

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Note	Group		Bank	
		As at	As at	As at	As at
		30 June 2018	31 December 2017	30 June 2018	31 December 2017
		RM'000	RM'000	RM'000	RM'000
ASSETS					
Cash and short term funds		1,862,915	2,414,212	1,228,449	1,738,086
Deposits and placements with banks and other financial institutions		45,575	22,106	-	-
Financial assets at fair value through profit or loss ('FVTPL')	8	765,710	823,421	106,715	149,139
Financial investments available-for-sale ('AFS')	9	-	902,249	-	882,153
Financial investments held-to-maturity ('HTM')	10	-	583,232	-	583,232
Financial assets at fair value through other comprehensive income ('FVOCI')	11	835,763	-	827,456	-
Financial investments at amortised costs	12	765,776	-	765,776	-
Loans and advances	13	1,624,912	1,753,928	963,644	1,143,551
Clients' and brokers' balances	14	1,371,426	1,599,594	550,383	901,918
Other assets	15	209,822	204,723	91,539	70,754
Derivative assets		623	344	623	343
Statutory deposits		69,626	55,660	65,650	51,650
Tax recoverable		24,951	49,225	21,934	45,470
Deferred tax assets		18,244	14,839	4,648	1,180
Investments in subsidiaries		-	-	1,471,353	1,478,140
Investments in associates and joint ventures		53,163	54,174	21,057	21,057
Property, plant and equipment		45,018	50,293	23,821	24,888
Goodwill and other intangible assets		571,230	572,604	398,817	400,095
TOTAL ASSETS		8,264,754	9,100,604	6,541,865	7,491,656
LIABILITIES AND EQUITY					
Deposits from customers	16	538,550	421,834	548,405	437,949
Deposits and placements of banks and other financial institutions	17	2,504,344	3,236,900	2,514,383	3,249,424
Bills and acceptances payable		36,511	6,185	-	-
Clients' and brokers' balances		1,128,688	1,363,525	438,930	772,320
Other liabilities	18	355,281	502,916	146,106	170,994
Derivative liabilities		15,736	46,013	15,649	45,873
Puttable financial instruments		75,348	78,825	-	-
Tax liabilities		4,489	6,136	-	-
Deferred tax liabilities		2,342	2,612	-	-
Borrowings		831,275	712,379	-	-
Subordinated obligations		404,209	404,263	404,209	404,263
TOTAL LIABILITIES		5,896,773	6,781,588	4,067,682	5,080,823
Share capital		1,487,773	1,487,773	1,487,773	1,487,773
Reserves		870,834	822,048	986,410	923,060
		2,358,607	2,309,821	2,474,183	2,410,833
Non-controlling interests		9,374	9,195	-	-
TOTAL EQUITY		2,367,981	2,319,016	2,474,183	2,410,833
TOTAL LIABILITIES AND EQUITY		8,264,754	9,100,604	6,541,865	7,491,656
COMMITMENTS AND CONTINGENCIES	28	1,475,616	1,655,370	757,523	862,358

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENTS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

<u>Group</u>	<u>Note</u>	<u>2nd Quarter Ended</u>		<u>Six Months Ended</u>	
		<u>30 June 2018</u>	<u>30 June 2017</u>	<u>30 June 2018</u>	<u>30 June 2017</u>
		<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Interest income	19	54,248	62,079	113,214	129,347
Interest expense	20	(39,722)	(37,340)	(79,803)	(77,352)
Net interest income		14,526	24,739	33,411	51,995
Fee and commission income	21	169,009	215,098	368,650	435,570
Fee and commission expense	22	(37,226)	(61,489)	(83,682)	(119,730)
Other operating income	23	30,771	32,510	142,807	77,838
Other operating expenses	24	177,080 (174,547)	210,858 (182,351)	461,186 (363,734)	445,673 (367,583)
Operating profit before allowances		2,533	28,507	97,452	78,090
Allowance made for credit losses	25	(3,315)	(42,131)	(6,291)	(45,897)
		(782)	(13,624)	91,161	32,193
Share of results of associates		112	155	199	246
Share of results of joint ventures		47	111	38	207
(Loss)/Profit before taxation		(623)	(13,358)	91,398	32,646
Taxation		(9,054)	(5,841)	(28,282)	(22,375)
Net (loss)/profit for the financial period		(9,677)	(19,199)	63,116	10,271
(Loss)/Profit attributable to:					
Equity holder of the Bank		(9,899)	(19,499)	62,669	9,749
Non-controlling interests		222	300	447	522
		(9,677)	(19,199)	63,116	10,271
Basic (loss)/earnings per share (sen)	26	(9.9)	(2.4)	62.7	1.2

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

<u>Group</u>	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Net (loss)/profit for the financial period	(9,677)	(19,199)	63,116	10,271
Other comprehensive (loss)/income in respect of:				
(a) Item that will not be reclassified to income statements:				
(i) Actuarial gain on defined benefit plan of subsidiaries	1,450	-	1,265	407
(ii) Financial assets at FVOCI, equity instruments:				
- Unrealised net gain on revaluation	3,748	-	3,759	-
- Net gain on disposal	-	-	1	-
(b) Items that will be reclassified subsequently to income statements:				
(i) Foreign currency translation reserve				
- Currency translation differences	2,833	(22,712)	(23,980)	(10,325)
- Net investment hedge	(1,723)	4,425	6,788	(713)
(ii) Financial investments AFS:				
- Unrealised net gain on revaluation	-	9,328	-	18,647
- Net transfer to income statements on disposal	-	(1,112)	-	(1,282)
(iii) Financial assets at FVOCI, debt instruments:				
- Unrealised net loss on revaluation	(3,450)	-	(3,628)	-
- Net transfer to income statements on disposal	-	-	1	-
Income tax relating to components of other comprehensive loss/(income)	732	(2,132)	772	(4,268)
Other comprehensive income/(loss), net of tax, for the financial period	3,590	(12,203)	(15,022)	2,466
Total comprehensive (loss)/income for the financial period	(6,087)	(31,402)	48,094	12,737
Total comprehensive (loss)/income attributable to:				
Equity holder of the Bank	(6,973)	(31,670)	47,115	12,141
Non-controlling interests	886	268	979	596
	(6,087)	(31,402)	48,094	12,737

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED INCOME STATEMENT
FOR THE SIX MONTHS ENDED 30 JUNE 2018

Bank	Note	2nd Quarter Ended		Six Months Ended	
		30 June 2018	30 June 2017	30 June 2018	30 June 2017
		RM'000	RM'000	RM'000	RM'000
Interest income	19	40,929	44,507	85,715	92,072
Interest expense	20	(33,095)	(31,897)	(65,957)	(66,265)
Net interest income		7,834	12,610	19,758	25,807
Fee and commission income	21	57,766	83,357	134,415	160,284
Other operating income	23	27,250	20,902	111,014	60,299
		92,850	116,869	265,187	246,390
Other operating expenses	24	(79,428)	(89,456)	(180,004)	(169,432)
Operating profit before allowances		13,422	27,413	85,183	76,958
Allowance written back/(made) for credit losses	25	1,037	(694)	830	464
Profit before taxation		14,459	26,719	86,013	77,422
Taxation		(6,306)	(5,611)	(21,999)	(17,307)
Net profit for the financial period		8,153	21,108	64,014	60,115

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF COMPREHENSIVE INCOME
FOR THE SIX MONTHS ENDED 30 JUNE 2018

Bank	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
Net profit for the financial period	8,153	21,108	64,014	60,115
Other comprehensive (loss)/income in respect of:				
(a) Item that will not be reclassified to income statements:				
(i) Financial assets at FVOCI, equity instruments:				
- Unrealised net gain on revaluation	560	-	560	-
(b) Items that will be reclassified subsequently to income statements:				
(i) Financial investments AFS:				
- Unrealised net gain on revaluation	-	8,887	-	17,531
- Net transfer to income statements on disposal	-	(2)	-	(172)
(ii) Financial assets at FVOCI, debt instruments:				
- Unrealised net loss on revaluation	(3,455)	-	(3,628)	-
- Net transfer to income statements on disposal	-	-	1	-
Income tax relating to components of other comprehensive loss/(income)	695	(2,132)	736	(4,166)
Other comprehensive (loss)/income, net of tax, for the financial period	(2,200)	6,753	(2,331)	13,193
Total comprehensive income for the financial period	5,953	27,861	61,683	73,308

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENTS OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

Attributable to the Equity Holder of the Bank

<u>Group</u>	<u>Note</u>	<u>Share capital</u> RM'000	<u>Statutory reserves</u> RM'000	<u>FVOCI reserves</u> RM'000	<u>Translation reserves</u> RM'000	<u>Regulatory reserves</u> RM'000	<u>Retained profits</u> RM'000	<u>Total</u> RM'000	<u>Non-controlling interests</u> RM'000	<u>Total</u> RM'000
Balance as at 1 January 2018										
- As previously reported		1,487,773	513	18,861	111,897	21,047	669,730	2,309,821	9,195	2,319,016
- Effect of adoption of MFRS 9	40	-	-	854	-	14,097	(13,280)	1,671	-	1,671
- As restated		1,487,773	513	19,715	111,897	35,144	656,450	2,311,492	9,195	2,320,687
Net profit for the financial period		-	-	-	-	-	62,669	62,669	447	63,116
Foreign currency translation reserve:-										
- Currency translation differences		-	-	3	(23,863)	-	-	(23,860)	(120)	(23,980)
- Net investment hedge		-	-	-	6,788	-	-	6,788	-	6,788
Financial assets at FVOCI:-										
- Equity instruments										
- Unrealised net gain on revaluation		-	-	3,112	-	-	-	3,112	647	3,759
- Net (loss)/gain on disposal		-	-	(31)	-	-	26	(5)	6	1
- Debt instruments										
- Unrealised net loss on revaluation		-	-	(3,628)	-	-	-	(3,628)	-	(3,628)
- Net transfer to income statements on disposal		-	-	1	-	-	-	1	-	1
Actuarial gain/(loss) on defined benefit plan of subsidiaries		-	-	-	-	-	1,266	1,266	(1)	1,265
Income tax relating to components of other comprehensive loss		-	-	772	-	-	-	772	-	772
Other comprehensive income/(loss), net of tax, for the financial period		-	-	229	(17,075)	-	1,292	(15,554)	532	(15,022)
Total comprehensive income/(loss) for the financial period		-	-	229	(17,075)	-	63,961	47,115	979	48,094
Transfer to regulatory reserves		-	-	-	-	4,100	(4,100)	-	-	-
Dividend paid to non-controlling interest		-	-	-	-	-	-	-	(800)	(800)
Balance as at 30 June 2018		1,487,773	513	19,944	94,822	39,244	716,311	2,358,607	9,374	2,367,981

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

Attributable to Equity Holder of the Bank

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

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

INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Note	Non-Distributable			Distributable	Total
		Share capital	FVOCI reserves	Regulatory reserves	Retained profits	
<u>Bank</u>		RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2018						
- As previously reported		1,487,773	26,120	13,722	883,218	2,410,833
- Effect of adoption of MFRS 9	40	-	(6,498)	10,077	(1,912)	1,667
- As restated		1,487,773	19,622	23,799	881,306	2,412,500
Net profit for the financial period		-	-	-	64,014	64,014
Financial assets at FVOCI, equity instruments:						
- Unrealised net gain on revaluation		-	560	-	-	560
Financial assets at FVOCI, debt instruments:						
- Unrealised net loss on revaluation		-	(3,628)	-	-	(3,628)
- Net transfer to income statements on disposal		-	1	-	-	1
Income tax relating to components of other comprehensive loss		-	736	-	-	736
Other comprehensive loss, net of tax, for the financial period		-	(2,331)	-	-	(2,331)
Total comprehensive (loss)/income for the financial period		-	(2,331)	-	64,014	61,683
Transfer from regulatory reserves		-	-	(2,803)	2,803	-
Balance as at 30 June 2018		1,487,773	17,291	20,996	948,123	2,474,183

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RHB INVESTMENT BANK BERHAD (19663-P)
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INTERIM FINANCIAL STATEMENTS
UNAUDITED STATEMENT OF CHANGES IN EQUITY
FOR THE SIX MONTHS ENDED 30 JUNE 2017

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

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENTS OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six Months Ended	
	30 June 2018	30 June 2017
	RM'000	RM'000
Group		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	91,398	32,646
Adjustments for non-operating and non-cash items	(66,201)	43,208
Operating profit before working capital changes	25,197	75,854
Changes in working capital:		
Net changes in operating assets	328,420	500,395
Net changes in operating liabilities	(933,124)	(620,370)
Cash used in operations	(579,507)	(44,121)
Taxation paid	(7,726)	(22,107)
Net cash used in operating activities	(587,233)	(66,228)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchase)/proceeds from disposal of financial assets at FVOCI and financial investments at amortised costs/AFS and HTM	(90,060)	118,801
Interest income received from financial assets at FVTPL, FVOCI and financial investments at amortised costs/AFS and HTM	25,569	35,271
Property, plant and equipment		
- Purchase	(5,811)	(7,270)
- Proceeds from disposal	1	32
Purchase of other intangible assets	(3,429)	(2,392)
Dividend income received from financial assets at FVTPL and FVOCI/financial investments AFS	4,303	6,984
Dividend income received from an associate	1,041	-
Acquisition of additional interest from non-controlling interests	-	(12)
Net cash (used in)/generated from investing activities	(68,386)	151,414
CASH FLOWS FROM FINANCING ACTIVITIES		
Net drawdown of borrowings	124,329	96,736
Subordinated obligations interest paid	(9,823)	(10,311)
Dividend paid to non-controlling interest	(800)	-
Net cash generated from financing activities	113,706	86,425
Net (decrease)/increase in cash and cash equivalents	(541,913)	171,611
Effects of exchange rate differences	(8,945)	(6,475)
Cash and cash equivalents		
- at the beginning of the financial period	2,414,212	1,064,383
- at the end of the financial period	1,863,354	1,229,519
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short term funds before expected credit losses ('ECL')	1,863,354	1,229,519
Less: Allowance for ECL	(439)	-
Cash and short-term funds, net ECL	1,862,915	1,229,519

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

INTERIM FINANCIAL STATEMENTS
UNAUDITED CONDENSED STATEMENT OF CASH FLOWS
FOR THE SIX MONTHS ENDED 30 JUNE 2018

	Six Months Ended	
	30 June 2018	30 June 2017
	RM'000	RM'000
Bank		
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before taxation	86,013	77,422
Adjustments for non-operating and non-cash items	(53,143)	1,300
Operating profit before working capital changes	32,870	78,722
Changes in working capital:		
Net changes in operating assets	512,228	507,565
Net changes in operating liabilities	(981,056)	(621,491)
Cash used in operations	(435,958)	(35,204)
Taxation paid	-	(12,644)
Net cash used in operating activities	(435,958)	(47,848)
CASH FLOWS FROM INVESTING ACTIVITIES		
Net (purchase)/proceeds from disposal of financial assets at FVOCI and financial investments at amortised costs/AFS and HTM	(97,310)	119,673
Interest income received from financial assets at FVTPL, FVOCI and financial investments at amortised costs/AFS and HTM	25,307	35,247
Purchase of property, plant and equipment	(3,013)	(3,503)
Purchase of other intangible assets	(1,656)	(1,214)
Dividend income received from financial assets at FVTPL and FVOCI/financial investments AFS	658	517
Dividend income received from subsidiaries	11,400	-
Dividend income received from an associate	1,041	-
Acquisition of additional interest from non-controlling interests	-	(12)
Net cash (used in)/generated from investing activities	(63,573)	150,708
CASH FLOWS FROM FINANCING ACTIVITIES		
Subordinated obligations interest paid	(9,823)	(10,311)
Net cash used in financing activities	(9,823)	(10,311)
Net (decrease)/increase in cash and cash equivalents	(509,354)	92,549
Cash and cash equivalents		
- at the beginning of the financial period	1,738,086	478,126
- at the end of the financial period	1,228,732	570,675
ANALYSIS OF CASH AND CASH EQUIVALENTS:		
Cash and short term funds before ECL	1,228,732	570,675
Less: Allowance for ECL	(283)	-
Cash and short-term funds, net ECL	1,228,449	570,675

This Interim Financial Statements should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2017.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018

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 2017.

(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 2017, except for the adoption of the following:

- MFRS 9 'Financial Instruments'
- MFRS 15 'Revenue from Contracts with Customers'
- Annual Improvements to MFRS 2014-2016 Cycle:
 - Amendment to MFRS 1 'First-time Adoption of Malaysian Financial Reporting Standards'
 - Amendment to MFRS 128 'Investments in Associates and Joint Ventures'
 - IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration'

The adoption of the above accounting standards, annual improvements and amendments do not give rise to any material financial impact to the Group and the Bank other than the effects and change in accounting policy arising from the adoption of MFRS 9 as disclosed in Note 40.

(b) Changes in regulatory requirements - Financial Reporting

On 2 February 2018, Bank Negara Malaysia ('BNM') issued the revised policy document on Financial Reporting which prescribes the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Bank and its domestic banking subsidiaries companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

In the previous year, the Group and the Bank have maintained, in aggregate collective impairment allowances and regulatory reserves of no less than 1.2% of total outstanding loans, net of impairment allowances.

The effect of this change is as disclosed in Note 40.

2 Auditors' Report

The auditors' report for the financial year ended 31 December 2017 was not subject to any qualification.

3 Seasonal or Cyclical Factors

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

4 Exceptional or Unusual Items

There were no exceptional or unusual items for the six months ended 30 June 2018.

5 Changes in Estimates

There were no material changes in estimates of amounts reported in prior financial years that have a material effect for the six months ended 30 June 2018.

6 Changes in Debt and Equity Securities

There were no issuances and repayments of debt and equity securities, share buy-back, share cancellations, shares held as treasury shares and resale of treasury shares for the six months ended 30 June 2018.

7 Dividends Paid

No dividend was paid by the Bank during the six months ended 30 June 2018.

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

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

	Group		Bank	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
	RM'000	RM'000	RM'000	RM'000
At fair value				
<u>Quoted securities:</u>				
In Malaysia				
Shares and exchange traded funds	72,899	149,116	70,033	149,116
Unit trusts	60,730	64,783	9,518	-
Outside Malaysia				
Shares and warrants	174,110	249,640	-	-
Unit trusts	27,164	-	27,164	-
<u>Unquoted securities:</u>				
In Malaysia				
Corporate bonds/Sukuk	-	23	-	23
Outside Malaysia				
Private equity funds	430,807	359,859	-	-
	765,710	823,421	106,715	149,139

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (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 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 31 December 2017 were as follows:

	Group and Bank
	As at
	31 December 2017
	RM'000
<u>Reclassified from financial assets at FVTPL to financial investments AFS</u>	
- Carrying value	15,393
- Fair value	15,416
Fair value gain that would have been recognised if the financial assets at FVTPL had not been reclassified	<u>23</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

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

	Group As at 31 December 2017 RM'000	Bank As at 31 December 2017 RM'000
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Securities	139,092	139,092
Malaysian Government Investment Issues	140,795	140,795
Khazanah bonds	41,382	41,382
Sukuk Perumahan Kerajaan	69,475	69,475
<u>Quoted securities:</u>		
In Malaysia		
Shares	39	-
Unit trusts	26,168	11,234
Outside Malaysia		
Shares	2,325	-
Unit trusts	30,296	30,296
<u>Unquoted securities:</u>		
In Malaysia		
Corporate bonds/Sukuk	399,470	399,470
Shares	34,284	31,775
Prasarana bonds	25,388	25,388
Outside Malaysia		
Shares	289	-
	909,003	888,907
Accumulated impairment losses	(6,754)	(6,754)
	902,249	882,153

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

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

	Group and Bank As at 31 December 2017 <hr style="border-top: 1px solid black;"/> RM'000
At amortised cost	
<u>Money market instruments:</u>	
Malaysian Government Investment Issues	457,199
Khazanah bonds	11,562
Wakala Global Sukuk	8,834
<u>Unquoted Securities:</u>	
In Malaysia	
Corporate bonds/Sukuk	108,199
Loan stocks	26,714
Prasarana bonds	50,129
	<hr style="border-top: 1px solid black;"/>
	662,637
Accumulated impairment losses	(79,405)
	<hr style="border-top: 1px solid black;"/>
	<hr style="border-top: 3px double black;"/>
	583,232

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

11 Financial Assets at Fair Value Through Other Comprehensive Income ('FVOCI')

	Group As at 30 June 2018 RM'000	Bank As at 30 June 2018 RM'000
(a) Debt instruments	796,616	796,616
(b) Equity instruments	39,147	30,840
	835,763	827,456
(a) Debt instruments		
At fair value		
<u>Money market instruments:</u>		
Malaysian Government Securities	127,615	127,615
Malaysian Government Investment Issues	139,910	139,910
Khazanah bonds	41,907	41,907
Sukuk Perumahan Kerajaan	69,375	69,375
<u>Unquoted securities:</u>		
In Malaysia		
Corporate bonds/Sukuk	397,815	397,815
Prasarana bonds	25,253	25,253
	801,875	801,875
Allowance for credit losses	(5,259)	(5,259)
	796,616	796,616
(b) Equity instruments		
At fair value		
<u>Quoted securities:</u>		
Outside Malaysia		
Shares	2,103	-
<u>Unquoted securities:</u>		
In Malaysia		
Shares	36,762	30,840
Outside Malaysia		
Shares	282	-
	39,147	30,840

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

11 Financial Assets at Fair Value Through Other Comprehensive Income ('FVOCI') (cont'd)

	Group As at 30 June 2018 RM'000	Bank As at 30 June 2018 RM'000
(c) Movement in credit impaired financial assets at FVOCI, debt instruments		
Balance as at the beginning of the financial year	-	-
- As previously reported	-	-
- Effect of adoption of MFRS 9	5,259	5,259
As restated/Balance as at the end of the financial period	5,259	5,259
 (d) Movement in allowance for credit losses for financial assets at FVOCI, debt instruments		
Balance as at the beginning of the financial year	-	-
- As previously reported	-	-
- Effect of adoption of MFRS 9	5,259	5,259
As restated/Balance as at the end of the financial period	5,259	5,259

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

12 Financial Investments at Amortised Costs

	Group and Bank As at 30 June 2018 <hr/> RM'000
<u>Money market instruments:</u>	
Malaysian Government Investment Issues	456,507
Khazanah bonds	11,788
Wakala Global Sukuk	8,554
<u>Unquoted Securities:</u>	
In Malaysia	
Corporate bonds/Sukuk	275,475
Loan stocks	26,350
Prasarana bonds	65,702
	<hr/> 844,376
Allowance for credit losses	(78,600)
	<hr/> <hr/> 765,776

(a) Movement in credit impaired financial investments at amortised costs

Balance as at the beginning of the financial year	-
- As previously reported	-
- Effect of adoption of MFRS 9	79,405
	<hr/> 79,405
- As restated	79,405
Amount recovered	(805)
	<hr/> (805)
Balance as at the end of the financial period	<hr/> <hr/> 78,600

(b) Movement in allowance for credit losses at financial investments at amortised costs

Balance as at the beginning of the financial year	-
- As previously reported	-
- Effect of adoption of MFRS 9	79,405
	<hr/> 79,405
- As restated	79,405
Written back during the financial period	(805)
	<hr/> (805)
Balance as at the end of the financial period	<hr/> <hr/> 78,600

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

13 Loans and Advances

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
(a) By type				
At amortised cost				
Other term loans	45,968	50,472	2	2
Share margin financing	1,669,247	1,789,843	963,202	1,143,036
Staff loans	776	519	441	519
Gross loans and advances	<u>1,715,991</u>	<u>1,840,834</u>	<u>963,645</u>	<u>1,143,557</u>
Allowance for impaired loans and advances				
- allowance for credit losses	(91,079)	-	(1)	-
- individual impairment allowance	-	(86,905)	-	(5)
- collective impairment allowance	-	(1)	-	(1)
Net loans and advances	<u>1,624,912</u>	<u>1,753,928</u>	<u>963,644</u>	<u>1,143,551</u>
(b) By type of customer				
Domestic non-bank financial institutions:				
- others	610	-	610	-
Domestic business enterprises:				
- small and medium enterprises	88,010	197,973	88,010	197,973
- others	112,208	118,659	112,208	118,659
Individuals	750,614	824,581	750,614	824,581
Foreign entities	764,549	699,621	12,203	2,344
	<u>1,715,991</u>	<u>1,840,834</u>	<u>963,645</u>	<u>1,143,557</u>
(c) By geographical distribution				
In Malaysia	963,645	1,143,557	963,645	1,143,557
Outside Malaysia				
- Singapore	203,064	146,645	-	-
- Hong Kong	144,773	170,649	-	-
- Indonesia	165,583	111,148	-	-
- Thailand	238,926	268,835	-	-
	<u>1,715,991</u>	<u>1,840,834</u>	<u>963,645</u>	<u>1,143,557</u>
(d) By interest rate sensitivity				
Fixed rate:				
- other fixed rate loans	1,332,290	1,401,348	963,643	1,143,555
Variable rate:				
- base lending rate plus	383,701	439,486	2	2
	<u>1,715,991</u>	<u>1,840,834</u>	<u>963,645</u>	<u>1,143,557</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

13 Loans and Advances (cont'd)

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
(e) By purpose				
Purchase of securities	1,715,214	1,840,313	963,202	1,143,036
Purchase of transport vehicles	356	33	23	33
Purchase of landed property:				
- residential	420	488	420	488
Other purpose	1	-	-	-
	1,715,991	1,840,834	963,645	1,143,557
(f) By economic sector				
Agriculture, hunting, forestry and fishing	40,293	424	1,457	424
Mining and quarrying	7,846	7,841	148	232
Manufacturing	32,548	2,191	4,502	-
Construction	18	-	18	-
Wholesale and retail trade and restaurant and hotel	42,348	35,798	219	819
Transport, storage and communication	3,227	3,389	3,227	3,389
Real estate	96,617	34,590	33,607	34,590
Finance, insurance and business services	202,860	334,951	162,491	271,187
Education, health & others	7,360	8,333	7,360	8,333
Household sector	1,282,874	1,413,317	750,616	824,583
	1,715,991	1,840,834	963,645	1,143,557
(g) By remaining contractual maturities				
Maturity within one year	1,715,376	1,840,314	963,257	1,143,037
One year to three years	206	117	22	117
Three years to five years	59	17	16	17
Over five years	350	386	350	386
	1,715,991	1,840,834	963,645	1,143,557
(h) Impaired loans and advances				
(i) Movements in impaired loans and advances				
Balance as at the beginning of the financial year	93,677	129,166	454	55,803
Transfer out to 12-month ECL (Stage 1)	(1,624)	-	(1,624)	-
Transfer out to Lifetime ECL not credit impaired (Stage 2)	(8,318)	-	(8,318)	-
Transfer in to Lifetime ECL credit impaired provision (Stage 3)	12,276	-	9,674	-
Classified as impaired	-	48,817	-	15,518
Derecognition	(111)	-	-	-
Amount recovered	-	(60,262)	-	(54,821)
Amount written off	-	(347)	-	-
Business transferred to holding company	-	(16,046)	-	(16,046)
Exchange differences	(896)	(7,651)	-	-
Balance as at the end of the financial period	95,004	93,677	186	454

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

13 Loans and Advances (cont'd)

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
(h) Impaired loans and advances (cont'd)				
(ii) By purpose				
Purchase of securities	95,003	93,677	185	454
Purchase of landed property:				
- residential	1	-	1	-
	<u>95,004</u>	<u>93,677</u>	<u>186</u>	<u>454</u>
(iii) By economic sector				
Mining and quarrying	7,356	7,609	-	-
Manufacturing	2,143	2,191	-	-
Wholesale and retail trade and restaurant and hotel	34,773	34,979	-	-
Finance, insurance and business services	26,086	26,241	-	-
Household sector	24,646	22,657	186	454
	<u>95,004</u>	<u>93,677</u>	<u>186</u>	<u>454</u>
(iv) By geographical distribution				
In Malaysia	186	454	186	454
Outside Malaysia:				
- Singapore	14,978	14,994	-	-
- Hong Kong	71,567	69,799	-	-
- Thailand	8,273	8,430	-	-
	<u>95,004</u>	<u>93,677</u>	<u>186</u>	<u>454</u>
(v) Allowance for credit losses on loans and advances				
12-month ECL (Stage 1)	1	-	1	-
Lifetime ECL credit impaired (Stage 3)	91,078	-	-	-
	<u>91,079</u>	<u>-</u>	<u>1</u>	<u>-</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

13 Loans and Advances (cont'd)

(h) Impaired loans and advances (cont'd)

(v) Allowance for credit losses on loans and advances (cont'd)

Movements in allowance for credit losses

<u>Group</u>	12-month ECL (Stage 1)	Lifetime ECL Credit Impaired (Stage 3)	Total
30 June 2018	RM'000	RM'000	RM'000
Balance as at the beginning of the financial year			
- As previously reported	-	-	-
- Effect of adoption of MFRS 9	1	86,905	86,906
- As restated	1	86,905	86,906
Allowance made during the financial period	-	4,936	4,936
Exchange differences	-	(763)	(763)
Balance as at the beginning of the financial period	<u>1</u>	<u>91,078</u>	<u>91,079</u>

Bank

30 June 2018

Balance as at the beginning of the financial year			
- As previously reported	-	-	-
- Effect of adoption of MFRS 9	1	5	6
- As restated	1	5	6
Written back during the financial period	-	(5)	(5)
Balance as at the beginning of the financial period	<u>1</u>	<u>-</u>	<u>1</u>

Group As at 31 December 2017	Bank As at 31 December 2017
RM'000	RM'000

Individual impairment allowance

Balance as at the beginning of the financial year	54,887	9,966
Net allowance made	48,949	5
Amount written off	(347)	-
Business transferred to holding company	(9,966)	(9,966)
Exchange differences	(6,618)	-
Balance as at the end of the financial year	<u>86,905</u>	<u>5</u>

Collective impairment allowance

Balance as at the beginning of the financial year	230	452
Net allowance written back	(229)	(451)
Balance as at the end of the financial year	<u>1</u>	<u>1</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

14 Clients' and Brokers' Balances

	Group		Bank	
	As at	As at	As at	As at
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Amounts owing by clients	927,828	1,061,043	424,529	633,810
- Allowance for credit losses	(31,769)	-	(6,358)	-
- Individual impairment allowance	-	(28,551)	-	(6,789)
- Collective impairment allowance	-	(3,331)	-	(20)
	<u>896,059</u>	<u>1,029,161</u>	<u>418,171</u>	<u>627,001</u>
Amounts owing by brokers	75,770	230,439	34,477	185,971
Amounts owing by clearing houses and stock exchanges	399,597	339,994	97,735	88,946
	<u>1,371,426</u>	<u>1,599,594</u>	<u>550,383</u>	<u>901,918</u>

(a) Movements in credit impaired clients' and brokers' balances

	Group As at 30 June 2018 RM'000	Bank As at 30 June 2018 RM'000
Balance as at the beginning of the financial year	34,355	9,281
Transfer in to Lifetime ECL credit impaired provision (Stage 3)	16,671	15,391
Derecognition	(14,444)	(14,025)
Exchange differences	(523)	-
Balance as at the end of the financial period	<u>36,059</u>	<u>10,647</u>

(b) Movement in allowance for credit losses

<u>Group</u> 30 June 2018	12-month ECL (Stage 1) RM'000	Lifetime ECL Credit Impaired (Stage 3) RM'000	Total RM'000
Balance as at the beginning of financial year			
- As previously reported	-	-	-
- Effect of adoption of MFRS 9	-	31,882	31,882
- As restated	-	31,882	31,882
Allowance made during the financial period	1	1,593	1,594
Derecognition	-	(1,192)	(1,192)
Exchange differences	-	(515)	(515)
Balance as at the end of financial period	<u>1</u>	<u>31,768</u>	<u>31,769</u>
 <u>Bank</u> 30 June 2018			
Balance as at the beginning of financial year			
- As previously reported	-	-	-
- Effect of adoption of MFRS 9	-	6,809	6,809
- As restated	-	6,809	6,809
Allowance made/(written back) during the financial period	1	(452)	(451)
Balance as at the end of financial period	<u>1</u>	<u>6,357</u>	<u>6,358</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

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

(b) Movement in allowance for credit losses (cont'd)

	Group As at 31 December 2017 RM'000	Bank As at 31 December 2017 RM'000
<u>Individual impairment allowance</u>		
Balance as at the beginning of the financial year	16,568	7,924
Net allowance made/(written back)	6,911	(1,135)
Transfer from collective allowance	12,634	-
Amount written off	(7,323)	-
Exchange differences	(239)	-
Balance as at the end of the financial year	28,551	6,789
<u>Collective impairment allowance</u>		
Balance as at the beginning of the financial year	16,608	47
Net allowance written back	(219)	(27)
Transfer to individual allowance	(12,634)	-
Exchange differences	(424)	-
Balance as at the end of the financial year	3,331	20

15 Other Assets

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Other receivables	105,143	91,742	55,117	44,397
Unit trust fee receivables	24,714	18,238	-	-
Management fee receivables	2,998	8,580	-	-
Deposits	20,573	20,101	5,337	7,412
Prepayments	25,578	21,681	10,628	6,401
Amount receivable for release of units from funds	13,131	43,592	-	-
Transferable memberships	340	340	262	262
Amount due from holding company	17,049	12	17,037	-
Amount due from subsidiaries	-	-	3,138	12,257
Amount due from related companies	296	437	20	25
	209,822	204,723	91,539	70,754

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

16 Deposits from Customers

	Group		Bank	
	As at	As at	As at	As at
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
(a) By type of deposits				
Fixed deposits	538,550	421,834	548,405	437,949
(b) By type of customers				
Business enterprises	538,550	421,834	548,405	437,949
(c) By maturity structure of fixed deposits				
Due within six months	538,550	421,834	548,405	437,949

17 Deposits and Placements of Banks and Other Financial Institutions

	Group		Bank	
	As at	As at	As at	As at
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Licensed banks	1,860,778	3,035,153	1,860,778	3,035,153
Licensed investment banks	483,079	130,825	483,079	130,825
Other financial institutions	160,487	70,922	170,526	83,446
	2,504,344	3,236,900	2,514,383	3,249,424

18 Other Liabilities

	Group		Bank	
	As at	As at	As at	As at
	30 June 2018	31 December 2017	30 June 2018	31 December 2017
	RM'000	RM'000	RM'000	RM'000
Other creditors and accruals	122,447	139,517	55,168	55,288
Structured deposits	-	7,281	-	7,281
Deferred income	5,081	3,231	1,218	-
Remisiers' trust deposits	62,557	62,902	62,529	62,902
Amount payable for creation of units due to funds	13,019	160,214	-	-
Amount payable for redemption units	93,386	40,745	-	-
Short-term employee benefits	50,866	72,155	24,102	32,346
Amount due to holding company	7,334	15,619	2,542	9,971
Amount due to subsidiaries	-	-	-	2,693
Amount due to related companies	591	1,252	547	513
	355,281	502,916	146,106	170,994

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
19 Interest Income				
<u>Group</u>				
Loans and advances	24,283	30,077	49,311	60,726
Money at call and deposits and placements with banks and other financial institutions	13,528	11,449	32,621	25,772
Financial assets at FVTPL	30	45	291	121
Financial investments AFS	-	15,059	-	29,889
Financial investments HTM	-	3,614	-	7,340
Financial assets at FVOCI, debt instruments	7,628	-	15,307	-
Financial investments at amortised costs	7,533	-	13,597	-
Others	1,246	1,835	2,087	5,499
	54,248	62,079	113,214	129,347
of which:				
Interest income accrued on impaired financial assets	1,781	2,755	3,691	4,139
<u>Bank</u>				
Loans and advances	13,166	16,856	27,233	33,662
Money at call and deposits and placements with banks and other financial institutions	12,397	8,565	28,445	20,335
Financial assets at FVTPL	26	42	271	109
Financial investments AFS	-	15,047	-	29,877
Financial investments HTM	-	3,614	-	7,340
Financial assets at FVOCI, debt instrument	7,442	-	15,065	-
Financial investments at amortised costs	7,533	-	13,597	-
Others	365	383	1,104	749
	40,929	44,507	85,715	92,072
of which:				
Interest income accrued on impaired financial assets	-	334	-	658

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
20 Interest Expense				
<u>Group</u>				
Deposits and placements of banks and other financial institutions	23,956	20,498	47,544	42,758
Deposits from customers	3,786	5,669	8,952	11,942
Subordinated obligations	4,911	5,155	9,769	10,255
Borrowings	5,301	5,298	11,770	10,947
Others	1,768	720	1,768	1,450
	39,722	37,340	79,803	77,352

Bank

Deposits and placements of banks and other financial institutions	23,611	20,932	47,077	43,732
Deposits from customers	4,573	5,780	9,111	12,162
Subordinated obligations	4,911	5,155	9,769	10,255
Others	-	30	-	116
	33,095	31,897	65,957	66,265

21 Fee and Commission Income

Group

Brokerage income	65,315	81,289	153,318	170,822
Fund management fees	54,347	59,426	109,819	115,417
Unit trust fee income	10,351	34,701	31,554	69,789
Corporate advisory fees	19,189	9,988	31,101	21,283
Arrangement fees and underwriting	337	4,573	1,869	10,428
Placement fees	142	1,095	5,671	9,746
Rollover fees	1,200	1,322	2,428	4,092
Commission	1,073	1,857	3,315	3,162
Service charges and fees	1,616	982	2,155	1,745
Other fee income	15,439	19,865	27,420	29,086
	169,009	215,098	368,650	435,570

Bank

Brokerage income	42,618	56,694	99,200	111,259
Corporate advisory fees	5,034	5,012	10,762	10,227
Arrangement fees and underwriting	-	4,127	993	8,486
Placement fees	-	576	5,289	6,623
Rollover fees	1,200	1,323	2,428	2,784
Commission	378	517	756	1,060
Service charges and fees	1	-	2	-
Other fee income	8,535	15,108	14,985	19,845
	57,766	83,357	134,415	160,284

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	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
22 Fee and Commission Expense				
<u>Group</u>				
Fund management fees	27,184	28,310	53,199	53,798
Unit trust fees	10,042	33,179	30,483	65,932
	<u>37,226</u>	<u>61,489</u>	<u>83,682</u>	<u>119,730</u>
23 Other Operating Income				
<u>Group</u>				
(a) Net (loss)/gain arising from financial instruments at FVTPL				
- net (loss)/gain on disposal	(13,036)	3,904	(13,375)	15,326
- unrealised net (loss)/gain on revaluation	(5,841)	2,321	4,583	(8,640)
- gross dividend income	1,602	2,929	4,089	6,377
	<u>(17,275)</u>	<u>9,154</u>	<u>(4,703)</u>	<u>13,063</u>
(b) Net gain arising from derivatives	<u>19,406</u>	<u>5,053</u>	<u>50,860</u>	<u>15,263</u>
(c) Net gain arising from financial investments AFS				
- net gain on disposal	-	1,156	-	1,613
- gross dividend income	-	479	-	607
	<u>-</u>	<u>1,635</u>	<u>-</u>	<u>2,220</u>
(d) Net gain arising from financial assets at FVOCI, debt instruments				
- net gain on disposal	-	-	21,824	-
(e) Dividend income from FVOCI, equity instruments	<u>214</u>	<u>-</u>	<u>214</u>	<u>-</u>
(f) Other income				
- net foreign exchange gain/(loss)				
- realised	8,617	6,954	18,097	35,679
- unrealised	2,060	(9,934)	453	(36,575)
- gain on disposal of property, plant and equipment	-	-	-	32
- other operating income	17,749	19,648	56,062	48,156
	<u>28,426</u>	<u>16,668</u>	<u>74,612</u>	<u>47,292</u>
	<u>30,771</u>	<u>32,510</u>	<u>142,807</u>	<u>77,838</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
23 Other Operating Income (cont'd)				
<u>Bank</u>				
(a) Net (loss)/gain arising from financial assets at FVTPL				
- net (loss)/gain on disposal	(9,537)	3,828	(13,094)	11,823
- unrealised net gain/(loss) on revaluation	1,664	(4,622)	(14,462)	29
- gross dividend income	463	502	658	517
	<u>(7,410)</u>	<u>(292)</u>	<u>(26,898)</u>	<u>12,369</u>
(b) Net gain arising from derivatives	<u>6,817</u>	<u>4,208</u>	<u>32,216</u>	<u>1,144</u>
(c) Net gain arising from financial investments AFS				
- net gain on disposal	-	36	-	492
(d) Net gain arising from financial assets at FVOCI, debt instruments				
- net gain on disposal	-	-	21,824	-
(e) Dividend income from FVOCI, equity instruments	<u>180</u>	<u>-</u>	<u>180</u>	<u>-</u>
(f) Gross dividend income from subsidiaries in Malaysia	<u>-</u>	<u>-</u>	<u>11,400</u>	<u>-</u>
(g) Gross dividend income from an associate in Malaysia	<u>-</u>	<u>-</u>	<u>1,041</u>	<u>-</u>
(h) Other income				
- net foreign exchange gain/(loss)				
- realised	10,438	5,519	19,459	34,107
- unrealised	2,425	(7,305)	1,182	(34,069)
- other operating income	14,800	18,736	50,610	46,256
	<u>27,663</u>	<u>16,950</u>	<u>71,251</u>	<u>46,294</u>
	<u>27,250</u>	<u>20,902</u>	<u>111,014</u>	<u>60,299</u>

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
24 Other Operating Expenses				
<u>Group</u>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	83,233	83,287	176,279	171,035
- Defined contribution plan	7,817	8,660	19,236	16,975
- Other staff related costs	15,228	11,984	29,601	21,006
	106,278	103,931	225,116	209,016
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	4,153	5,681	8,972	11,611
- written off	1	333	1	541
- Other intangible assets				
- amortisation	3,052	3,337	6,037	6,691
- written off	28	-	28	-
- Information technology expenses	15,738	16,865	31,967	34,454
- Security and escorting charges	56	49	100	96
- Repair and maintenance	655	883	1,293	1,699
- Rental of premises	11,328	11,583	22,766	23,047
- Water and electricity	1,222	1,437	2,508	2,775
- Rental of equipment	256	27	436	369
- Insurance	1,352	1,400	2,719	3,147
- Others	2,205	4,074	5,389	7,816
	40,046	45,669	82,216	92,246
<u>Marketing expenses</u>				
- Advertisements and publicity	864	834	1,816	2,062
- Sales commission	2,051	1,413	4,264	3,459
- Others	4,783	8,152	11,097	14,954
	7,698	10,399	17,177	20,475
<u>Administration and general expenses</u>				
- Communication expenses	9,430	11,828	19,119	23,888
- Legal and professional fees	2,217	1,863	3,759	4,488
- Others	8,878	8,661	16,347	17,470
	20,525	22,352	39,225	45,846
	174,547	182,351	363,734	367,583

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
24 Other Operating Expenses (cont'd)				
<u>Bank</u>				
<u>Personnel costs</u>				
- Salaries, bonus and allowances	31,395	39,224	82,817	73,647
- Defined contribution plan	5,142	5,369	12,617	10,482
- Other staff related costs	8,677	6,470	16,266	10,547
	45,214	51,063	111,700	94,676
<u>Establishment costs</u>				
- Property, plant and equipment				
- depreciation	1,970	2,265	4,080	4,617
- written off	-	2	-	140
- Amortisation of other intangible assets	1,487	1,974	2,934	3,995
- Information technology expenses	9,351	10,372	18,813	21,025
- Security and escorting charges	46	42	84	78
- Repair and maintenance	401	690	872	1,271
- Rental of premises	3,597	3,612	7,263	7,313
- Water and electricity	746	1,004	1,593	1,862
- Rental of equipment	36	37	49	92
- Insurance	800	1,039	1,641	2,410
- Others	1,839	3,452	4,000	5,831
	20,273	24,489	41,329	48,634
<u>Marketing expenses</u>				
- Advertisements and publicity	317	254	504	774
- Sales commission	164	36	183	270
- Others	1,477	2,157	3,030	3,617
	1,958	2,447	3,717	4,661
<u>Administration and general expenses</u>				
- Communication expenses	3,438	3,990	7,058	7,965
- Legal and professional fees	555	647	977	754
- Others	7,990	6,820	15,223	12,742
	11,983	11,457	23,258	21,461
	79,428	89,456	180,004	169,432

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
	RM'000	RM'000	RM'000	RM'000
25 Allowance Made/(Written Back) for Credit Losses				
<u>Group</u>				
Loans and advances:				
- New and increased provisions	2,518	-	4,936	-
- Individual impairment allowance made	-	32,927	-	38,352
- Collective impairment allowance written back	-	(7)	-	(136)
- Impaired loans recovered	(2)	(13)	(3)	(109)
- Impaired loans written off	53	312	53	312
	2,569	33,219	4,986	38,419
Financial investments at HTM	-	(528)	-	(528)
Financial investments at amortised costs	(763)	-	(805)	-
Other financial assets	(35)	-	205	-
Allowance made for credit losses on other receivables and clients' and brokers' balances	1,544	9,440	1,905	8,006
	3,315	42,131	6,291	45,897

Bank

Loans and advances:

- New and increased provisions	-	-	(5)	-
- Collective impairment allowance written back	-	(233)	-	(358)
- Impaired loans recovered	(2)	(12)	(3)	(13)
- Impaired loans written off	53	312	53	312
	51	67	45	(59)
Financial investments at HTM	-	(528)	-	(528)
Financial investments at amortised costs	(763)	-	(805)	-
Other financial assets	28	-	215	-
Allowance (written back)/made for credit losses on other receivables and clients' and brokers' balances	(353)	1,155	(285)	123
	(1,037)	694	(830)	(464)

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

26 (Loss)/Earnings Per Share

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

Group	2nd Quarter Ended		Six Months Ended	
	30 June 2018	30 June 2017	30 June 2018	30 June 2017
Net (loss)/profit attributable to equity holders (RM'000)	(9,899)	(19,499)	62,669	9,749
Weighted average number of ordinary shares in issue ('000)	100,000	818,646	100,000	818,646
Basic (loss)/earnings per share (sen)	(9.9)	(2.4)	62.7	1.2

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

27 Capital Adequacy Ratio

BNM guidelines on capital adequacy requires the Group and the Bank to maintain an adequate level of capital to withstand any losses which may result from credit and other risks associated with financing operations. The capital adequacy ratio is computed based on the eligible capital in relation to the total risk-weighted assets as determined by BNM.

The capital adequacy ratios of the Group and the Bank are as follows:

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Common Equity Tier I ('CET I')/ Tier I Capital				
Share capital	1,487,773	1,487,773	1,487,773	1,487,773
Retained profits	652,350	669,730	884,109	883,218
Other reserves	95,335	112,410	-	-
FVOCI/AFS reserves	19,944	18,861	17,291	26,120
	2,255,402	2,288,774	2,389,173	2,397,111
Less: Goodwill	(523,911)	(523,911)	(372,395)	(372,395)
Investments in subsidiaries, associates and joint ventures (portion deducted from CET I Capital) *	(53,163)	(43,339)	(1,492,410)	(1,199,358)
Other intangible assets	(47,319)	(48,693)	(26,422)	(27,700)
55% of cumulative gains arising from change in value of FVOCI/ AFS financial instruments	(10,969)	(10,374)	(9,510)	(14,366)
Other deductions	(3)	(12)	(3)	(12)
Deferred tax assets	(18,244)	(14,839)	(4,648)	(1,180)
Total CET I Capital	1,601,793	1,647,606	483,785	782,100
Qualifying non-controlling interests recognised as Tier I Capital	15,241	21,055	-	-
Total Tier I Capital	1,617,034	1,668,661	483,785	782,100
Tier II Capital				
Subordinated obligations meeting all relevant criteria	400,000	400,000	400,000	400,000
Qualifying non-controlling interests recognised as Tier II Capital	3,384	4,861	-	-
Collective impairment allowances ^ and regulatory reserves ~	-	15,696	-	8,987
General provision v. ~	14,843	-	8,770	-
	418,227	420,557	408,770	408,987
Less: Investments in subsidiaries, associates and joint ventures	-	(10,835)	-	(299,839)
Total Tier II Capital	418,227	409,722	408,770	109,148
Total Capital	2,035,261	2,078,383	892,555	891,248

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

27 Capital Adequacy Ratio (cont'd)

The capital adequacy ratios of the Group and the Bank are as follows: (cont'd)

	Group		Bank	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
<u>Capital ratios</u>				
Before proposed dividends:				
CET I Capital Ratio	32.618%	32.987%	23.519%	34.995%
Tier I Capital Ratio	32.929%	33.409%	23.519%	34.995%
Total Capital Ratio	41.445%	41.612%	43.391%	39.878%
After proposed dividends:				
CET I Capital Ratio	32.618%	32.987%	23.519%	34.995%
Tier I Capital Ratio	32.929%	33.409%	23.519%	34.995%
Total Capital Ratio	41.445%	41.612%	43.391%	39.878%

* Investments in subsidiaries are subject to gradual deduction using the corresponding deduction approach 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).

^ 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'.

v Pursuant to BNM's policy document on Financial Reporting, general provision refers to loss allowance measured at an amount equal to 12-month and lifetime expected credit losses as defined under MFRS 9 'Financial Instruments' and regulatory reserves, to the extent they are ascribed to non-credit-impaired exposures, determined under standardised approach for credit risk.

~ Includes the qualifying regulatory reserves for non-impaired loans of the Group and the Bank of RM14,337,000 (31 December 2017: RM12,384,000) and RM8,486,000 (31 December 2017: RM8,987,000) respectively.

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

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Credit risk	1,187,459	1,255,650	701,604	718,961
Market risk	2,028,046	2,049,361	451,832	610,542
Operational risk	1,695,191	1,689,666	903,561	905,417
Total risk-weighted assets	4,910,696	4,994,677	2,056,997	2,234,920

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

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

28 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>	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Principal amount		
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	1,411,204	1,516,982
- maturity exceeding one year	4,140	4,164
Foreign exchange related contracts: ^		
- less than one year	23,012	36,962
Interest rate related contracts: ^		
- less than one year	30,000	90,000
Equity related contracts: ^		
- less than one year	7,260	7,262
	1,475,616	1,655,370

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

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

28 Commitments and Contingencies (cont'd)

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

<u>Bank</u>	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Principal amount		
Direct credit substitutes [#]	148,227	151,583
Obligations under underwriting agreements	-	45,761
Irrevocable commitments to extend credit:		
- maturity not exceeding one year	549,080	536,472
- maturity exceeding one year	22	22
Foreign exchange related contracts: ^		
- less than one year	22,934	31,258
Interest rate related contracts: ^		
- less than one year	30,000	90,000
Equity related contracts: ^		
- less than one year	7,260	7,262
	<u>757,523</u>	<u>862,358</u>

[#] Included in direct credit substitutes comprise of financial guarantee given by the Bank to its subsidiaries.

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

29 Capital Commitments

	Group		Bank	
	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000	As at 30 June 2018 RM'000	As at 31 December 2017 RM'000
Authorised and contracted for				
- Property, plant and equipment	17,945	18,060	11,484	9,413
- Investment securities	5,252	40,905	-	-
	<u>23,197</u>	<u>58,965</u>	<u>11,484</u>	<u>9,413</u>

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

30 Valuation of Property, Plant and Equipment

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

31 Status of Corporate Proposals

Proposed acquisition of the remaining 51% equity interest in Vietnam Securities Corporation ('VSEC') not held by the Bank ('Proposed Acquisition')

The Bank, had on 9 February 2018 entered into a conditional share purchase agreement ('CSPA') with Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company for the acquisition of the remaining 51% equity interest in VSEC, comprising 6,885,000 existing common shares of VND10,000 each in VSEC for a purchase consideration of VND121,629,915,000 (equivalent to approximately USD5.365 million or RM21.285 million) to be satisfied wholly in cash.

The Proposed Acquisition is amongst others, subject to the approvals of BNM and State Securities Commission of Vietnam ('Vietnam SSC'). The Bank and RHB Bank have submitted applications to BNM for the approval of the Proposed Acquisition and VSEC has also submitted an application to Vietnam SSC for the approval of the Proposed Acquisition and the conversion of the status of VSEC from a joint stock company into a single-member limited liability company ('Conversion').

The Bank, Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company had on 7 August 2018, by way of an exchange of letter, mutually agreed to extend the period to satisfy or waive the conditions precedent of the CSPA to 31 December 2018.

Upon completion of the Proposed Acquisition and subject to approval from Vietnam SSC for the Conversion and the issuance of an amended license as a single-member limited liability company, VSEC will become a wholly-owned subsidiary of the Bank.

32 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.

33 Changes in the Composition of the Group

There were no significant changes in the composition of the Group for the six months ended 30 June 2018.

34 Credit Exposure Arising from Transactions with Connected Parties

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

	Group and Bank	
	As at	As at
	30 June 2018	31 December 2017
Outstanding credit exposures with connected parties (RM'000)	182,136	228,757
Percentage of outstanding credit exposures to connected parties as proportion of total credit exposures	3.73%	3.96%
Percentage of outstanding credit exposures to connected parties which is impaired or in default	-	-

The credit exposures above are derived based on Bank Negara Malaysia's revised Guidelines on Credit Transactions and Exposures with Connected Parties, which are effective on 1 January 2008.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

35 Changes in Profit for the Quarter

For the current financial quarter ended 30 June 2018, the Group recorded a pre-tax loss of RM0.6 million, 100.7% lower as compared to the immediate preceding quarter of RM92.0 million. The lower profit was in tandem with lower other operating income by RM81.3 million, lower net fee and commission income by RM21.3 million, lower net interest income by RM4.4 million, higher allowance made for credit losses by RM0.3 million; partially offset with lower other operating expenses by RM14.6 million and higher share of results of associates and joint ventures by RM0.1 million.

36 Performance Review

For the six months ended 30 June 2018, the Group recorded a pre-tax profit of RM91.4 million, 180.4% higher as compared to the previous corresponding period of RM32.6 million. The increase in profit was mainly due to higher other operating income by RM65.0 million, lower allowance made for credit losses by RM39.7 million, lower other operating expenses by RM3.8 million; partially offset with lower net fee and commission income by RM30.9 million, lower net interest income by RM18.6 million, and lower share of results of associates and joint ventures by RM0.2 million.

37 Prospects for 2018

Malaysia is expected to register a moderate GDP expansion of 5.0% in 2018, against 5.9% growth registered in 2017. Economic growth is expected to be led by an acceleration in private sector consumption while exports, private investment and public spending are anticipated to grow at a slower pace.

On the external front, potential risks may come in the form of trade protectionism and rising interest rates in the US.

The Group remains focused on its five-year strategy, FIT22, which aims at enhancing performance, building scale and delivering service excellence. Digital enhancements and the AGILE way of working will feature prominently in the implementation of the strategy. Barring unforeseen circumstances, the Group expects to achieve better performance this year.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

38 Fair Value of Financial Instruments

Determination of fair value and fair value hierarchy

The Group and the Bank analyse their financial instruments measured at fair value into three categories as described below:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2: Quoted prices for identical or similar instruments in markets that are not active; and model-derived valuations in which inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Valuations derived from valuation techniques in which one or more significant inputs are not based on observable market data.

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy:

Group	Level 1	Level 2	Level 3	Total
30 June 2018	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	334,903	-	430,807	765,710
- quoted securities	334,903	-	-	334,903
- unquoted securities	-	-	430,807	430,807
Financial assets at FVOCI	2,103	796,616	37,044	835,763
- money market instruments	-	378,807	-	378,807
- quoted securities	2,103	-	-	2,103
- unquoted securities	-	417,809	37,044	454,853
Derivative assets	-	116	507	623
	337,006	796,732	468,358	1,602,096
<u>Financial liabilities</u>				
Derivative liabilities	15,728	8	-	15,736
Puttable financial instruments	75,348	-	-	75,348
	91,076	8	-	91,084
<u>Group</u>				
31 December 2017	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	463,539	23	359,859	823,421
- quoted securities	463,539	-	-	463,539
- unquoted securities	-	23	359,859	359,882
Financial investments AFS	58,828	810,343	33,078	902,249
- money market instruments	-	390,744	-	390,744
- quoted securities	58,828	-	-	58,828
- unquoted securities	-	419,599	33,078	452,677
Derivative assets	-	344	-	344
	522,367	810,710	392,937	1,726,014
<u>Financial liabilities</u>				
Derivative liabilities	45,947	66	-	46,013
Puttable financial instruments	78,825	-	-	78,825
	124,772	66	-	124,838

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

38 Fair Value of Financial Instruments (cont'd)

Determination of fair value and fair value hierarchy (cont'd)

The table below analyses financial instruments carried at fair value analysed by level within the fair value hierarchy: (cont'd)

Bank	Level 1	Level 2	Level 3	Total
30 June 2018	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	106,715	-	-	106,715
- quoted securities	106,715	-	-	106,715
Financial assets at FVOCI	-	796,616	30,840	827,456
- money market instruments	-	378,807	-	378,807
- unquoted securities	-	417,809	30,840	448,649
Derivative assets	-	116	507	623
	106,715	796,732	31,347	934,794
<u>Financial liabilities</u>				
Derivative liabilities	15,641	8	-	15,649
<u>Bank</u>				
31 December 2017	RM'000	RM'000	RM'000	RM'000
<u>Financial assets</u>				
Financial assets at FVTPL	149,116	23	-	149,139
- quoted securities	149,116	-	-	149,116
- unquoted securities	-	23	-	23
Financial investments AFS	41,530	810,343	30,280	882,153
- money market instruments	-	390,744	-	390,744
- quoted securities	41,530	-	-	41,530
- unquoted securities	-	419,599	30,280	449,879
Derivative assets	-	343	-	343
	190,646	810,709	30,280	1,031,635
<u>Financial liabilities</u>				
Derivative liabilities	45,814	59	-	45,873

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

38 Fair Value of Financial Instruments (cont'd)

Valuation techniques and sensitivity analysis

Financial instruments are classified as Level 1 if their value is observable in an active market. Such instruments are valued by reference to unadjusted quoted prices for identical assets or liabilities in active markets where the quoted prices are readily available, and the price represents actual and regularly occurring market transactions. An active market is one in which transactions occur with sufficient volume and frequency to provide pricing information on an on-going basis. These would include quoted securities and unit trusts.

Where fair value is determined using unquoted market prices in less active markets or quoted prices for similar assets and liabilities, such instruments are generally classified as Level 2. In cases where quoted prices are generally not available, the Group and the Bank then determines fair value based upon valuation techniques that use market parameters including but not limited to yield curves, volatilities and foreign exchange rates as inputs. The majority of valuation techniques employ only observable market data. These would include certain bonds, government bonds, corporate debt securities and derivatives.

Financial instruments are classified as Level 3 if their valuation incorporates significant inputs that are not based on observable market data (unobservable inputs). This category includes unquoted shares held for socio economic reasons and unquoted corporate loan stocks. Fair values for shares held for socio economic reasons are based on the net tangible assets of the affected companies. For unquoted corporate loan stocks, discounted cash flow analysis have been performed to determine the recoverability of the instruments.

Reconciliation of movements in Level 3 financial instruments

The following represents the changes in Level 3 instruments for the financial period/year ended 30 June 2018 and 31 December 2017 for the Group and the Bank:

	Group		Bank	
	As at 30 June 2018	As at 31 December 2017	As at 30 June 2018	As at 31 December 2017
	RM'000	RM'000	RM'000	RM'000
<u>Financial assets at FVTPL</u>				
Balance as at the beginning of the financial year	359,859	167,901	-	16,390
Total gain/(loss) recognised in income statements				
- other operating income	34,440	(10,677)	-	-
Purchases	38,971	243,928	-	-
Settlements	(2,901)	(10,685)	-	-
Business transfer to holding company	-	(16,390)	-	(16,390)
Exchange differences	438	(14,218)	-	-
Balance as at the end of the financial period	430,807	359,859	-	-

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

38 Fair Value of Financial Instruments (cont'd)

Reconciliation of movements in Level 3 financial instruments (cont'd)

The following represents the changes in Level 3 instruments for the financial period/year ended 30 June 2018 and 31 December 2017 for the Group and the Bank: (cont'd)

	Group As at 30 June 2018 RM'000	Bank As at 30 June 2018 RM'000
<u>Financial assets at FVOCI</u>		
Balance as at the beginning of the financial year	-	-
- As previously reported	-	-
- Effect of adoption of MFRS 9	33,078	30,280
- As restated	33,078	30,280
Total gains recognised in other comprehensive income	3,973	560
Exchange differences	(7)	-
Balance as at the end of financial period	37,044	30,840

Derivative assets

Balance as at the beginning of the financial year	-	-
Total gain recognised in income statements		
- other operating income	507	507
Balance as at the end of financial period	507	507

	Group As at 31 December 2017 RM'000	Bank As at 31 December 2017 RM'000
<u>Financial investments AFS</u>		
Balance as at the beginning of the financial year	46,910	44,105
Total gain recognised in other comprehensive income	1,945	1,945
Total gain recognised in income statements		
- other operating income	322	322
Business transfer to holding company	(16,092)	(16,092)
Exchange differences	(7)	-
Balance as at the end of the financial period	33,078	30,280

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

39 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.

Treasury includes treasury operations in Malaysia, Singapore, Indonesia and Thailand.

(c) Asset Management

Asset Management business focuses on providing investment management services, unit trust fund management services, Islamic funds management services, wills and trustee services.

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

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

39 Segment Reporting (cont'd)

Segment Profit and Loss for the Six Months Ended 30 June 2018

<u>Group</u>	Investment	Treasury	Asset	Others and	Total
	Banking		Management	Elimination	
	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	322,243	71,808	67,135	-	461,186
Inter-segment revenue	4,051	167	(829)	(3,389)	-
Segment revenue	326,294	71,975	66,306	(3,389)	461,186
Overhead expenses	(297,686)	(14,474)	(51,763)	189	(363,734)
Including:					
Depreciation of property, plant and equipment	(8,521)	(6)	(445)	-	(8,972)
Amortisation of other intangible assets	(5,487)	(207)	(343)	-	(6,037)
Allowance (made)/written back for credit losses	(6,398)	49	58	-	(6,291)
	22,210	57,550	14,601	(3,200)	91,161
Share of results of associates					199
Share of results of joint ventures					38
Profit before taxation					91,398
Taxation					(28,282)
Net profit for the financial period					63,116

Segment Assets and Liabilities as at 30 June 2018

<u>Group</u>	Investment	Treasury	Asset	Others and	Total
	Banking		Management	Elimination	
	RM'000	RM'000	RM'000	RM'000	RM'000
Segment assets	5,230,878	3,312,516	585,562	(1,484,471)	7,644,485
Goodwill	380,544	-	143,367	-	523,911
Investments in associates and joint ventures					53,163
Tax recoverable					24,951
Deferred tax assets					18,244
Total assets					8,264,754
Segment liabilities	1,672,108	2,766,416	307,851	(91,917)	4,654,458
Tax liabilities					4,489
Deferred tax liabilities					2,342
Borrowings					831,275
Subordinated obligations					404,209
Total liabilities					5,896,773

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

39 Segment Reporting (cont'd)

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

<u>Group</u>	<u>Investment Banking</u>	<u>Treasury</u>	<u>Asset Management</u>	<u>Others and Elimination</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
External revenue	307,270	55,836	82,567	-	445,673
Inter-segment revenue	1,324	973	(2,105)	(192)	-
Segment revenue	308,594	56,809	80,462	(192)	445,673
Overhead expenses	(300,397)	(18,510)	(48,868)	192	(367,583)
Including:					
Depreciation of property, plant and equipment	(11,080)	(121)	(410)	-	(11,611)
Amortisation of other intangible assets	(5,954)	(653)	(84)	-	(6,691)
Allowance (made)/written back for credit losses	(45,968)	-	71	-	(45,897)
	(37,771)	38,299	31,665	-	32,193
Share of results of associates					246
Share of results of joint ventures					207
Profit before taxation					32,646
Taxation					(22,375)
Net profit for the financial period					10,271

Segment Assets and Liabilities as at 31 December 2017

<u>Group</u>	<u>Investment Banking</u>	<u>Treasury</u>	<u>Asset Management</u>	<u>Others and Elimination</u>	<u>Total</u>
	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>	<u>RM'000</u>
Segment assets	5,193,492	4,085,672	755,613	(1,576,322)	8,458,455
Goodwill	380,544	-	143,367	-	523,911
Investments in associates and joint ventures					54,174
Tax recoverable					49,225
Deferred tax assets					14,839
Total assets					9,100,604
Segment liabilities	1,937,165	3,378,691	440,079	(99,737)	5,656,198
Tax liabilities					6,136
Deferred tax liabilities					2,612
Borrowings					712,379
Subordinated obligations					404,263
Total liabilities					6,781,588

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

40 Changes in Accounting Policies

(1) Adoption of MFRS 9 'Financial Instruments'

The Group and the Bank have adopted MFRS 9 'Financial Instruments', issued by the MASB on 1 January 2018, which resulted in changes in accounting policies and adjustments to the amounts previously recognised in the financial statements.

As permitted by the transitional provisions of MFRS 9, the Group and the Bank elected not to restate comparatives figures. Any adjustments to the carrying amounts of financial assets and liabilities at the date of transition were recognised in the opening retained profits and other reserves of the current period.

The adoption of MFRS 9 has resulted in changes in the Group and the Bank's accounting policies for recognition, classification and measurement of financial assets and liabilities and impairment of financial assets.

Set out below are disclosures relating to the impact of the adoption of MFRS 9 on the Group and the Bank:

(a) Classification and measurement of financial assets

From 1 January 2018, the Group and the Bank have applied MFRS 9 and classifies its financial assets in the following measurement categories:

- Amortised cost
- Fair value through other comprehensive income ('FVOCI')
- Fair value through profit or loss ('FVTPL')

As a results, the financial instruments available for sale ('AFS') and held to maturity ('HTM') categories were removed.

The classification and subsequent measurement of financial assets depend on:

- (i) The Group and the Bank's business model for managing the financial assets; and
- (ii) The contractual cash flow characteristics of the financial assets.

Based on these factors, the Group and the Bank classify their financial assets into one of the following three (3) measurement categories:

- (i) Financial assets classified and measured at amortised costs

Financial assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest ('SPPI'), and that are not designated as FVTPL, are measured at amortised cost. The carrying amount of these assets is adjusted for any expected credit losses that are recognised into profit or loss. The interest income is recognised into profit or loss using the effective interest rate method.

The entire of the Group's and Bank's debts instruments that were classified as HTM and measured at amortised cost meet the condition for classification as amortised cost under MFRS 9.

- (ii) Financial assets classified and measured at fair value through other comprehensive income ('FVOCI')

Financial assets that are held for collection for contractual cash flow where those cash flows represent SPPI and held in a business model whose objective is achieved by both collecting the contractual cash flows and selling the financial assets, and that are not designated as FVTPL, are measured at FVOCI. Changes in the fair value of these assets are recognised in OCI, except for recognition of interest, dividend, foreign exchange gains or losses and expected credit losses which are recognised in profit or loss.

When these financial assets, other than equity instruments held in FVOCI, are derecognised, the cumulative gains or losses previously recognised in OCI is reclassified from equity to profit or loss.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

40 Changes in Accounting Policies (cont'd)

(1) Adoption of MFRS 9 'Financial Instruments' (cont'd)

Set out below are disclosures relating to the impact of the adoption of MFRS 9 on the Group and the Bank: (cont'd)

(a) Classification and measurement of financial assets (cont'd)

The majority of the Group's and Bank's debts and equity instruments that were classified as financial instruments AFS satisfy the conditions for classification as FVOCI, except for:

- (i) the reclassification of unit trusts to FVTPL amounted to RM56,464,000 and RM41,530,000 for the Group and the Bank that failed to meet the SPPI requirement for FVOCI classification under MFRS 9. As a result, the fair value reserves, net of tax, of RM854,000 (net loss) and RM6,498,000 (net gain) for the Group and the Bank was recognised to retained profits on 1 January 2018.
- (ii) the Group and the Bank has elected to irrevocably designate equity instruments of RM35,442,000 and RM30,280,000 respectively to FVOCI as permitted under MFRS 9. The changes in fair value of such securities will no longer be reclassified to profit or loss when they are disposal of.

(b) Classification and measurement of financial liabilities

The Group and the Bank's financial liabilities continue to be measured at amortised cost.

There will be no impact on the Group and the Bank's accounting for financial liabilities, as the new requirements only affect the accounting for financial liabilities that are designated at fair value through profit or loss and the Group and the Bank do not have any such liabilities as at the reporting date.

(c) Hedge accounting

The Group and the Bank have elected to continue to apply the hedge accounting requirements of MFRS 139 on the adoption of MFRS 9.

(d) Impairment of financial assets

MFRS 9 introduces a new impairment model that requires the recognition of expected credit loss ('ECL'), replacing the incurred loss methodology model under MFRS 139, for all financial assets, except for financial assets classified or designated as FVTPL and equity securities, which are not subject to impairment assessment. Off-balance sheet items that are subject to ECL include financial guarantees and undrawn loan commitments.

MFRS 9 does not distinguish between individual assessment and collective assessment. The Group and the Bank first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group and the Bank determine that objective evidence of impairment exists, i.e. credit impaired, for an individually assessed financial asset, a lifetime ECL will be recognised for impairment loss which has been incurred. Financial assets which are individually significant but non-impaired and not individually significant are grouped on the basis of similar credit risk characteristics (such as credit quality, instrument type, credit risk ratings, credit utilisation, level of collateralisation and other relevant factors) for collective assessment. Collectively, the individually assessment allowance and collective assessment allowance form the total expected credit allowance for the Group and the Bank.

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

40 Changes in Accounting Policies (cont'd)

(1) Adoption of MFRS 9 'Financial Instruments' (cont'd)

Set out below are disclosures relating to the impact of the adoption of MFRS 9 on the Group and the Bank: (cont'd)

(d) Impairment of financial assets (cont'd)

ECL will be assessed using an approach which classifies financial assets into three stages which reflects the change in credit quality of the financial assets since initial recognition:

(i) Stage 1: 12 months ECL – not credit impaired

For credit exposures where there has not been a significant increase in credit risk since initial recognition and that are not credit impaired upon origination, the ECL associated with the probability of default events occurring within the next 12 months will be recognised.

(ii) Stage 2: Lifetime ECL – not credit impaired

For credit exposures where there has been a significant increase in credit risk since initial recognition but that are not credit impaired, the ECL associated with the probability of default events occurring within the lifetime ECL will be recognised.

(iii) Stage 3: Lifetime ECL – credit impaired

Financial assets are assessed as credit impaired when one or more objective evidence of defaults that have a detrimental impact on the estimated future cashflows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognised.

The changes in ECL between two-periods will be recognised in profit and loss.

The assessment of significant deterioration in credit risk since initial recognition is key in establishing the point of switching between the requirement to measure an allowance based on 12-month ECL and one that is based on lifetime ECL. The quantitative and qualitative assessments are required to estimate the significant increase in credit risk by comparing the risk of a default occurring on the financial assets as at reporting date with the risk of default occurring on the financial assets as at the date of initial recognition.

The assessment of credit risk, as well as the estimation of ECL, are required to be unbiased, probability-weighted and should incorporate all available information which is relevant to the assessment, including information about past events, current conditions and reasonable and supportable forecasts of future events and economic conditions at the reporting date. The measurement of ECL is based on the discounted products of the Probability of Default model ('PD'), Loss Given Default model ('LGD') and Exposure at Default model ('EAD'). Certain ECL models are leveraging on the existing Group and the Bank's Basel II Internal Ratings-Based model, where feasible or available, with necessary adjustment to meet MFRS 9 requirements.

As a result of the changes in basis of determining the level of allowances for credit losses mentioned above, the total ECL allowances computed under MFRS 9 is higher by RM307,000 (net of tax) and RM311,000 (net of tax) for the Group and the Bank respectively, than the total allowance for impairment on financial assets under MFRS 139.

(2) BNM's Revised Policy Documents on Financial Reporting

On 2 February 2018, BNM issued the revised policy documents on Financial Reporting which prescribes the regulatory reserves to be maintained by banking institutions. With effect from 1 January 2018, the Bank and its domestic banking subsidiary companies must maintain, in aggregate, loss allowance for non-credit impaired exposures and regulatory reserves of no less than 1% of total credit exposures, net of loss allowance for credit-impaired exposures.

The financial effects of the adoption of the revised policy are presented in Note 40.

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40 Changes in Accounting Policies (cont'd)

(3) Financial effects

Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follows:

Group			MFRS 9 reclassification					MFRS 9 carrying amount at 1 January 2018 RM'000	
	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31 December 2017 RM'000	FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000	Carrying amount post reclassification RM'000		Expected credit losses RM'000
ASSETS									
Cash and short term funds	Loans and receivables	Amortised costs	2,414,212	-	-	-	2,414,212	(303)	2,413,909
Deposits and placements with banks and other financial institutions	Loans and receivables	Amortised costs	22,106	-	-	-	22,106	(25)	22,081
Financial assets at FVTPL	FVTPL	FVTPL	823,421	56,464	-	-	879,885	-	879,885
Financial investments AFS	AFS	FVOCI	902,249	(56,464)	(845,785)	-	-	-	-
Financial investments HTM	HTM	Amortised costs	583,232	-	-	(583,232)	-	-	-
Financial assets at FVOCI									
- debt instruments	N/A	FVOCI	-	-	810,343	-	810,343	-	810,343
- equity instruments	N/A	FVOCI	-	-	35,442	-	35,442	-	35,442
Financial investments at amortised costs	N/A	Amortised costs	-	-	-	583,232	583,232	-	583,232
Loans and advances	Loans and receivables	Amortised costs	1,753,928	-	-	-	1,753,928	-	1,753,928
Clients' and brokers' balances	Loans and receivables	Amortised costs	1,599,594	-	-	-	1,599,594	-	1,599,594
Other assets	Loans and receivables	Amortised costs	204,723	-	-	-	204,723	-	204,723
Derivative assets	FVTPL	FVTPL	344	-	-	-	344	-	344
Statutory deposits	Loans and receivables	Amortised costs	55,660	-	-	-	55,660	-	55,660
Tax recoverable	N/A	N/A	49,225	-	-	-	49,225	-	49,225
Deferred tax assets	N/A	N/A	14,839	1,978	-	-	16,817	21	16,838
Investments in associates and joint ventures	N/A	N/A	54,174	-	-	-	54,174	-	54,174
Property, plant and equipment	N/A	N/A	50,293	-	-	-	50,293	-	50,293
Goodwill and other intangible assets	N/A	N/A	572,604	-	-	-	572,604	-	572,604
TOTAL ASSETS			9,100,604	1,978	-	-	9,102,582	(307)	9,102,275

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

40 Changes in Accounting Policies (cont'd)

(3) Financial effects (cont'd)

Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follows:
(cont'd)

Group	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31 December 2017 RM'000	MFRS 9 reclassification				MFRS 9 carrying amount at 1 January 2018 RM'000	
				FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000	Carrying amount post reclassification RM'000		Expected credit losses RM'000
LIABILITIES AND EQUITY									
Deposits from customers	Amortised costs	Amortised costs	421,834	-	-	-	421,834	-	421,834
Deposits and placements of banks and other financial institutions	Amortised costs	Amortised costs	3,236,900	-	-	-	3,236,900	-	3,236,900
Bills and acceptances payable	Amortised costs	Amortised costs	6,185	-	-	-	6,185	-	6,185
Clients' and brokers' balances	Amortised costs	Amortised costs	1,363,525	-	-	-	1,363,525	-	1,363,525
Other liabilities	Amortised costs	Amortised costs	502,916	-	-	-	502,916	-	502,916
Derivative liabilities	FVTPL	FVTPL	46,013	-	-	-	46,013	-	46,013
Puttable financial instruments	FVTPL	FVTPL	78,825	-	-	-	78,825	-	78,825
Tax liabilities	N/A	N/A	6,136	-	-	-	6,136	-	6,136
Deferred tax liabilities	N/A	N/A	2,612	-	-	-	2,612	-	2,612
Borrowings	Amortised costs	Amortised costs	712,379	-	-	-	712,379	-	712,379
Subordinated obligations	Amortised costs	Amortised costs	404,263	-	-	-	404,263	-	404,263
TOTAL LIABILITIES			6,781,588	-	-	-	6,781,588	-	6,781,588

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

40 Changes in Accounting Policies (cont'd)

(3) Financial effects (cont'd)

Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follows:
(cont'd)

Group

	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31 December 2017 RM'000	MFRS 9 reclassification				MFRS 9 carrying amount at 1 January 2018 RM'000	
				FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000	Carrying amount post reclassification RM'000		Expected credit losses RM'000
EQUITY									
Share capital			1,487,773	-	-	-	1,487,773	-	1,487,773
Reserves			822,048	1,978	-	-	824,026	(307)	823,719
			2,309,821	1,978	-	-	2,311,799	(307)	2,311,492
Non-controlling interests			9,195	-	-	-	9,195	-	9,195
TOTAL EQUITY			2,319,016	1,978	-	-	2,320,994	(307)	2,320,687
TOTAL LIABILITIES AND EQUITY			9,100,604	1,978	-	-	9,102,582	(307)	9,102,275

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

40 Changes in Accounting Policies (cont'd)

(3) Financial effects (cont'd)

Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follows: (cont'd)

Bank

	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31 December 2017 RM'000	MFRS 9 reclassification			Carrying amount post reclassification RM'000	Expected credit losses RM'000	MFRS 9 carrying amount at 1 January 2018 RM'000
				FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000			
ASSETS									
Cash and short term funds	Loans and receivables	Amortised costs	1,738,086	-	-	-	1,738,086	(86)	1,738,000
Financial assets at FVTPL	FVTPL	FVTPL	149,139	41,530	-	-	190,669	-	190,669
Financial investments AFS	AFS	FVOCI	882,153	(41,530)	(840,623)	-	-	-	-
Financial investments HTM	HTM	Amortised costs	583,232	-	-	(583,232)	-	-	-
Financial assets at FVOCI									
- debt instruments	N/A	FVOCI	-	-	810,343	-	810,343	-	810,343
- equity instruments	N/A	FVOCI	-	-	30,280	-	30,280	-	30,280
Financial investments at amortised costs	N/A	Amortised costs	-	-	-	583,232	583,232	-	583,232
Loans and advances	Loans and receivables	Amortised costs	1,143,551	-	-	-	1,143,551	-	1,143,551
Clients' and brokers' balances	Loans and receivables	Amortised costs	901,918	-	-	-	901,918	-	901,918
Other assets	Loans and receivables	Amortised costs	70,754	-	-	-	70,754	-	70,754
Derivative assets	FVTPL	FVTPL	343	-	-	-	343	-	343
Statutory deposits	Loans and receivables	Amortised costs	51,650	-	-	-	51,650	-	51,650
Tax recoverable	N/A	N/A	45,470	-	-	-	45,470	-	45,470
Deferred tax assets	N/A	N/A	1,180	1,978	-	-	3,158	98	3,256
Investments in subsidiaries	N/A	N/A	1,478,140	-	-	-	1,478,140	-	1,478,140
Investments in associates and joint ventures	N/A	N/A	21,057	-	-	-	21,057	-	21,057
Property, plant and equipment	N/A	N/A	24,888	-	-	-	24,888	-	24,888
Goodwill and other intangible assets	N/A	N/A	400,095	-	-	-	400,095	-	400,095
TOTAL ASSETS			7,491,656	1,978	-	-	7,493,634	12	7,493,646

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

40 Changes in Accounting Policies (cont'd)

(3) Financial effects (cont'd)

Summary of the impact on classification and measurement, and a reconciliation of the financial position of the Group and the Bank upon adoption of MFRS 9 as at 31 December 2017 and 1 January 2018 are as follows:
(cont'd)

Bank

	MFRS 139 measurement category	MFRS 9 measurement category	MFRS 139 carrying amount at 31 December 2017 RM'000	MFRS 9 reclassification				Expected credit losses RM'000	MFRS 9 carrying amount at 1 January 2018 RM'000
				FVTPL RM'000	FVOCI RM'000	Amortised cost RM'000	Carrying amount post reclassification RM'000		
LIABILITIES AND EQUITY									
Deposits from customers	Amortised costs	Amortised costs	437,949	-	-	-	437,949	-	437,949
Deposits and placements of banks and other financial institutions	Amortised costs	Amortised costs	3,249,424	-	-	-	3,249,424	-	3,249,424
Clients' and brokers' balances	Amortised costs	Amortised costs	772,320	-	-	-	772,320	-	772,320
Other liabilities	Amortised costs	Amortised costs	170,994	-	-	-	170,994	323	171,317
Derivative liabilities	FVTPL	FVTPL	45,873	-	-	-	45,873	-	45,873
Subordinated obligations	Amortised costs	Amortised costs	404,263	-	-	-	404,263	-	404,263
TOTAL LIABILITIES			5,080,823	-	-	-	5,080,823	323	5,081,146
EQUITY									
Share capital			1,487,773	-	-	-	1,487,773	-	1,487,773
Reserves			923,060	1,978	-	-	925,038	(311)	924,727
TOTAL EQUITY			2,410,833	1,978	-	-	2,412,811	(311)	2,412,500
TOTAL LIABILITIES AND EQUITY			7,491,656	1,978	-	-	7,493,634	12	7,493,646

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NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

40 Changes in Accounting Policies (cont'd)

(3) Financial effects (cont'd)

The following table shows the effects of the reclassification of financial assets from MFRS 139 categories into the amortised cost category under MFRS 9 as at 31 December 2017 and 1 January 2018:

	Group	Bank
	RM'000	RM'000
<u>AFS/FVOCI reserve</u>		
Closing balance under MFRS 139 as at 31 December 2017	18,861	26,120
Effect of reclassification of investment securities (debt instruments) from AFS to FVTPL	854	(6,498)
Restated balance under MFRS 9 as at 1 January 2018	19,715	19,622
<u>Regulatory reserve</u>		
Closing balance under MFRS 139 as at 31 December 2017	21,047	13,722
Transfer to retained profits	14,097	10,077
Restated balance under MFRS 9 as at 1 January 2018	35,144	23,799
<u>Retained profits</u>		
Closing balance under MFRS 139 as at 31 December 2017	669,730	883,218
Recognition of ECL under MFRS 9	(328)	(409)
Effect of taxation	21	98
Effect of reclassification of investment securities (debt instruments) from AFS to FVTPL	1,124	8,476
Transfer to regulatory reserve	(14,097)	(10,077)
Restated balance under MFRS 9 as at 1 January 2018	656,450	881,306

NOTES TO UNAUDITED INTERIM FINANCIAL STATEMENTS FOR THE SIX MONTHS ENDED 30 JUNE 2018 (cont'd)

40 Changes in Accounting Policies (cont'd)

(3) Financial effects (cont'd)

The following table reconciles the opening ECL allowance determined in accordance with MFRS 9 as at 1 January 2018:

<u>Group</u>	MFRS 139 allowance as at 31 December 2017 RM'000	Reclassification as per MFRS 9 RM'000	Expected credit losses RM'000	MFRS 9 allowance as at 1 January 2018 RM'000
Cash and short term funds	-	-	303	303
Deposits and placements with banks and other financial institutions	-	-	25	25
Financial investments AFS	6,754	(6,754)	-	-
Financial investments HTM	79,405	(79,405)	-	-
Financial assets at FVOCI, debt instruments	-	5,259	-	5,259
Financial investments at amortised costs	-	79,405	-	79,405
Loans and advances	86,906	-	-	86,906
Clients' and brokers' balances	31,882	-	-	31,882
Other assets	16,654	-	-	16,654
	<u>221,601</u>	<u>(1,495)</u>	<u>328</u>	<u>220,434</u>
 <u>Bank</u>				
Cash and short term funds	-	-	86	86
Financial investments AFS	6,754	(6,754)	-	-
Financial investments HTM	79,405	(79,405)	-	-
Financial assets at FVOCI, debt instruments	-	5,259	-	5,259
Financial investments at amortised costs	-	79,405	-	79,405
Loans and advances	6	-	-	6
Clients' and brokers' balances	6,809	-	-	6,809
Other assets	15,904	-	-	15,904
Off balance sheet commitments and financial guarantee contracts	-	-	323	323
	<u>108,878</u>	<u>(1,495)</u>	<u>409</u>	<u>107,792</u>