

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2010

Note	Group		Bank	
	Unaudited	Audited	Unaudited	Audited
	As at 30.09.2010 RM'000	As at 31.12.2009 RM'000	As at 30.09.2010 RM'000	As at 31.12.2009 RM'000
ASSETS				
Cash and short-term funds	1,606,572	1,449,186	1,485,215	1,409,767
Deposits and placements with banks and other financial institutions	200,120	360,120	200,120	360,120
Financial assets held-for-trading	8 332,320	677,852	331,962	675,493
Financial investments available-for-sale ('AFS')	9 3,574,333	2,449,706	3,559,796	2,448,485
Financial investments held-to-maturity	10 204,566	206,241	204,566	206,241
Loans and advances	11 66,419	60,158	66,419	60,158
Clients' and brokers' balances	472,636	249,667	472,636	249,667
Other assets	12 75,344	64,880	62,187	55,409
Derivative assets	23,628	25,870	23,628	25,870
Statutory deposits	32,150	27,291	32,150	27,291
Tax recoverable	7,114	1,102	6,985	168
Deferred tax assets	609	5,974	-	5,466
Investments in subsidiaries	-	-	84,970	58,270
Investment in a joint venture	24,828	25,976	27,399	27,399
Property, plant and equipment	13,426	12,763	11,936	10,857
Goodwill	172,844	172,844	159,280	159,280
TOTAL ASSETS	6,806,909	5,789,630	6,729,249	5,779,941
LIABILITIES AND EQUITY				
Deposits from customers	13 2,780,355	3,219,748	2,780,355	3,219,748
Deposits and placements of banks and other financial institutions	14 2,272,431	1,085,570	2,272,431	1,085,570
Clients' and brokers' balances	670,821	401,857	670,821	401,857
Other liabilities	15 146,184	58,289	72,232	50,322
Derivative liabilities	25,969	34,764	25,969	34,764
Taxation	2,013	1,916	-	-
Deferred tax liabilities	10,421	-	10,421	-
Subordinated obligations	245,000	245,000	245,000	245,000
TOTAL LIABILITIES	6,153,194	5,047,144	6,077,229	5,037,261
Ordinary share capital	263,646	263,646	263,646	263,646
Reserves	390,069	478,840	388,374	479,034
TOTAL EQUITY	653,715	742,486	652,020	742,680
TOTAL LIABILITIES AND EQUITY	6,806,909	5,789,630	6,729,249	5,779,941
COMMITMENTS AND CONTINGENCIES	22 2,709,284	3,188,262	2,709,284	3,188,262

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
INCOME STATEMENTS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

<u>Group</u>	<u>Note</u>	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
		<u>Current</u>	<u>Preceding</u>	<u>Current</u>	<u>Preceding</u>
		<u>Financial</u>	<u>Corresponding</u>	<u>Financial</u>	<u>Corresponding</u>
		<u>Quarter Ended</u>	<u>Quarter Ended</u>	<u>Nine Months Ended</u>	<u>Nine Months Ended</u>
		<u>30.09.2010</u>	<u>30.09.2009</u>	<u>30.09.2010</u>	<u>30.09.2009</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	16	55,145	61,523	156,113	193,417
Interest expense	17	(42,787)	(35,050)	(111,313)	(113,148)
Net interest income		12,358	26,473	44,800	80,269
Other operating income	18	54,385	46,523	176,590	116,180
Other operating expenses	19	66,743	72,996	221,390	196,449
		(39,134)	(36,458)	(122,449)	(101,787)
Operating profit before allowances		27,609	36,538	98,941	94,662
Allowance for impairment on loans, advances					
and other losses	20	(581)	238	(124)	397
Impairment losses on financial investments		-	-	(30,482)	519
		27,028	36,776	68,335	95,578
Share of results in a joint venture		126	106	566	358
Profit before taxation		27,154	36,882	68,901	95,936
Taxation		(6,706)	(9,044)	(16,889)	(23,715)
Net profit for the financial period		20,448	27,838	52,012	72,221
Earnings per share (sen)					
- basic		7.8	10.6	19.7	27.4

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
INCOME STATEMENT
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

Bank	Note	Individual Quarter		Cumulative Nine Months	
		Current	Preceding	Current	Preceding
		Financial	Corresponding	Financial	Corresponding
		Quarter Ended	Quarter Ended	Nine Months Ended	Nine Months Ended
		30.09.2010	30.09.2009	30.09.2010	30.09.2009
		RM'000	RM'000	RM'000	RM'000
Interest income	16	54,910	61,385	155,610	193,001
Interest expense	17	(42,787)	(35,050)	(111,313)	(113,148)
Net interest income		12,123	26,335	44,297	79,853
Other operating income	18	43,949	39,872	152,059	96,644
Other operating expenses	19	56,072	66,207	196,356	176,497
		(31,845)	(30,656)	(102,835)	(82,941)
Operating profit before allowances		24,227	35,551	93,521	93,556
Allowance for impairment on loans, advances					
and other losses	20	(581)	238	(124)	397
Impairment losses on financial investments		-	-	(30,000)	519
Profit before taxation		23,646	35,789	63,397	94,472
Taxation		(5,911)	(8,947)	(15,849)	(23,618)
Net profit for the financial period		17,735	26,842	47,548	70,854
Earnings per share (sen)					
- basic		6.7	10.2	18.0	26.9

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

<u>Group</u>	<u>Note</u>	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
		Current Financial Quarter Ended 30.09.2010 RM'000	Preceding Corresponding Quarter Ended 30.09.2009 RM'000	Current Financial Nine Months Ended 30.09.2010 RM'000	Preceding Corresponding Nine Months Ended 30.09.2009 RM'000
Net profit for the financial period		20,448	27,838	52,012	72,221
Other comprehensive income/(loss):					
Currency translation differences		(1,039)	540	(2,575)	(270)
Financial investments available-for-sale					
- Unrealised net gain/(loss) on revaluation		43,158	24,817	87,164	(23,317)
- Net transfer to income statement on disposal or impairment		(10,804)	(4,405)	(35,606)	(4,276)
Income tax relating to components of other comprehensive income/(loss)		(8,088)	(5,103)	(12,889)	6,898
Other comprehensive income/(loss) for the financial period		23,227	15,849	36,094	(20,965)
Total comprehensive income for the financial period		43,675	43,687	88,106	51,256

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF COMPREHENSIVE INCOME
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	<u>Note</u>	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
		Current Financial Quarter Ended 30.09.2010 RM'000	Preceding Corresponding Quarter Ended 30.09.2009 RM'000	Current Financial Nine Months Ended 30.09.2010 RM'000	Preceding Corresponding Nine Months Ended 30.09.2009 RM'000
<u>Bank</u>					
Net profit for the financial period		17,735	26,842	47,548	70,854
Other comprehensive income/(loss):					
Financial investments available-for-sale					
- Unrealised net gain/(loss) on revaluation		43,158	24,817	87,164	(23,317)
- Net transfer to income statement on disposal or impairment		(10,804)	(4,405)	(35,606)	(4,276)
Income tax relating to components of other comprehensive income/(loss)		(8,088)	(5,103)	(12,889)	6,898
Other comprehensive income/(loss) for the financial period		24,266	15,309	38,669	(20,695)
Total comprehensive income for the financial period		42,001	42,151	86,217	50,159

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENTS OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

<u>Group</u>	← Attributable to equity holders of the Bank →					Total RM'000
	Share capital RM'000	Statutory reserves RM'000	Translation reserves RM'000	AFS reserves RM'000	Retained profits RM'000	
Balance as at 1 January 2010						
- As previously stated	263,646	278,549	(2,477)	(19,684)	222,452	742,486
- Effect of adoption of FRS 139	-	-	-	8,994	-	8,994
- As restated	263,646	278,549	(2,477)	(10,690)	222,452	751,480
Net profit for the financial period	-	-	-	-	52,012	52,012
Other comprehensive income/(loss) for the financial period	-	-	(2,575)	38,669	-	36,094
Total comprehensive income/(loss) for the financial period	-	-	(2,575)	38,669	52,012	88,106
Ordinary dividends	-	-	-	-	(185,871)	(185,871)
Balance as at 30 September 2010	263,646	278,549	(5,052)	27,979	88,593	653,715
Balance as at 1 January 2009	263,646	278,549	(1,542)	7,731	169,716	718,100
Net profit for the financial period	-	-	-	-	72,221	72,221
Other comprehensive loss for the financial period	-	-	(270)	(20,695)	-	(20,965)
Total comprehensive income/(loss) for the financial period	-	-	(270)	(20,695)	72,221	51,256
Ordinary dividends	-	-	-	-	(60,507)	(60,507)
Balance as at 30 September 2009	263,646	278,549	(1,812)	(12,964)	181,430	708,849

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
STATEMENT OF CHANGES IN EQUITY
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

<u>Bank</u>	←	Non-distributable		→	Distributable	
	Share capital	Statutory reserves	AFS reserves	Retained profits	Total	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2010						
- As previously stated	263,646	278,549	(19,684)	220,169	742,680	
- Effect of adoption of FRS 139	-	-	8,994	-	8,994	
- As restated	<u>263,646</u>	<u>278,549</u>	<u>(10,690)</u>	<u>220,169</u>	<u>751,674</u>	
Net profit for the financial period	-	-	-	47,548	47,548	
Other comprehensive income for the financial period	-	-	38,669	-	38,669	
Total comprehensive income for the financial period	-	-	38,669	47,548	86,217	
Ordinary dividends	-	-	-	(185,871)	(185,871)	
Balance as at 30 September 2010	<u>263,646</u>	<u>278,549</u>	<u>27,979</u>	<u>81,846</u>	<u>652,020</u>	
Balance as at 1 January 2009	263,646	278,549	7,731	169,098	719,024	
Net profit for the financial period	-	-	-	70,854	70,854	
Other comprehensive loss for the financial period	-	-	(20,695)	-	(20,695)	
Total comprehensive income/(loss) for the financial period	-	-	(20,695)	70,854	50,159	
Ordinary dividends	-	-	-	(60,507)	(60,507)	
Balance as at 30 September 2009	<u>263,646</u>	<u>278,549</u>	<u>(12,964)</u>	<u>179,445</u>	<u>708,676</u>	

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED STATEMENTS OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	Nine Months Ended	
	30.09.2010	30.09.2009
	RM '000	RM '000
Group		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	68,901	95,936
Adjustment for non-cash items	(97,975)	(106,061)
Operating loss before changes in working capital	(29,074)	(10,125)
Changes in working capital:		
Net changes in operating assets	273,334	550,613
Net changes in operating liabilities	1,095,532	(913,565)
Cash generated from/(used in) operations	1,339,792	(373,077)
Taxation paid	(23,223)	(24,347)
Taxation recovered	317	17,712
Net cash generated from/(used in) operating activities	1,316,886	(379,712)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchase)/redemption of financial investments held-to-maturity	(4,233)	20,586
Net purchase of financial investments available-for-sale	(1,055,472)	(115,397)
Interest received from financial investments held-to-maturity	4,072	4,265
Interest received from financial investments available-for-sale	85,139	78,944
Property, plant and equipment:		
- Purchase	(5,125)	(5,817)
- Proceeds from disposal	74	2
Dividend income	201	165
Net cash used in investing activities	(975,344)	(17,252)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholder	(185,871)	(60,507)
Net cash used in financing activities	(185,871)	(60,507)
Net increase/(decrease) in cash and cash equivalents	155,671	(457,471)
Effects of exchange rate differences	1,715	261
Cash and cash equivalents		
- at the beginning of the financial period	1,449,186	1,354,445
- at the end of the financial period	1,606,572	897,235
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	1,606,572	897,235

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

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

UNAUDITED INTERIM FINANCIAL STATEMENTS
CONDENSED STATEMENT OF CASH FLOWS
FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

	Nine Months Ended	
	<u>30.09.2010</u>	<u>30.09.2009</u>
	RM '000	RM '000
<u>Bank</u>		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	63,397	94,472
Adjustment for non-cash items	(97,931)	(106,280)
Operating loss before changes in working capital	<u>(34,534)</u>	<u>(11,808)</u>
Changes in working capital:		
Net changes in operating assets	277,668	547,670
Net changes in operating liabilities	<u>1,029,547</u>	<u>(916,581)</u>
Cash generated from/(used in) operations	<u>1,272,681</u>	<u>(380,719)</u>
Taxation paid	(22,666)	(23,619)
Taxation recovered	-	17,709
Net cash generated from/(used in) operating activities	<u>1,250,015</u>	<u>(386,629)</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchase)/redemption of financial investments held-to-maturity	(4,233)	20,586
Net purchase of financial investments available-for-sale	(1,042,155)	(115,397)
Interest received from financial investments held-to-maturity	4,072	4,265
Interest received from financial investments available-for-sale	85,136	78,944
Property, plant and equipment:		
- Purchase	(4,998)	(5,313)
- Proceeds from disposal	1	1
Additional investment in a subsidiary company	(26,700)	-
Dividend income	181	165
Net cash used in investing activities	<u>(988,696)</u>	<u>(16,749)</u>
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid to shareholder	(185,871)	(60,507)
Net cash used in financing activities	<u>(185,871)</u>	<u>(60,507)</u>
Net increase/(decrease) in cash and cash equivalents	75,448	(463,885)
Cash and cash equivalents		
- at the beginning of the financial period	<u>1,409,767</u>	<u>1,317,411</u>
- at the end of the financial period	<u>1,485,215</u>	<u>853,526</u>
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short-term funds	<u>1,485,215</u>	<u>853,526</u>

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements of the Group and the Bank for the financial year ended 31 December 2009.

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010

1 Basis of Preparation

The interim financial statements are unaudited and has been prepared in compliance with Financial Reporting Standard ('FRS') 134, 'Interim Financial Reporting' issued by the Malaysian Accounting Standards Board ("MASB") and should be read in conjunction with the audited financial statements of the Group and the Bank for the last financial year ended 31 December 2009.

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 2009, except for the adoption of the following standards, amendments to published standards and interpretations to existing standards which are effective from 1 January 2010:

- | | |
|------------------------|--|
| - FRS 101 | Presentation of Financial Statements |
| - Amendments to FRS 1 | First-time Adoption of Financial Reporting Standards |
| - FRS 7 | Financial Instruments: Disclosure |
| - FRS 139 | Financial Instruments: Recognition and Measurement |
| - IC Interpretation 9 | Reassessment of Embedded Derivatives |
| - IC Interpretation 10 | Interim Financial Reporting and Impairment |

The adoption of the above standards, amendments to published standards and interpretations does not give rise to any material financial effects to the Group and the Bank, other than the effects and change in accounting policies arising from the adoption of FRS 139 as disclosed in Note 26.

2 Audit Report

The auditors' report for the financial year ended 31 December 2009 was not subjected to any qualification.

3 Seasonal or Cyclical Factors

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

4 Exceptional or Extraordinary Items

There were no exceptional or extraordinary items for the nine months ended 30 September 2010.

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 2010.

6 Changes in Debt and Equity Securities

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the period under review.

7 Dividends Paid

During the nine month ended 30 September 2010, a final dividend of 55.60% less 25% income tax amounting to RM109,940,382 and a special dividend of 38.40% less 25% income tax amounting to RM75,930,048 in respect of financial year ended 31 December 2009 were paid on 17 June 2010.

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

8 Financial Assets Held-For-Trading

	Group		Bank	
	Unaudited	Audited	Unaudited	Audited
	As at	As at	As at	As at
At fair value	30.09.2010	31.12.2009	30.09.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
<u>Money market instruments:</u>				
Malaysian Government Securities	134,455	49,775	134,455	49,775
Negotiable instruments of deposits	50,559	452,193	50,559	452,193
<u>Quoted securities:</u>				
<u>Outside Malaysia</u>				
Shares	358	2,359	-	-
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Private debt securities	146,948	173,525	146,948	173,525
	332,320	677,852	331,962	675,493

9 Financial Investments Available-For-Sale

	Group		Bank	
	Unaudited	Audited	Unaudited	Audited
	As at	As at	As at	As at
At fair value	30.09.2010	31.12.2009	30.09.2010	31.12.2009
	RM'000	RM'000	RM'000	RM'000
<u>Money market instruments:</u>				
Malaysian Government Investment Issues	769,877	120,542	769,877	120,542
Malaysian Government Securities	1,378,326	652,863	1,378,326	652,863
Khazanah bonds	11,974	11,179	11,974	11,179
Cagamas bonds and Cagamas Mudharabah bonds	84,067	-	84,067	-
<u>Quoted securities:</u>				
<u>In Malaysia</u>				
Shares	27	30	27	30
Corporate loan stocks	1,068	935	1,068	935
<u>Unquoted securities:</u>				
<u>In Malaysia</u>				
Shares	18,816	2,200	18,816	2,200
Private debt securities	1,274,979	1,640,074	1,274,979	1,640,074
Corporate loan stocks	34,642	20,662	20,662	20,662
<u>Outside Malaysia</u>				
Corporate loan stocks	557	1,221	-	-
	3,574,333	2,449,706	3,559,796	2,448,485

The carrying value of financial investments available-for-sale as at 30 September 2010, which was transferred from financial assets held-for-trading in previous financial year, for the Group and the Bank are RM649,237,000 (31.12.2009: RM1,038,472,000).

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

10 Financial Investments Held-To-Maturity

	Group and Bank	
	Unaudited As at 30.09.2010	Audited As at 31.12.2009
At amortised cost	RM'000	RM'000
<u>Money market instruments:</u>		
Malaysian Government Securities	44,741	44,647
<u>Unquoted Securities:</u>		
<u>In Malaysia</u>		
Bonds	23	23
Prasarana bonds	99,444	99,180
Private debt securities	138,728	140,761
	282,936	284,611
Accumulated impairment losses	(78,370)	(78,370)
	204,566	206,241

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

11 Loans and Advances

(i) By type

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.09.2010	31.12.2009
	RM'000	RM'000
At amortised cost		
Share margin financing	65,686	59,004
Staff loans	2,694	3,161
	<hr/>	<hr/>
Gross loans and advances	68,380	62,165
Allowance for impaired loans and advances		
- collective assessment allowance	(1,011)	-
- individual assessment allowance	(950)	-
- general allowance	-	(916)
- specific allowance	-	(1,091)
	<hr/>	<hr/>
Net loans and advances	66,419	60,158
	<hr/> <hr/>	<hr/> <hr/>

(ii) By type of customer

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.09.2010	31.12.2009
	RM'000	RM'000
Domestic non-bank financial institutions		
- others	7,472	7,720
Individuals	59,661	53,372
Foreign entities	1,247	1,073
	<hr/>	<hr/>
	68,380	62,165
	<hr/> <hr/>	<hr/> <hr/>

(iii) By interest rate sensitivity

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.09.2010	31.12.2009
	RM'000	RM'000
Fixed rate		
- Other fixed rate loans/financing	68,380	62,165
	<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 2010 (cont'd)

11 Loans and Advances (cont'd)

(iv) By Purpose

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.09.2010	31.12.2009
	RM'000	RM'000
Purchase of securities	65,686	59,004
Purchase of transport vehicles	302	509
Purchase of landed property:		
- Residential	2,392	2,652
	68,380	62,165

(v) By remaining contractual maturities

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.09.2010	31.12.2009
	RM'000	RM'000
Maturity within one year	65,780	59,010
One year to three years	213	468
Three years to five years	130	153
Over five years	2,257	2,534
	68,380	62,165

(vi) Impaired Loans and Advances

(a) Movements in impaired loans and advances

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.09.2010	31.12.2009
	RM'000	RM'000
Balance as at the beginning of financial period/year	1,183	66,425
Amount vested over to RHB Bank Berhad	-	(67,279)
Classified as impaired during the financial period/year	-	3,150
Reclassified as non-impaired during the financial period/year	(55)	-
Amount recovered	(143)	(1,113)
Balance as at the end of financial period/year	985	1,183

(b) By purpose

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.09.2010	31.12.2009
	RM'000	RM'000
Purchase of securities	985	1,183

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

11 Loans and Advances (cont'd)

(vi) Impaired Loans and Advances (cont'd)

(c) Movements in allowances for impaired loans and advances

	Group and Bank	
	Unaudited	Audited
	As at	As at
	30.09.2010	31.12.2009
	RM'000	RM'000
Collective assessment allowance		
Balance as at the beginning of financial period/year		
- As previously stated	-	-
- Effect of adoption of FRS 139	916	-
- As restated	916	-
Net allowance made	95	-
Balance as at the end of financial period/year	1,011	-
Individual assessment allowance		
Balance as at the beginning of financial period/year		
- As previously stated	-	-
- Effect of adoption of FRS 139	1,091	-
- As restated	1,091	-
Allowance made	2	-
Amount recovered	(143)	-
Balance as at the end of financial period/year	950	-
General Allowance		
Balance as at the beginning of financial period/year		
- As previously stated	916	8,296
- Effect of adoption of FRS 139	(916)	-
- As restated	-	8,296
Net allowance written back	-	(7,380)
Balance as at the end of financial period/year	-	916
As % of gross loans and advances less specific allowance	-	1.50%
Specific allowance		
Balance as at the beginning of financial period/year		
- As previously stated	1,091	44,909
- Effect of adoption of FRS 139	(1,091)	-
- As restated	-	44,909
Amount vested over to RHB Bank Berhad	-	(14,204)
Allowance written back	-	(56)
Amount recovered	-	(1,260)
Amount transferred to accumulated impairment loss in value of financial investments	-	(28,298)
Balance as at the end of financial period/year	-	1,091

RHB INVESTMENT BANK BERHAD (19663-P)
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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

12 Other Assets

	Group		Bank	
	Unaudited As at 30.09.2010 RM'000	Audited As at 31.12.2009 RM'000	Unaudited As at 30.09.2010 RM'000	Audited As at 31.12.2009 RM'000
Amount due from ultimate holding body	-	785	-	-
Amount due from holding company	-	500	-	500
Amounts due from subsidiaries	-	-	564	1,353
Amounts due from related companies	1,116	1,601	49	39
Other debtors, deposits and prepayments	39,654	30,299	27,000	21,822
Accrued interest receivable	34,574	31,695	34,574	31,695
	75,344	64,880	62,187	55,409

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

13 Deposits from Customers

(i) By type of deposits

	Group and Bank	
	Unaudited As at 30.09.2010 RM'000	Audited As at 31.12.2009 RM'000
Call money	-	96,245
Fixed deposits	1,911,488	2,186,825
Short term deposits	868,867	936,678
	<u>2,780,355</u>	<u>3,219,748</u>

(ii) By type of customer

	Group and Bank	
	Unaudited As at 30.09.2010 RM'000	Audited As at 31.12.2009 RM'000
Federal government and statutory bodies	232,000	145,900
Business enterprises	2,548,355	3,073,848
	<u>2,780,355</u>	<u>3,219,748</u>

(iii) By maturity structure of the fixed and short term deposits

	Group and Bank	
	Unaudited As at 30.09.2010 RM'000	Audited As at 31.12.2009 RM'000
Due within six months	2,780,355	3,017,033
Six months to one year	-	106,470
	<u>2,780,355</u>	<u>3,123,503</u>

14 Deposits and Placements of Banks and Other Financial Institutions

	Group and Bank	
	Unaudited As at 30.09.2010 RM'000	Audited As at 31.12.2009 RM'000
Licensed banks	-	22,767
Other financial institutions	2,272,431	1,062,803
	<u>2,272,431</u>	<u>1,085,570</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

15 Other Liabilities

	Group		Bank	
	Unaudited As at 30.09.2010 RM'000	Audited As at 31.12.2009 RM'000	Unaudited As at 30.09.2010 RM'000	Audited As at 31.12.2009 RM'000
Accrued interest payable	15,477	12,352	15,477	12,352
Amounts due to related companies	12,626	1,871	11,035	1,704
Amount due to holding company	514	1,233	496	527
Amounts due to subsidiaries	-	-	590	4
Amount payable for creation of units due to funds	122	350	-	-
Amount payable for redemption units	65,891	463	-	-
Remisiers' trust deposits	7,906	7,965	7,906	7,965
Accrued personnel costs	14,276	11,666	10,670	8,550
Other creditors and accruals	29,372	22,389	26,058	19,220
	146,184	58,289	72,232	50,322

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

16 Interest Income

<u>Group</u>	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended 30.09.2010	Preceding Corresponding Quarter Ended 30.09.2009	Current Financial Nine Months Ended 30.09.2010	Preceding Corresponding Nine Months Ended 30.09.2009
	RM'000	RM'000	RM'000	RM'000
Loans and advances	1,332	7,276	3,890	23,138
Money at call and deposit placements with banks and other financial institutions	14,089	5,870	40,527	17,401
Financial assets held-for-trading	3,844	4,693	9,345	31,153
Financial investments available-for-sale	33,716	36,368	89,856	102,080
Financial investments held-to-maturity	1,507	1,635	4,560	5,083
Others	657	5,681	7,935	14,562
	55,145	61,523	156,113	193,417

<u>Bank</u>	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended 30.09.2010	Preceding Corresponding Quarter Ended 30.09.2009	Current Financial Nine Months Ended 30.09.2010	Preceding Corresponding Nine Months Ended 30.09.2009
	RM'000	RM'000	RM'000	RM'000
Loans and advances	1,332	7,276	3,890	23,138
Money at call and deposit placements with banks and other financial institutions	13,855	5,747	40,027	17,011
Financial assets held-for-trading	3,844	4,694	9,345	31,154
Financial investments available-for-sale	33,715	36,352	89,853	102,053
Financial investments held-to-maturity	1,507	1,635	4,560	5,083
Others	657	5,681	7,935	14,562
	54,910	61,385	155,610	193,001

17 Interest Expense

<u>Group and Bank</u>	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended 30.09.2010	Preceding Corresponding Quarter Ended 30.09.2009	Current Financial Nine Months Ended 30.09.2010	Preceding Corresponding Nine Months Ended 30.09.2009
	RM'000	RM'000	RM'000	RM'000
Deposits and placements of banks and other financial institutions	18,525	7,715	36,286	31,474
Deposits from customers	20,966	18,756	60,100	58,670
Subordinated obligations	3,296	3,295	9,780	9,779
Others	-	5,284	5,147	13,225
	42,787	35,050	111,313	113,148

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

18 Other Operating Income

<u>Group</u>	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	<u>Current</u> <u>Financial</u> <u>Quarter Ended</u> <u>30.09.2010</u>	<u>Preceding</u> <u>Corresponding</u> <u>Quarter Ended</u> <u>30.09.2009</u>	<u>Current</u> <u>Financial</u> <u>Nine Months Ended</u> <u>30.09.2010</u>	<u>Preceding</u> <u>Corresponding</u> <u>Nine Months Ended</u> <u>30.09.2009</u>
	RM'000	RM'000	RM'000	RM'000
a) Fee Income:				
Brokerage	19,743	19,239	58,697	51,119
Fund management fees	4,925	4,790	15,994	13,396
Fee on loans and advances	680	519	2,461	1,961
Corporate advisory fees	1,787	4,297	13,264	8,156
Guarantee fees	-	1,058	-	1,869
Underwriting fees	1,446	802	11,652	7,481
Unit trust fee income	41	233	399	1,818
Other fee income	9,280	3,342	26,517	20,417
	<u>37,902</u>	<u>34,280</u>	<u>128,984</u>	<u>106,217</u>
b) Net gain/(loss) arising on financial assets held-for-trading				
- net gain on disposal	4,390	216	6,153	7,748
- unrealised revaluation gain/(loss)	61	69	990	(5,268)
- gross dividend income	-	-	20	35
	<u>4,451</u>	<u>285</u>	<u>7,163</u>	<u>2,515</u>
c) Net gain/(loss) arising on derivatives				
- net loss on disposal	(1,740)	(1,788)	(5,834)	(5,434)
- unrealised revaluation gain	1,698	3,033	6,553	1,241
	<u>(42)</u>	<u>1,245</u>	<u>719</u>	<u>(4,193)</u>
d) Net gain arising on financial investments AFS				
- net gain on disposal	10,804	3,327	35,606	4,276
- gross dividend income	136	-	136	1
	<u>10,940</u>	<u>3,327</u>	<u>35,742</u>	<u>4,277</u>
e) Net gain arising on financial investments held-to-maturity				
- net gain on redemption	316	6,435	336	6,377
- gross dividend income	-	135	45	135
	<u>316</u>	<u>6,570</u>	<u>381</u>	<u>6,512</u>
f) Other income:				
Foreign exchange gain/(loss)				
- Realised	1,921	256	2,843	426
- Unrealised	(1,337)	414	218	25
Gain on disposal of property, plant and equipment	1	-	74	39
Other non-operating income	233	146	466	362
	<u>818</u>	<u>816</u>	<u>3,601</u>	<u>852</u>
	<u>54,385</u>	<u>46,523</u>	<u>176,590</u>	<u>116,180</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

18 Other Operating Income (cont'd)

<u>Bank</u>	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	<u>Current</u> <u>Financial</u> <u>Quarter Ended</u> <u>30.09.2010</u>	<u>Preceding</u> <u>Corresponding</u> <u>Quarter Ended</u> <u>30.09.2009</u>	<u>Current</u> <u>Financial</u> <u>Nine Months Ended</u> <u>30.09.2010</u>	<u>Preceding</u> <u>Corresponding</u> <u>Nine Months Ended</u> <u>30.09.2009</u>
	RM'000	RM'000	RM'000	RM'000
a) Fee Income:				
Brokerage	19,743	19,239	58,697	51,119
Fee on loans and advances	680	519	2,461	1,961
Corporate advisory fees	1,787	4,297	13,264	8,156
Guarantee fees	-	1,058	-	1,869
Underwriting fees	1,446	802	11,652	7,481
Other fee income	3,959	2,697	19,815	17,672
	<u>27,615</u>	<u>28,612</u>	<u>105,889</u>	<u>88,258</u>
b) Net gain/(loss) arising on financial assets held-for-trading				
- net gain on disposal	4,390	153	5,194	7,685
- unrealised revaluation gain/(loss)	32	(843)	928	(6,720)
- gross dividend income	-	-	-	35
	<u>4,422</u>	<u>(690)</u>	<u>6,122</u>	<u>1,000</u>
c) Net gain/(loss) arising on derivatives				
- net loss on disposal	(1,740)	(1,788)	(5,834)	(5,434)
- unrealised revaluation gain	1,698	3,033	6,553	1,241
	<u>(42)</u>	<u>1,245</u>	<u>719</u>	<u>(4,193)</u>
d) Net gain arising on financial investments AFS				
- net gain on disposal	10,804	3,327	35,606	4,276
- gross dividend income	136	-	136	1
	<u>10,940</u>	<u>3,327</u>	<u>35,742</u>	<u>4,277</u>
e) Net gain arising on financial investments held-to-maturity				
- net gain on redemption	316	6,435	336	6,377
- gross dividend income	-	135	45	135
	<u>316</u>	<u>6,570</u>	<u>381</u>	<u>6,512</u>
f) Other income:				
Foreign exchange gain/(loss)				
- Realised	1,923	256	2,739	426
- Unrealised	(1,459)	414	-	7
Gain on disposal of property, plant and equipment	1	-	1	3
Other non-operating income	233	138	466	354
	<u>698</u>	<u>808</u>	<u>3,206</u>	<u>790</u>
	<u>43,949</u>	<u>39,872</u>	<u>152,059</u>	<u>96,644</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

19 Other Operating Expenses

<u>Group</u>	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended 30.09.2010 RM'000	Preceding Corresponding Quarter Ended 30.09.2009 RM'000	Current Financial Nine Months Ended 30.09.2010 RM'000	Preceding Corresponding Nine Months Ended 30.09.2009 RM'000
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	17,318	16,564	61,584	48,437
- Contributions to Employees Provident Fund	2,794	2,561	9,178	7,505
- Other staff related costs	3,185	2,269	6,726	5,657
	23,297	21,394	77,488	61,599
<u>Establishment costs</u>				
- Depreciation	1,476	1,392	4,462	3,895
- Rental of premises	2,212	2,360	6,683	7,065
- Information technology expenses	1,136	1,115	4,246	3,064
- Others	1,788	1,748	4,914	4,388
	6,612	6,615	20,305	18,412
<u>Marketing expenses</u>				
- Sales commission	40	172	346	1,335
- Advertisement and publicity	860	770	3,650	1,493
- Others	3,372	2,476	5,938	4,941
	4,272	3,418	9,934	7,769
<u>Administration and general expenses</u>				
- Communication expenses	1,990	1,548	4,900	4,624
- Legal and professional fees	140	387	566	913
- Others	2,823	3,096	9,256	8,470
	4,953	5,031	14,722	14,007
	39,134	36,458	122,449	101,787

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

19 Other Operating Expenses (cont'd)

	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended 30.09.2010 RM'000	Preceding Corresponding Quarter Ended 30.09.2009 RM'000	Current Financial Nine Months Ended 30.09.2010 RM'000	Preceding Corresponding Nine Months Ended 30.09.2009 RM'000
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, allowances and bonuses	13,336	12,387	47,693	36,187
- Contributions to Employees Provident Fund	2,208	1,915	7,007	5,615
- Other staff related costs	2,873	2,171	5,951	5,145
	18,417	16,473	60,651	46,947
<u>Establishment costs</u>				
- Depreciation	1,324	1,188	3,920	3,318
- Rental of premises	1,797	1,921	5,463	5,834
- Information technology expenses	1,123	1,015	3,971	2,692
- Others	1,683	1,593	4,607	4,022
	5,927	5,717	17,961	15,866
<u>Marketing expenses</u>				
- Advertisement and publicity	807	754	3,437	1,419
- Others	1,074	2,503	3,227	4,752
	1,881	3,257	6,664	6,171
<u>Administration and general expenses</u>				
- Communication expenses	1,827	1,407	4,297	4,210
- Legal and professional fees	145	331	431	746
- Others	3,648	3,471	12,831	9,001
	5,620	5,209	17,559	13,957
	31,845	30,656	102,835	82,941

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

20 Allowance for Impairment on Loans, Advances and Other Losses

<u>Group and Bank</u>	<u>Individual Quarter</u>		<u>Cumulative Nine Months</u>	
	Current Financial Quarter Ended 30.09.2010	Preceding Corresponding Quarter Ended 30.09.2009	Current Financial Nine Months Ended 30.09.2010	Preceding Corresponding Nine Months Ended 30.09.2009
	RM'000	RM'000	RM'000	RM'000
Allowance made/(written back) for impairment - loans and advances:				
Collective assessment allowance	29	-	95	-
Individual assessment allowance	(93)	-	(141)	-
Specific allowance	-	(39)	-	(1,033)
General allowance	-	(163)	-	(606)
Bad debts recovered	-	(150)	(58)	(178)
Bad debts written off	-	-	45	-
Allowance made for impairment - other debtors	645	114	183	1,420
	581	(238)	124	(397)

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

21 Capital Adequacy

The capital adequacy ratios of RHB Investment Bank Berhad are computed in accordance with Bank Negara Malaysia's revised Risk-Weighted Capital Adequacy Framework: Standardised Approach for Credit and Market Risk, and Basic Indicator Approach for Operational Risk (Basel II).

The capital component of the Bank are as follows:

	Bank	
	Unaudited As at 30.09.2010 RM'000	Audited As at 31.12.2009 RM'000
Tier I Capital		
Paid-up share capital	263,646	263,646
Statutory reserves	278,549	278,549
Retained profits	34,298	220,169
	<u>576,493</u>	<u>762,364</u>
Less: Deferred tax assets	1,095	1,095
Goodwill	(159,280)	(159,280)
Total Tier I capital	<u>418,308</u>	<u>604,179</u>
Tier II Capital		
Collective assessment allowance	1,379	-
General allowance	-	1,137
Subordinated obligations	209,154	245,000
Total Tier II capital	<u>210,533</u>	<u>246,137</u>
Less: Investments in subsidiaries	(84,970)	(58,270)
Investment in a joint venture	(27,399)	(27,399)
Securitisation exposures subject to deductions #	(457)	-
Other deductions *	(420)	(422)
Total capital base	<u>515,595</u>	<u>764,225</u>

The risk weighted assets of the Bank are as follows:

- credit risk	1,185,894	1,118,845
- market risk	277,767	148,681
- indicator operational risk	424,118	430,394
Total risk weighted assets	<u>1,887,779</u>	<u>1,697,920</u>

Pursuant to Risk-Weighted Capital Adquacy Framework (Basel II - Risk Weighted Assets Computation), banking institutions that retain their own-originated securitisation positions rated below investment grade must deduct all of such exposures from its regulatory capital.

* Pursuant to the Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments/Reserves, the RWCR computation shall account for the ageing, liquidity and hold back adjustments/reserves on its trading portfolio.

Pursuant to BNM's circular, "Recognition of Deferred Tax Assets ('DTA') and Treatment of DTA for RWCR Purposes" dated 8 August 2003, deferred tax income/(expense) is excluded from the computation of Tier 1 capital and deferred tax assets are excluded from the calculation of risk weighted assets.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

21 Capital Adequacy (cont'd)

The capital ratios of the Bank are as follows:

	Bank	
	Unaudited	Audited
	As at	As at
	30.09.2010	31.12.2009
	RM'000	RM'000
<u>Capital ratios</u>		
Before proposed dividends:		
Core capital ratio	22.16%	35.58%
Risk-weighted capital adequacy ratio	27.31%	45.01%
After proposed dividends:		
Core capital ratio	22.16%	24.64%
Risk-weighted capital adequacy ratio	27.31%	31.95%

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

22 Commitments And Contingencies

In the normal course of business, the Group and the Bank makes various commitments and incur certain contingent liabilities with legal recourse to customers. No material losses are anticipated as a result of these transactions.

	← Unaudited 30.09.2010 →			← Audited 31.12.2009 →		
	Principal Amount	Credit Equivalent Amount *	Risk Weighted Amount	Principal Amount	Credit Equivalent Amount *	Risk Weighted Amount
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Group and Bank						
Assets sold with recourse	176,375	176,375	55,728	-	-	-
Forward asset purchases	20,965	20,965	12,856	-	-	-
Obligations under an on-going underwriting agreements	185,644	92,822	37,995	147,660	73,830	21,995
Interest rate related contracts:						
- less than one year	510,000	2,199	440	1,020,000	1,785	357
- one year to less than five years	1,620,000	57,580	11,516	1,735,000	69,635	13,927
- five years and above	115,000	9,859	1,972	195,000	15,686	3,137
Other commitments, such as formal standby facilities and credit lines, with an original maturity of more than one year	38	19	7	41	21	7
Any commitments that are unconditionally cancelled at any time by the bank without prior notice or that effectively provides for automatic cancellation due to deterioration in the borrowers' creditworthiness ^	81,262	-	-	90,561	-	-
Total	2,709,284	359,819	120,514	3,188,262	160,957	39,423

* The credit equivalent amount is arrived at using the credit conversion factors as per Bank Negara Malaysia guidelines.

^ As a temporary measure to support lending activities of the banking industry:

- a) all banking institutions (Basel I and Basel II) are allowed to apply a 0% credit conversion factor ("CCF"), instead of 50% on the undrawn portion of credit facilities with an original maturity of more than one year, conditional upon the institution undertaking a credit review of the facility at least annually and having the right to withdraw the facility following an unsatisfactory assessment; and
- b) Basel II banking institutions can also apply a 0% CCF (instead of 20%) on the undrawn portion of credit facilities with an original maturity of less than a year.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

23 Valuation of Property, Plant and Equipment

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

24 Events subsequent to Balance Sheet Date

There are no material events subsequent to the balance sheet date that have not been reflected in the financial statements except for the below:

a Hybrid Tier 1 Securities ("HT1 Securities")

The Bank has not made any issuance of the HT1 Securities to date and has decided not to proceed with the issuance of the HT1 Securities given that its core financial ratios remain at levels adequate to support its current level of operations. As such, the proposed HT1 Securities will be cancelled with effect from 10 October 2010.

b Incorporation of A New Subsidiary

On 13 October 2010, RHB Capital Berhad ("RHB Capital") announced that RHB Investment Management Sdn Bhd ("RHBIM"), a wholly-owned subsidiary of RHB Investment Bank Berhad which in turn is a wholly-owned subsidiary of RHB Capital, has incorporated a new wholly-owned subsidiary by the name of RHB Islamic Asset Management Sdn Bhd ("RHBIAM") on 11 October 2010.

Subject to regulatory approvals, the principal activity of RHBIAM would be carry on business as Islamic investment managers, advisers, consultants and to provide investment management, advisory, consultant services of every description in accordance with Syariah principles, rules and practices.

25 Changes in the Composition of the Group

There are no significant changes in the composition of the Group for the nine months ended 30 September 2010.

26 Changes in Accounting Policies

Effective 1 January 2005, the Group and the Bank have adopted BNM's Revised Guidelines on Financial Reporting for Licensed Institutions ('BNM/GP8'), whereby certain principles in connection with the recognition, derecognition and measurement of financial instruments and hedge accounting are similar to those prescribed by FRS 139. The adoption of FRS 139 has resulted in the following changes in the Group and the Bank's accounting policies:

a Impairment of loans and advances

Prior to 1 January 2010, the Group and the Bank's loan loss allowances were determined in accordance with BNM/GP3 Guidelines on the Classification of Non-Performing Loans and Provision for Substandard, Bad and Doubtful Debts ("BNM/GP3").

Under FRS 139, the Group and the Bank assess at each balance sheet date whether there is objective evidence that loans and advances are impaired. Impairment losses are incurred if, and only if, there is objective evidence of impairment as a result of one or more loss events that occurred after the initial recognition of the asset and prior to the balance sheet date ('a loss event') and that loss event or events has had an impact on the estimated future cash flows of the financial asset or the portfolio that can be reliably estimated.

For loans and advances, the Group and the Bank first assess whether objective evidence of impairment exists individually for loans and advances that are individually significant, and individually or collectively for loans and advances that are not individually significant. If the Group and the Bank determine that no objective evidence of impairment exists for an individually assessed loans and advances, whether significant or not, it includes the asset in a group of loans and advances with similar credit risk characteristics and collectively assess them for impairment.

Loan impairment is calculated as the difference between the carrying amount and the present value of future expected cash flows discounted at the original effective interest rate ('EIR') of loans and advances. The carrying amount of the loans and advances is reduced through the use of an allowance account and the amount of the loss is recognised in the income statement.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

26 Changes in Accounting Policies (cont'd)

a Impairment of loans and advances (cont'd)

The Group and the Bank address impairment of loans and advances via either individually assessed allowance or collectively assessed allowance.

(i) Individually assessed allowance

The Group and the Bank determine the allowance appropriate for each individual significant loans and advances on an individual basis. The allowances are established based primarily on estimates of the realisable value of the collateral to secure the loans and advances and are measured as the difference between the carrying amount of the loans and advances and the present value of the expected future cash flows discounted at original EIR of the loans and advances.

All other loans and advances that have been individually evaluated, but not considered to be individually impaired are assessed collectively for impairment.

(ii) Collectively assessed allowance

Based on the collective assessment allowance requirement under FRS 139, collective allowances are maintained to reduce the carrying amount of portfolios of similar loans and advances to their estimated recoverable amounts at the balance sheet date. For the purposes of collective evaluation of impairment, exposures that are assessed collectively are placed into pools of similar loans and advances with similar credit risk.

In accordance with the transitional provisions under the Amendments to FRS 139 Financial Instruments: Recognition and Measurement, the financial services sector is granted a transitional period for the purpose of complying with the collective assessment of impairment required under FRS 139. Consequently, BNM may prescribe the use of an alternative basis for collective assessment of impairment for banking institutions for a transitional period.

This transitional arrangement is prescribed in BNM's Guidelines on Classification and Impairment Provisions for Loans/Financing issued on 8 January 2010, whereby banking institutions are required to maintain collective impairment allowances of at least 1.5% of total outstanding loans, net of individual impairment allowances under the transitional provisions in the guidelines.

As at the date of this report, the Group and the Bank have adopted the transitional provisions under the Amendments to FRS 139 – Financial Instruments: Recognition and Measurement and the collective assessment impairment allowance of the Group and the Bank has been determined based on the transitional arrangement issued by BNM.

There are no material effects to the Group and the Bank arising from the adoption of loans impairment basis under FRS 139 and the transitional provisions as explained above.

b Recognition of interest income

- (i) Prior to 1 January 2010, interest on loans and advances was recognised in the income statement at contracted interest rates. FRS 139 requires interest income to be recognised on an EIR basis. The EIR is the rate that exactly discounts the estimated future cash receipts through the expected life of the loan or, when appropriate, a shorter period to the net carrying amount of the loan.

The adoption of the EIR basis has not resulted in any material effect to the financial results of the Group and the Bank.

- (ii) Prior to the adoption of FRS 139, where a loan becomes non-performing, interest accrued and recognised as income prior to the date the loans are classified as non-performing are reversed out of the income statement and set off against the accrued interest receivable account in the balance sheet. Subsequently, the interest earned on the non-performing loans shall be recognised as income on cash basis.

Upon adoption of FRS 139, once a loan has been written down due to impairment loss, interest income is recognised based on the interest rate used to discount the future cash flows for the purpose of measuring impairment loss.

There is no material effect to the results of the Group and the Bank arising from this change in accounting policy.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE NINE MONTHS ENDED 30 SEPTEMBER 2010 (cont'd)

26 Changes in Accounting Policies (cont'd)

c Recognition of embedded derivatives

Upon adoption of FRS 139, embedded derivatives are to be separated from the host contract and accounted for as a derivative when the economic characteristics and risks of the embedded derivative are not closely related to the host contract.

There is no effect to the results as the Group and the Bank does not have any material embedded derivatives.

d Financial investments AFS

During the financial period, the Group and the Bank have reclassified certain financial investments held-to-maturity for investments in equity holdings in organisations which are set up for specific socio-economic reasons to financial investments AFS as allowed under the Revised Guidelines on Financial Reporting for Banking Institutions ('Revised BNM/GP8') when FRS 139 is first applied. Due to the reclassification, such unquoted equity securities are now measured at fair value, with the changes in fair value recognised directly to AFS reserve.

The effect of this reclassification has been accounted for as an adjustment to the opening balance of the AFS reserve of the Group and the Bank amounting to RM8,994,000.

27 Changes in Profit for the Quarter

For the current financial quarter ended 30 September 2010, the Group recorded a pre-tax profit of RM27.2 million, 90% higher as compared to the pre-tax profit of RM14.3 million for the preceding quarter ended 30 June 2010. The higher pre-tax profit was mainly due to lower impairment loss on financial investments by RM30.0 million, partly offset by lower other operating income by RM13.8 million resulting mainly from lower fee income, and lower net interest income by RM2.1 million.

28 Performance Review

For the nine months ended 30 September 2010, the Group recorded a pre-tax profit of RM68.9 million, 28% lower as compared to the previous corresponding nine months ended 30 September 2009 of RM95.9 million. This was mainly due to higher impairment loss on financial investments by RM31.0 million, lower net interest income by RM35.5 million, higher other operating expenses by RM20.7 million, and partly offset by higher other operating income by RM60.4 million resulting mainly from higher fee income and higher net gain from sale of financial investments available-for-sale.

29 Prospects for the Financial Year Ending 31 December 2010

The Malaysian economy is expected to grow by 7% for the full year of 2010, having recorded a strong growth of 8.0% for the first nine months of the year. The economy is forecasted to continue its growth in spite of the challenging environment in the advanced economies.

RHB Investment Bank is confident that the capital markets activities will continue to be active in the next quarter. RHB Investment Bank is also well positioned to benefit from the continued economic growth which is expected to remain robust for the remaining months of this year.