017</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Financial assets</u></b>				
Financial assets at FVTPL	128,806	109	-	128,915
- quoted securities	128,806	-	-	128,806
- unquoted securities	-	109	-	109
Financial investments AFS	41,704	812,764	30,280	884,748
- money market instruments	-	392,761	-	392,761
- quoted securities	41,704	-	-	41,704
- unquoted securities	-	420,003	30,280	450,283
Derivative assets	-	3,361	-	3,361
	<b>170,510</b>	<b>816,234</b>	<b>30,280</b>	<b>1,017,024</b>
<b><u>Financial liabilities</u></b>				
Derivative liabilities	37,245	76	-	37,321

<b>Bank</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2016</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<b><u>Financial assets</u></b>				
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
	<b>76,833</b>	<b>1,758,246</b>	<b>60,495</b>	<b>1,895,574</b>
<b><u>Financial liabilities</u></b>				
Derivative liabilities	11,045	25,380	-	36,425

**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 September 2017 and 31 December 2016 for the Group and the Bank:

<u>Group</u>	Financial assets at FVTPL		Financial investments AFS	
	As at	As at	As at	As at
	<u>30 September 2017</u>	<u>31 December 2016</u>	<u>30 September 2017</u>	<u>31 December 2016</u>
	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	-	-	1,946	(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	10,563	252,043	-	-
Disposals	(24,551)	(238,577)	(16,091)	(640)
Transfer to investments in associates	-	-	-	(45,000)
Exchange differences	(8,632)	5,508	-	16
Balance as at the end of the financial period/year	<u>138,839</u>	<u>167,901</u>	<u>33,086</u>	<u>46,910</u>



**NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 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 September 2017 and 31 December 2016 for the Group and the Bank: (cont'd)

	Financial assets FVTPL		Financial investments AFS	
	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000	As at 30 September 2017 RM'000	As at 31 December 2016 RM'000
<b><u>Bank</u></b>				
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
Disposals	(16,390)	-	(16,091)	(640)
Balance as at the end of the financial period/year	-	16,390	30,280	44,105

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

37 Segment Reporting (cont'd)

**Segment Profit and Loss for the Nine Months Ended 30 September 2017**

<b>Group</b>	<b>Investment</b>		<b>Asset</b>	<b>Inter-segment</b>	<b>Total</b>
	<b>Banking</b>	<b>Treasury</b>	<b>Management</b>	<b>Elimination</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
External revenue	463,300	61,805	124,590	-	649,695
Inter-segment revenue	1,814	1,427	(2,951)	(290)	-
Segment revenue	465,114	63,232	121,639	(290)	649,695
Overhead expenses	(466,595)	(12,149)	(73,804)	290	(552,258)
Including:					
Depreciation of property, plant and equipment	(16,107)	(182)	(872)	-	(17,161)
Amortisation of intangible assets	(8,489)	(1,002)	(409)	-	(9,900)
Allowance (made)/written back for impairment on loans, advances and other losses	(52,758)	-	10	-	(52,748)
Impairment losses written back on other assets	840	-	-	-	840
	(53,399)	51,083	47,845	-	45,529
Share of results of associates					347
Share of results of joint ventures					301
Profit before taxation					46,177
Taxation					(28,332)
Net profit for the financial period					17,845

**Segment Assets and Liabilities as at 30 September 2017**

<b>Group</b>	<b>Investment</b>		<b>Asset</b>	<b>Others and</b>	<b>Total</b>
	<b>Banking</b>	<b>Treasury</b>	<b>Management</b>	<b>Elimination</b>	
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Segment assets	5,587,632	2,852,213	980,058	(1,589,142)	7,830,761
Goodwill	380,544	-	143,367	-	523,911
Investments in associates and joint ventures					54,637
Tax recoverable					57,422
Deferred tax assets					16,538
Total assets					8,483,269
Segment liabilities	2,386,041	2,262,909	654,944	(86,005)	5,217,889
Tax liabilities					8,590
Deferred tax liabilities					2,781
Borrowings					464,671
Subordinated obligations					452,751
Total liabilities					6,146,682

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

37 Segment Reporting (cont'd)

**Segment Profit and Loss for the Nine Months Ended 30 September 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	480,618	75,429	126,093	2,795	684,935
Inter-segment revenue	1,952	1,066	(2,697)	(321)	-
Segment revenue	482,570	76,495	123,396	2,474	684,935
Overhead expenses	(477,112)	(14,198)	(68,125)	321	(559,114)
Including:					
Depreciation of property, plant and equipment	(16,934)	(190)	(670)	-	(17,794)
Amortisation of intangible assets	(7,916)	(1,340)	(272)	-	(9,528)
Allowance made for impairment on loans, advances and other losses	(5,577)	-	(82)	-	(5,659)
Impairment losses written back on other assets	1,599	1,517	-	-	3,116
	1,480	63,814	55,189	2,795	123,278
Share of results of associates					247
Share of results of joint ventures					396
Profit before taxation					123,921
Taxation					(37,724)
Net profit for the financial period					86,197

**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