RHB BANK BERHAD

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FINANCIAL REPORT 2019

Statutory Financial Statements

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2019

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Responsibility Statement by the Board of Directors

The Directors are responsible in ensuring that the audited financial statements of the Group and the Bank are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, the requirements of the Companies Act 2016 in Malaysia, Bank Negara Malaysia's Guidelines and the Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are also responsible for ensuring that the annual audited financial statements of the Group and the Bank are prepared with reasonable accuracy from the accounting records of the Group and the Bank so as to give a true and fair view of the financial position of the Group and the Bank as at 31 December 2019 and of the financial performance and cash flows of the Group and the Bank for the financial year ended 31 December 2019.

The audited financial statements are prepared on the going concern basis and the Directors have ensured that appropriate and relevant accounting policies are applied on a consistent basis and accounting judgements and estimates made are reasonable and fair so as to enable the preparation of the financial statements of the Group and the Bank.

The Directors have also taken the necessary steps to safeguard the assets of the Group and the Bank to prevent and detect fraud and other irregularities.

Directors' Report

The Directors submit herewith their report together with the audited financial statements of the Group and the Bank for the financial year ended 31 December 2019.

PRINCIPAL ACTIVITIES

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic banking, investment banking, stock broking, leasing, offshore banking, offshore trust services, property investment, general insurance, unit trust management, asset management, nominee and custodian services.

There have been no significant changes in these principal activities during the financial year.

FINANCIAL RESULTS

	Group RM'000	Bank RM'000
Profit before taxation and zakat	3,350,444	2,191,234
Taxation and zakat	(862,635)	(542,240)
Net profit for the financial year	2,487,809	1,648,994

DIVIDENDS

The dividends paid by the Bank since 31 December 2018 were as follows:

	RM'000
In respect of the financial year ended 31 December 2018:	
- Single-tier final dividend of 13.00 sen per share, paid on 23 May 2019	521,306
In respect of the financial year ended 31 December 2019:	
- Single-tier interim dividend of 12.50 sen per share, paid on 1 October 2019	501,256
	1,022,562

At the forthcoming Annual General Meeting, a single-tier final dividend in respect of the current financial year of 18.50 sen per share amounting to RM741,858,000 will be proposed for shareholders' approval. The single-tier final dividend was approved by the Board of Directors on 29 January 2020.

The financial statements for the current financial year do not reflect this single-tier final dividend. This dividend payment will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2020.

RESERVES AND PROVISIONS

All material transfers to or from reserves and provisions during the financial year are disclosed in the financial statements.

Directors' Report (continued)

ISSUE OF SHARES

There were no issue of shares in the Bank during the financial year.

BAD AND DOUBTFUL DEBTS AND FINANCING

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ascertain that proper actions have been taken in relation to the writing off of bad debts and financing and the making of allowance for impaired debts and financing, and satisfied themselves that all known bad debts and financing have been written off and that adequate allowance had been made for impaired debts and financing.

At the date of this report, the Directors are not aware of any circumstances which would render the amount written off for bad debts and financing or the amount of allowance for impaired debts and financing in the financial statements of the Group and the Bank inadequate to any substantial extent.

CURRENT ASSETS

Before the financial statements of the Group and the Bank were made out, the Directors took reasonable steps to ensure that any current assets, other than debts and financing, which were unlikely to realise in the ordinary course of business, their values as shown in the accounting records of the Group and the Bank, had been written down to an amount which they might be expected to realise.

At the date of this report, the Directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and the Bank misleading.

VALUATION METHOD

At the date of this report, the Directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Bank misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

(a) any charge on the assets of the Group and the Bank which has arisen since the end of the financial year which secures the liabilities of any other person; or

(b) any contingent liability of the Group and the Bank which has arisen since the end of the financial year other than in the ordinary course of business.

No contingent or other liability of the Group and the Bank has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and the Bank to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and the Bank which would render any amount stated in the financial statements misleading or inappropriate.

ITEMS OF AN UNUSUAL NATURE

The results of the operations of the Group and the Bank for the financial year were not, in the opinion of the Directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the Directors, to affect substantially the results of the operations of the Group or the Bank for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 58 to the financial statements.

EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

Event subsequent to the balance sheet date is disclosed in Note 59 to the financial statements.

DIRECTORS

The Directors of the Bank in office during the financial year and during the period from the end of the financial year to the date of the report are:

Tan Sri Azlan Zainol	
Tan Sri Saw Choo Boon	
Abdul Aziz Peru Mohamed	
Tan Sri Ong Leong Huat @ Wong Joo Hwa	
Tan Sri Dr Rebecca Fatima Sta Maria	
Ong Ai Lin	
Lim Cheng Teck	
Sharifatu Laila Syed Ali	(Appointed on 15 March 2019)
Datuk Seri Dr Govindan a/l Kunchamboo	(Appointed on 1 January 2020)
Dato' Khairussaleh Ramli	
Mohamed Ali Ismaeil Ali Alfahim	(Retired on 8 May 2019)

Pursuant to Clause 94 of the Bank's Constitution, Tan Sri Dr Rebecca Fatima Sta Maria and Dato' Khairussaleh Ramli retire at the forthcoming Annual General Meeting of the Bank and being eligible, offer themselves for re-election.

Abdul Aziz Peru Mohamed who retires pursuant to Clause 94 of the Bank's Constitution and the Guidelines on Tenure of Appointment/Re-Appointment of Non-Executive Directors for RHB Banking Group ('Internal Guidelines') has indicated his intention of not seeking re-election. He shall accordingly retires at the forthcoming Annual General Meeting.

Pursuant to the Internal Guidelines, Tan Sri Saw Choo Boon who has exceeded the maximum tenure for a Non-Executive Director has also indicated his intention to retire at the forthcoming Annual General Meeting.

Pursuant to Clause 98 of the Bank's Constitution, Datuk Seri Dr Govindan a/l Kunchamboo retires at the forthcoming Annual General Meeting of the Bank and being eligible, offers himself for re-election.

Directors' Report (continued)

DIRECTORS' INTERESTS

According to the register of Directors' shareholdings required to be kept under Section 59 of the Companies Act 2016, the Directors in office at the end of the financial year holding securities of the Bank and its related corporations are as follows:

	Number of ordinary shares			
	As at 1.1.2019	Bought	Sold	As at 31.12.2019
Bank				
Tan Sri Ong Leong Huat @ Wong Joo Hwa:				
- Indirect*	31,431	-	-	**31,431**
- Indirect^	406,171,518	-	-	**406,171,518**
Tan Sri Saw Choo Boon:				
- Direct	20,000	10,000	-	**30,000**
Ong Ai Lin:				
- Direct	-	25,000	-	**25,000**

Notes:
* *The interest is held through family members.*
^ *Deemed interest pursuant to Section 8(4) of the Companies Act 2016 by virtue of shares held through OSK Holdings Berhad.*

Other than the above, none of the other Directors holding office at the end of the financial year had any interest in the securities of the Bank or its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Bank has received or become entitled to receive any benefit (other than Directors' remuneration and benefits-in-kind as disclosed in Note 42 to the financial statements) by reason of a contract made by the Bank or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

During and at the end of the financial year, no arrangements subsisted to which the Bank or its subsidiaries is a party, being arrangements with the object or objects of enabling the Directors of the Bank to acquire benefits by means of the acquisition of shares in, or debentures of, the Bank or any other body corporate.

SUBSIDIARIES

Details of subsidiaries are set out in Note 15 to the financial statements.

AUDITORS' REMUNERATION

Details of auditors' remuneration are set out in Note 41 to the financial statements.

AUDITORS

The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to continue in office.

This report was approved by the Board of Directors on 25 February 2020. Signed on behalf of the Board of Directors:

TAN SRI AZLAN ZAINOL
CHAIRMAN

DATO' KHAIRUSSALEH RAMLI
GROUP MANAGING DIRECTOR

Kuala Lumpur

Statements of Financial Position

as at 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
ASSETS					
Cash and short term funds	2	**11,627,992**	12,553,188	**5,502,893**	8,855,326
Deposits and placements with banks and other financial institutions	3	**1,095,567**	898,120	**5,349,632**	3,092,186
Investment account due from designated financial institutions	4	**-**	-	**8,229,334**	7,898,611
Financial assets at fair value through profit or loss ('FVTPL')	5	**4,623,447**	3,800,649	**2,530,288**	1,891,771
Financial assets at fair value through other comprehensive income ('FVOCI')	6	**39,805,304**	32,577,833	**33,934,272**	27,584,376
Financial investments at amortised cost	7	**14,249,409**	14,090,275	**9,702,802**	10,228,651
Loans, advances and financing	8	**173,236,672**	165,629,774	**107,345,665**	108,216,146
Clients' and brokers' balances	9	**893,448**	943,056	**-**	-
Reinsurance assets	10	**510,176**	511,236	**-**	-
Other assets	11	**1,258,179**	1,489,839	**1,104,726**	921,813
Derivative assets	12	**855,256**	1,131,057	**903,584**	1,147,494
Statutory deposits	13	**4,549,296**	4,795,230	**2,608,316**	2,978,677
Tax recoverable		**467,103**	389,172	**433,364**	351,451
Deferred tax assets	14	**22,989**	79,191	**-**	32,490
Investments in subsidiaries	15	**-**	-	**4,913,885**	4,911,660
Investments in associates and joint ventures	16	**9,512**	25,352	**-**	-
Right of use assets	17	**112,807**	-	**85,960**	-
Property, plant and equipment	18	**991,305**	999,962	**753,638**	753,531
Goodwill	19	**2,654,122**	2,649,307	**1,651,542**	1,651,542
Intangible assets	20	**629,912**	602,438	**548,434**	527,562
TOTAL ASSETS		**257,592,496**	243,165,679	**185,598,335**	181,043,287

The accompanying accounting policies and notes form an integral part of these financial statements.

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
LIABILITIES AND EQUITY					
Deposits from customers	21	**190,555,225**	178,856,330	**131,571,124**	127,145,222
Deposits and placements of banks and other financial institutions	22	**21,539,329**	18,290,894	**19,173,832**	17,526,185
Obligations on securities sold under repurchase agreements	23	**2,048,516**	2,194,324	**3,772,623**	3,120,449
Bills and acceptances payable		**254,945**	301,603	**205,528**	247,552
Clients' and brokers' balances	24	**824,166**	841,782	**-**	-
General insurance contract liabilities	25	**1,106,886**	1,094,114	**-**	-
Other liabilities	26	**3,210,479**	2,922,556	**1,780,860**	2,082,123
Derivative liabilities	12	**1,160,927**	1,116,701	**1,155,074**	1,120,287
Recourse obligation on loans sold to Cagamas Berhad ('Cagamas')	27	**3,535,996**	5,266,116	**1,265,757**	2,995,877
Provision for taxation and zakat	28	**60,172**	24,578	**-**	-
Deferred tax liabilities	14	**169,763**	2,308	**136,711**	-
Lease liabilities	29	**111,769**	-	**85,267**	-
Borrowings	30	**1,182,527**	1,182,885	**840,177**	981,849
Senior debt securities	31	**3,296,763**	3,323,664	**3,296,763**	3,323,664
Hybrid Tier-1 Capital Securities	32	**-**	603,221	**-**	608,235
Subordinated obligations	33	**2,724,224**	3,748,655	**1,565,396**	2,589,066
TOTAL LIABILITIES		**231,781,687**	219,769,731	**164,849,112**	161,740,509
Share capital	34	**6,994,103**	6,994,103	**6,994,103**	6,994,103
Reserves	35	**18,781,291**	16,363,884	**13,755,120**	12,308,675
		25,775,394	23,357,987	**20,749,223**	19,302,778
Non-controlling interests ('NCI')	36	**35,415**	37,961	**-**	-
TOTAL EQUITY		**25,810,809**	23,395,948	**20,749,223**	19,302,778
TOTAL LIABILITIES AND EQUITY		**257,592,496**	243,165,679	**185,598,335**	181,043,287
COMMITMENTS AND CONTINGENCIES	49	**150,427,794**	172,941,427	**143,445,965**	167,318,657

The accompanying accounting policies and notes form an integral part of these financial statements.

Income Statements

for the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Interest income	37	**8,098,328**	8,015,172	**8,042,465**	7,954,609
Interest expense	38	**(4,488,736)**	(4,359,938)	**(4,384,157)**	(4,213,342)
Net interest income		**3,609,592**	3,655,234	**3,658,308**	3,741,267
Other operating income	39	**1,876,714**	1,722,052	**1,150,372**	872,745
Income from Islamic Banking business	40	**1,614,464**	1,428,327	**3,538**	556
Net income		**7,100,770**	6,805,613	**4,812,218**	4,614,568
Other operating expenses	41	**(3,471,759)**	(3,357,655)	**(2,357,650)**	(2,206,020)
Operating profit before allowances		**3,629,011**	3,447,958	**2,454,568**	2,408,548
Allowance for credit losses on financial assets	43	**(278,537)**	(306,002)	**(263,334)**	(172,831)
Impairment losses made on other non-financial assets	44	**-**	(23,000)	**-**	-
		3,350,474	3,118,956	**2,191,234**	2,235,717
Share of results of joint ventures		**(30)**	99	**-**	-
Profit before taxation and zakat		**3,350,444**	3,119,055	**2,191,234**	2,235,717
Taxation and zakat	45	**(862,635)**	(810,143)	**(542,240)**	(601,474)
Net profit for the financial year		**2,487,809**	2,308,912	**1,648,994**	1,634,243
Attributable to:					
- Equity holders of the Bank		**2,482,432**	2,305,196	**1,648,994**	1,634,243
- NCI		**5,377**	3,716	**-**	-
		2,487,809	2,308,912	**1,648,994**	1,634,243
Earnings per share (sen)					
- Basic	46	**61.9**	57.5		
- Diluted	46	**61.9**	57.5		

The accompanying accounting policies and notes form an integral part of these financial statements.

Statements of the Comprehensive Income

for the financial year ended 31 December 2019

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Net profit for the financial year	**2,487,809**	2,308,912	**1,648,994**	1,634,243
Other comprehensive income/(loss) in respect of:				
(i) Items that will not be reclassified to profit or loss:				
(a) Actuarial (loss)/gain on defined benefit plan of subsidiaries	**(2,157)**	8,193	**-**	-
(b) Equity instruments designated at FVOCI				
- Net gain/(loss) on disposal	**5,664**	(1,440)	**1,544**	(1,442)
- Unrealised net gain on revaluation	**20,435**	33,720	**17,332**	30,631
(ii) Items that will be reclassified subsequently to profit or loss:				
(a) Foreign currency translation reserves				
- Currency translation differences	**5,750**	56,809	**3,074**	28,117
- Net investment hedge	**(1,240)**	(1,620)	**-**	-
(b) Debt instruments measured at FVOCI				
- Unrealised net gain on revaluation	**1,314,290**	74,910	**1,126,782**	52,139
- Net transfer to income statements on disposal	**(220,972)**	(72,067)	**(205,237)**	(66,690)
- Changes in expected credit losses and exchange differences	**(12,019)**	(2,639)	**(8,413)**	(2,887)
Income tax relating to components of other comprehensive income	**(149,122)**	(8,358)	**(113,827)**	(3,719)
Other comprehensive income, net of tax, for the financial year	**960,629**	87,508	**821,255**	36,149
Total comprehensive income for the financial year	**3,448,438**	2,396,420	**2,470,249**	1,670,392
Total comprehensive income attributable to:				
- Equity holders of the Bank	**3,443,027**	2,392,716	**2,470,249**	1,670,392
- NCI	**5,411**	3,704	**-**	-
	3,448,438	2,396,420	**2,470,249**	1,670,392

The accompanying accounting policies and notes form an integral part of these financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2019

Group	Note	Share Capital RM'000	Statutory Reserves RM'000	Regulatory Reserves RM'000	FVOCI Reserves RM'000	Translation Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
		← Attributable to equity holders of the Bank →									
Balance as at 1 January 2019											
- As previously reported		6,994,103	513	249,687	376,108	684,275	23,331	15,029,970	23,357,987	37,961	23,395,948
- Effect of adoption of MFRS 16	57	-	-	-	-	-	-	(3,058)	(3,058)	(7)	(3,065)
- As restated		6,994,103	513	249,687	376,108	684,275	23,331	15,026,912	23,354,929	37,954	23,392,883
Net profit for the financial year		-	-	-	-	-	-	2,482,432	2,482,432	5,377	2,487,809
Foreign currency translation reserves:											
- Currency translation differences		-	-	-	(144)	5,831	-	-	5,687	63	5,750
- Net investment hedge		-	-	-	-	(1,240)	-	-	(1,240)	-	(1,240)
Financial assets measured at FVOCI:											
- Equity instruments											
- Net gain/(loss) on disposal		-	-	-	(1,729)	-	-	7,393	5,664	-	5,664
- Unrealised net gain on revaluation		-	-	-	20,435	-	-	-	20,435	-	20,435
- Debt instruments											
- Unrealised net gain on revaluation		-	-	-	1,314,290	-	-	-	1,314,290	-	1,314,290
- Net transfer to income statements on disposal		-	-	-	(220,972)	-	-	-	(220,972)	-	(220,972)
- Changes in expected credit losses and exchange differences		-	-	-	(12,019)	-	-	-	(12,019)	-	(12,019)
Actuarial loss on defined benefit plan of subsidiaries		-	-	-	-	-	-	(2,138)	(2,138)	(19)	(2,157)
Income tax relating to components of other comprehensive income	47	-	-	-	(147,909)	-	-	(1,203)	(149,112)	(10)	(149,122)
Other comprehensive income, net of tax, for the financial year		-	-	-	951,952	4,591	-	4,052	960,595	34	960,629
Total comprehensive income for the financial year		-	-	-	951,952	4,591	-	2,486,484	3,443,027	5,411	3,448,438
Dividends paid	48	-	-	-	-	-	-	(1,022,562)	(1,022,562)	(7,950)	(1,030,512)
Transfer to regulatory reserves		-	-	589,305	-	-	-	(589,305)	-	-	-
Balance as at 31 December 2019		6,994,103	513	838,992	1,328,060	688,866	23,331	15,901,529	25,775,394	35,415	25,810,809

The accompanying accounting policies and notes form an integral part of these financial statements.

Group	Note	Share Capital RM'000	Statutory Reserves RM'000	Regulatory Reserves RM'000	FVOCI Reserves RM'000	Translation Reserves RM'000	Other Reserves RM'000	Retained Profits RM'000	Total Shareholders' Equity RM'000	Non-controlling Interests RM'000	Total Equity RM'000
		← Attributable to equity holders of the Bank →									
Balance as at 1 January 2018		6,994,103	513	799,494	350,787	629,011	23,331	12,869,790	21,667,029	34,257	21,701,286
Net profit for the financial year		-	-	-	-	-	-	2,305,196	2,305,196	3,716	2,308,912
Foreign currency translation reserves:											
- Currency translation differences		-	-	-	(1)	56,884	-	-	56,883	(74)	56,809
- Net investment hedge		-	-	-	-	(1,620)	-	-	(1,620)	-	(1,620)
Financial assets measured at FVOCI:											
- Equity instruments											
- Net loss on disposal		-	-	-	(608)	-	-	(832)	(1,440)	-	(1,440)
- Unrealised net gain on revaluation		-	-	-	33,720	-	-	-	33,720	-	33,720
- Debt instruments											
- Unrealised net gain on revaluation		-	-	-	74,910	-	-	-	74,910	-	74,910
- Net transfer to income statements on disposal		-	-	-	(72,067)	-	-	-	(72,067)	-	(72,067)
- Changes in expected credit losses and exchange differences		-	-	-	(2,639)	-	-	-	(2,639)	-	(2,639)
Actuarial gain on defined benefit plan of subsidiaries		-	-	-	-	-	-	8,141	8,141	52	8,193
Income tax relating to components of other comprehensive (income)/loss	47	-	-	-	(7,994)	-	-	(374)	(8,368)	10	(8,358)
Other comprehensive income/(loss), net of tax, for the financial year		-	-	-	25,321	55,264	-	6,935	87,520	(12)	87,508
Total comprehensive income for the financial year		-	-	-	25,321	55,264	-	2,312,131	2,392,716	3,704	2,396,420
Dividends paid	48	-	-	-	-	-	-	(701,758)	(701,758)	-	(701,758)
Transfer from regulatory reserves		-	-	(549,807)	-	-	-	549,807	-	-	-
Balance as at 31 December 2018		6,994,103	513	249,687	376,108	684,275	23,331	15,029,970	23,357,987	37,961	23,395,948

The accompanying accounting policies and notes form an integral part of these financial statements.

Statements of Changes in Equity

for the financial year ended 31 December 2019 (continued)

Bank	Note	← Non-distributable			→	Distributable	
		Share Capital RM'000	Regulatory Reserves RM'000	FVOCI Reserves RM'000	Translation Reserves RM'000	Retained Profits RM'000	Total Equity RM'000
Balance as at 1 January 2019							
- As previously reported		6,994,103	126,230	349,347	371,680	11,461,418	19,302,778
- Effect of adoption of MFRS 16	57	-	-	-	-	(1,242)	(1,242)
- As restated		6,994,103	126,230	349,347	371,680	11,460,176	19,301,536
Net profit for the financial year		-	-	-	-	1,648,994	1,648,994
Foreign currency translation reserves:							
- Currency translation differences		-	-	-	3,074	-	3,074
Financial assets measured at FVOCI:							
- Equity instruments							
- Net gain/(loss) on disposal		-	-	(479)	-	2,023	1,544
- Unrealised net gain on revaluation		-	-	17,332	-	-	17,332
- Debt instruments							
- Unrealised net gain on revaluation		-	-	1,126,782	-	-	1,126,782
- Net transfer to income statements on disposal		-	-	(205,237)	-	-	(205,237)
- Changes in expected credit losses and exchange differences		-	-	(8,413)	-	-	(8,413)
Income tax relating to components of other comprehensive income	47	-	-	(113,827)	-	-	(113,827)
Other comprehensive income, net of tax, for the financial year		-	-	816,158	3,074	2,023	821,255
Total comprehensive income for the financial year		-	-	816,158	3,074	1,651,017	2,470,249
Dividends paid	48	-	-	-	-	(1,022,562)	(1,022,562)
Transfer to regulatory reserves		-	226,276	-	-	(226,276)	-
Balance as at 31 December 2019		6,994,103	352,506	1,165,505	374,754	11,862,355	20,749,223

The accompanying accounting policies and notes form an integral part of these financial statements.

Bank	Note	← Non-distributable			→	Distributable	
		Share Capital RM'000	Regulatory Reserves RM'000	FVOCI Reserves RM'000	Translation Reserves RM'000	Retained Profits RM'000	Total Equity RM'000
Balance as at 1 January 2018		6,994,103	722,579	340,457	343,563	9,933,442	18,334,144
Net profit for the financial year		-	-	-	-	1,634,243	1,634,243
Foreign currency translation reserves:							
- Currency translation differences		-	-	-	28,117	-	28,117
Financial assets measured at FVOCI:							
- Equity instruments							
- Net loss on disposal		-	-	(584)	-	(858)	(1,442)
- Unrealised net gain on revaluation		-	-	30,631	-	-	30,631
- Debt instruments							
- Unrealised net gain on revaluation		-	-	52,139	-	-	52,139
- Net transfer to income statements on disposal		-	-	(66,690)	-	-	(66,690)
- Changes in expected credit losses and exchange differences		-	-	(2,887)	-	-	(2,887)
Income tax relating to components of other comprehensive income	47	-	-	(3,719)	-	-	(3,719)
Other comprehensive income/(loss), net of tax, for the financial year		-	-	8,890	28,117	(858)	36,149
Total comprehensive income for the financial year		-	-	8,890	28,117	1,633,385	1,670,392
Dividends paid	48	-	-	-	-	(701,758)	(701,758)
Transfer from regulatory reserves		-	(596,349)	-	-	596,349	-
Balance as at 31 December 2018		6,994,103	126,230	349,347	371,680	11,461,418	19,302,778

The accompanying accounting policies and notes form an integral part of these financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2019

	Note	Group 2019 RM'000	Group 2018 RM'000
Cash flows from operating activities			
Profit before taxation and zakat		**3,350,444**	3,119,055
Adjustments for:			
Allowance for credit losses on loans, advances and financing		**584,111**	593,720
Allowance for credit losses on other financial assets		**812**	(3,975)
Property, plant and equipment:			
- Depreciation		**128,431**	119,721
- (Gain)/Loss on disposal		**(2,856)**	17
- Written off		**1,149**	763
Intangible assets:			
- Amortisation		**121,257**	100,714
- Written off		**252**	28
Right of use assets:			
- Depreciation		**75,810**	-
- Gain on modification		**(9)**	-
Impairment losses on investment in an associate		**-**	23,000
Net allowance written back on financial assets at FVOCI and financial investments at amortised cost		**(41,378)**	(12,444)
Share of results of joint ventures		**30**	(99)
Gain on remeasurement of previously held equity interest in a joint venture	58(1)	**(258)**	-
Loss on disposal of a subsidiary		**51**	-
Net gain arising from disposal/redemption of financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost		**(336,571)**	(91,288)
Net loss/(gain) on fair value hedges		**528**	(56)
Net unrealised loss/(gain) on revaluation of financial assets at FVTPL and derivatives		**5,673**	(90,566)
Net unrealised foreign exchange gain		**(127,886)**	(47,774)
Dividend income from financial assets at FVTPL and financial assets at FVOCI		**(87,023)**	(48,315)
Amortisation of premium/(Accretion of discount) for borrowings, subordinated obligations and Hybrid Tier-1 Capital Securities		**2,653**	2,461
Interest/financing expense on borrowings, senior debt securities, Hybrid Tier-1 Capital Securities, subordinated obligations and lease liabilities		**343,668**	354,435
Interest income from financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost		**(1,711,386)**	(1,487,417)
Investment income from financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost		**(364,190)**	(308,684)
Operating profit before working capital changes		**1,943,312**	2,223,296
(Increase)/Decrease in operating assets:			
Deposits and placements with banks and other financial institutions		**(204,469)**	271,195
Financial assets at FVTPL		**(583,855)**	(203,238)
Loans, advances and financing		**(8,273,107)**	(9,697,218)
Clients' and brokers' balances		**49,608**	545,481
Other assets		**449,446**	365,107
Statutory deposits		**241,724**	(790,956)
		(8,320,653)	(9,509,629)

The accompanying accounting policies and notes form an integral part of these financial statements.

	Note	Group 2019 RM'000	Group 2018 RM'000
Cash flows from operating activities (continued)			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**11,815,186**	13,077,118
Deposits and placements of banks and other financial institutions		**3,328,672**	(3,497,147)
Obligations on securities sold under repurchase agreements		**(144,267)**	1,590,161
Bills and acceptances payable		**(46,604)**	1,155
Clients' and brokers' balances		**(17,616)**	(527,613)
Other liabilities		**573,495**	(835,292)
Recourse obligation on loans sold to Cagamas		**(1,730,120)**	3,536,510
		13,778,746	13,344,892
Cash generated from operations		**7,401,405**	6,058,559
Interest paid		**(369,862)**	(344,438)
Net tax and zakat paid		**(826,929)**	(756,037)
Net cash generated from operating activities		**6,204,614**	4,958,084
Cash flows from investing activities			
Net purchase of financial assets at FVOCI and financial investments at amortised cost		**(6,132,734)**	(3,003,223)
Property, plant and equipment:			
- Purchase		**(130,988)**	(113,765)
- Proceeds from disposal		**5,421**	195
Intangible assets:			
- Purchase		**(140,524)**	(207,015)
Financial assets at FVOCI and financial investments at amortised cost:			
- Interest received		**1,618,231**	1,394,727
- Investment income received		**327,679**	254,931
Dividend income received from financial assets at FVTPL and financial assets at FVOCI		**87,023**	48,315
Net cash inflow from disposal of a subsidiary		**16,548**	-
Net cash inflow from additional equity acquisition of a joint venture	58(1)	**10,710**	-
Net cash used in investing activities		**(4,338,634)**	(1,625,835)
Cash flows from financing activities			
Net repayment of borrowings		**(627)**	(1,375)
Redemption of senior debt securities		**(1,256,100)**	-
Proceeds from issuance of senior debt securities		**1,255,580**	-
Redemption of Hybrid Tier-1 Capital Securities		**(595,000)**	-
Redemption of subordinated notes		**(1,000,000)**	-
Proceeds from issuance of Subordinated Sukuk Murabahah		**500,000**	-
Redemption of Subordinated Sukuk Murabahah		**(500,000)**	-
Redemption of puttable financial instruments		**(74,185)**	-
Dividends paid to equity holders of the Bank		**(1,022,562)**	(701,758)
Dividends paid to NCI		**(7,950)**	-
Principal lease payments		**(79,422)**	-
Net cash used in financing activities		**(2,780,266)**	(703,133)

The accompanying accounting policies and notes form an integral part of these financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2019 (continued)

	Note	Group 2019 RM'000	Group 2018 RM'000
Net (decrease)/increase in cash and cash equivalents		**(914,286)**	2,629,116
Effects of exchange rate differences		**(10,910)**	12,926
Cash and cash equivalents:			
- at the beginning of the financial year		**12,553,188**	9,911,146
- at the end of the financial year		**11,627,992**	12,553,188
Cash and cash equivalents comprise the following:			
- Cash and short term funds	2	**11,627,992**	12,553,188

	Balance as at the beginning of the financial year RM'000	Cash Changes: Net cash flow from financing activities RM'000	Cash Changes: Net cash flow from operating activities RM'000	Non-Cash Changes: Foreign exchange movement/ other income RM'000	Non-Cash Changes: Net additions to lease liabilities RM'000	Non-Cash Changes: Accrued interest and amortisation/ (accretion) RM'000	Balance as at the end of the financial year RM'000
2019							
Puttable financial instruments	**70,615**	**(74,185)**	**-**	**3,570**	**-**	**-**	**-**
Lease liabilities	**118,511**	**(79,422)**	**(4,340)**	**742**	**71,768**	**4,510**	**111,769**
Borrowings	**1,182,885**	**(627)**	**(39,888)**	**823**	**-**	**39,334**	**1,182,527**
Senior debt securities	**3,323,664**	**(520)**	**(114,146)**	**(35,876)**	**-**	**123,641**	**3,296,763**
Hybrid Tier-1 Capital Securities	**603,221**	**(595,000)**	**(29,962)**	**-**	**-**	**21,741**	**-**
Subordinated obligations	**3,748,655**	**(1,000,000)**	**(181,526)**	**-**	**-**	**157,095**	**2,724,224**
	9,047,551	**(1,749,754)**	**(369,862)**	**(30,741)**	**71,768**	**346,321**	**7,315,283**
2018							
Puttable financial instruments	78,825	-	-	(8,210)	-	-	70,615
Borrowings	1,153,719	(1,375)	(29,049)	21,472	-	38,118	1,182,885
Senior debt securities	3,252,581	-	(87,591)	68,610	-	90,064	3,323,664
Hybrid Tier-1 Capital Securities	602,666	-	(44,665)	-	-	45,220	603,221
Subordinated obligations	3,748,294	-	(183,133)	-	-	183,494	3,748,655
	8,836,085	(1,375)	(344,438)	81,872	-	356,896	8,929,040

The accompanying accounting policies and notes form an integral part of these financial statements.

	Note	Bank 2019 RM'000	Bank 2018 RM'000
Cash flows from operating activities			
Profit before taxation		**2,191,234**	2,235,717
Adjustments for:			
Allowance for credit losses on loans, advances and financing		**546,792**	441,823
Allowance for credit losses on other financial assets		**(319)**	935
Property, plant and equipment:			
- Depreciation		**99,854**	91,556
- Gain on disposal		**(2,489)**	(71)
- Written off		**956**	10
Intangible assets:			
- Amortisation		**99,694**	81,998
- Written off		**5**	-
Right of use assets:			
- Depreciation		**47,952**	-
Net allowance written back on financial assets at FVOCI and financial investments at amortised cost		**(36,402)**	(14,487)
Net gain arising from disposal/redemption of financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost		**(294,564)**	(83,309)
Net loss/(gain) on fair value hedges		**528**	(56)
Net unrealised loss/(gain) on revaluation of financial assets at FVTPL and derivatives		**14,809**	(31,670)
Net unrealised foreign exchange loss		**48,828**	79,558
Dividend income from financial assets at FVOCI		**(9,566)**	(2,656)
Dividend income from subsidiaries		**(63,544)**	(9,259)
Amortisation of premium/(Accretion of discount) for borrowings, subordinated obligations and Hybrid Tier-1 Capital Securities		**2,653**	2,461
Interest expense on borrowings, senior debt securities, Hybrid Tier-1 Capital Securities, subordinated obligations and lease liabilities		**277,322**	290,059
Interest income from financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost		**(1,632,200)**	(1,410,046)
Operating profit before working capital changes		**1,291,543**	1,672,563
(Increase)/Decrease in operating assets:			
Deposits and placements with banks and other financial institutions		**(2,257,107)**	488,547
Investment accounts due from designated financial institutions		**(330,723)**	(204,087)
Financial assets at FVTPL		**(466,598)**	(75,256)
Loans, advances and financing		**454,259**	(287,358)
Other assets		**44,503**	605,011
Statutory deposits		**370,624**	(440,431)
		(2,185,042)	86,426

The accompanying accounting policies and notes form an integral part of these financial statements.

Statements of Cash Flows

for the financial year ended 31 December 2019 (continued)

	Note	Bank 2019 RM'000	Bank 2018 RM'000
Cash flows from operating activities (continued)			
Increase/(Decrease) in operating liabilities:			
Deposits from customers		**4,229,057**	6,376,021
Deposits and placements of banks and other financial institutions		**1,606,605**	(5,024,427)
Obligations on securities sold under repurchase agreements		**651,676**	1,532,470
Bills and acceptances payable		**(42,043)**	(39,281)
Other liabilities		**(317,499)**	(924,525)
Recourse obligation on loans sold to Cagamas		**(1,730,120)**	1,266,271
		4,397,676	3,186,529
Cash generated from operations		**3,504,177**	4,945,518
Interest paid		**(303,352)**	(279,992)
Net tax paid		**(568,688)**	(581,093)
Net cash generated from operating activities		**2,632,137**	4,084,433
Cash flows from investing activities			
Net purchase of financial assets at FVOCI and financial investments at amortised cost		**(4,551,513)**	(2,861,030)
Property, plant and equipment:			
- Purchase		**(99,136)**	(93,302)
- Proceeds from disposal		**5,043**	99
Intangible assets:			
- Purchase		**(124,079)**	(189,577)
Interest received from financial assets at FVOCI and financial investments at amortised cost		**1,540,450**	1,340,677
Dividend income received from subsidiaries		**63,544**	97,959
Dividend income received from financial assets at FVOCI		**9,566**	2,656
Additional investments in subsidiaries		**(2,225)**	(415,823)
Net cash used in investing activities		**(3,158,350)**	(2,118,341)
Cash flows from financing activities			
Net repayment of borrowings		**(130,606)**	(10,845)
Redemption of senior debt securities		**(1,256,100)**	-
Proceeds from issuance of senior debt securities		**1,255,580**	-
Redemption of Hybrid Tier-1 Capital Securities		**(600,000)**	-
Redemption of subordinated notes		**(1,000,000)**	-
Dividends paid to equity holders of the Bank		**(1,022,562)**	(701,758)
Principal lease payments		**(50,323)**	-
Net cash used in financing activities		**(2,804,011)**	(712,603)

The accompanying accounting policies and notes form an integral part of these financial statements.

	Note	Bank 2019 RM'000	Bank 2018 RM'000
Net (decrease)/increase in cash and cash equivalents		**(3,330,224)**	1,253,489
Effects of exchange rate differences		**(22,209)**	31,630
Cash and cash equivalents:			
- at the beginning of the financial year		**8,855,326**	7,570,207
- at the end of the financial year		**5,502,893**	8,855,326
Cash and cash equivalents comprise the following:			
- Cash and short term funds	2	**5,502,893**	8,855,326

	Balance as at the beginning of the financial year RM'000	Cash Changes: Net cash flow from financing activities RM'000	Cash Changes: Net cash flow from operating activities RM'000	Non-Cash Changes: Foreign exchange movement RM'000	Non-Cash Changes: Net additions to lease liabilities RM'000	Non-Cash Changes: Accrued interest and amortisation/ (accretion) RM'000	Balance as at the end of the financial year RM'000
2019							
Lease liabilities	**73,693**	**(50,323)**	**(2,666)**	**342**	**61,451**	**2,770**	**85,267**
Borrowings	**981,849**	**(130,606)**	**(29,791)**	**(9,995)**	**-**	**28,720**	**840,177**
Senior debt securities	**3,323,664**	**(520)**	**(114,146)**	**(35,876)**	**-**	**123,641**	**3,296,763**
Hybrid Tier-1 Capital Securities	**608,235**	**(600,000)**	**(30,285)**	**-**	**-**	**22,050**	**-**
Subordinated obligations	**2,589,066**	**(1,000,000)**	**(126,464)**	**-**	**-**	**102,794**	**1,565,396**
	7,576,507	**(1,781,449)**	**(303,352)**	**(45,529)**	**61,451**	**279,975**	**5,787,603**
2018							
Borrowings	978,068	(10,845)	(20,984)	5,556	-	30,054	981,849
Senior debt securities	3,252,581	-	(87,591)	68,610	-	90,064	3,323,664
Hybrid Tier-1 Capital Securities	607,678	-	(45,001)	-	-	45,558	608,235
Subordinated obligations	2,588,638	-	(126,416)	-	-	126,844	2,589,066
	7,426,965	(10,845)	(279,992)	74,166	-	292,520	7,502,814

The accompanying accounting policies and notes form an integral part of these financial statements.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2019

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies have been used consistently in dealing with items which are considered material in relation to the financial statements. These accounting policies have been consistently applied to all the years presented, unless otherwise stated.

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

The financial statements of the Group and the Bank have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRS'), International Financial Reporting Standards ('IFRS') and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, as modified by the revaluation of financial assets at FVOCI, financial assets and financial liabilities (including derivative financial instruments) at fair value through profit or loss.

The financial statements also incorporate those activities relating to Islamic banking which have been undertaken by the Group and the Bank. Islamic banking refers generally to the acceptance of deposits, granting of financing and dealing in Islamic securities under the Shariah principles.

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reported financial year. It also requires Directors to exercise their judgement in the process of applying the Group and the Bank's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Section (B).

(a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank and are effective

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective for the Group and the Bank's financial year beginning on or after 1 January 2019 are as follows:

(i) Annual Improvements to MFRS 2015-2017 Cycle

- Amendments to MFRS 3 'Business Combinations'

  The amendments clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.

- Amendments to MFRS 11 'Joint Arrangements'

  The amendments clarify that when a party obtains joint control of a business that is a joint operation, the party should not remeasure its previously held interest in the joint operation.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank and are effective (continued)

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective for the Group and the Bank's financial year beginning on or after 1 January 2019 are as follows (continued):

(i) Annual Improvements to MFRS 2015-2017 Cycle (continued)

- Amendments to MFRS 112 'Income Taxes'

  The amendments clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in income statements, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in income statements when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.

- Amendments to MFRS 123 'Borrowing Costs'

  The amendments clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.

The adoption of the Annual Improvements to MFRS 2015-2017 Cycle did not have any material financial impact on the financial statements of the Group and the Bank.

(ii) Amendments to MFRS 9 'Prepayment Features with Negative Compensation'

The amendments allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

The adoption of the amendments to MFRS 9 did not have any material financial impact on the financial statements of the Group and of the Bank.

(iii) Amendments to MFRS 128 'Long-term Interests in Associates and Joint Ventures'

The amendments clarify that an entity should apply MFRS 9 'Financial Instruments' (including the impairment requirements) to long-term interests in an associate or joint venture, which are in substance form part of the entity's net investment, for which settlement is neither planned nor likely to occur in the foreseeable future.

In addition, such long-term interest are subject to loss allocation and impairment requirements in MFRS 128.

The adoption of the amendments to MFRS 128 did not have any material financial impact on the financial statements of the Group and of the Bank.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2019 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(a) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank and are effective (continued)

The relevant new accounting standards, annual improvements and amendments to published standards and interpretations to existing accounting standards that are effective for the Group and the Bank's financial year beginning on or after 1 January 2019 are as follows (continued):

(iv) MFRS 16 'Leases'

MFRS 16 supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a 'right of use' of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right of use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in income statements.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

The Group and the Bank have adopted the simplified retrospective transitional approach under MFRS 16. Under the simplified retrospective transitional approach, comparative information are not restated and the cumulative effects of initial application of MFRS 16 where the Group and the Bank is a lessee, were recognised as an adjustment to the opening balance of retained profits as at 1 January 2019. The comparative information continued to be reported under the previous accounting policies governed under MFRS 117 'Leases' and IC Interpretation 4 "Determining Whether an Arrangement Contains a Lease'.

The details and the financial effects of the adoption of MFRS 16 are disclosed in Note 57 to the financial statements.

(v) IC Interpretation 23 'Uncertainty over Income Tax Treatments'

IC Interpretation 23 provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

The adoption of IC Interpretation 23 did not have any material financial impact on the financial statements of the Group and of the Bank.

(vi) Amendments to MFRS 119 'Plan Amendment, Curtailment or Settlement'

The amendments require an entity to remeasure its net defined benefit liability or asset when there is a plan amendment, curtailment or settlement.

The amendments require the use of updated actuarial assumptions from the remeasurement to determine current service cost and net interest for the remaining period after the change to the plan.

The adoption of Amendments to MFRS 119 did not have any material financial impact on the financial statements of the Group and of the Bank.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective

(i) The Conceptual Framework for Financial Reporting (Revised 2018) - effective 1 January 2020

The Framework was revised with the primary purpose to assist the IASB to develop IFRS that are based on consistent concepts and enable preparers to develop consistent accounting policies where an issue is not addressed by an IFRS. The Framework is not an IFRS, and does not override any IFRSs.

Key changes to the Framework are as follows:

- Objective of general purpose financial reporting - clarification that the objective of financial reporting is to provide useful information to the users of financial statements for resource allocation decisions and assessment of management's stewardship.
- Qualitative characteristics of useful financial information - reinstatement of the concepts of prudence when making judgement of uncertain conditions and 'substance over form' concept to ensure faithful representation of economic phenomenon.
- Clarification on reporting entity for financial reporting - introduction of new definition of a reporting entity, which might be a legal entity or a portion of a legal entity.
- Elements of financial statements - the definitions of an asset and a liability have been refined. Guidance in determining unit of account for assets and liabilities have been added, by considering the nature of executory contracts and substance of contracts.
- Recognition and derecognition - the probability threshold for asset or liability recognition has been removed. New guidance on de-recognition of asset and liability have been added.
- Measurement - explanation of factors to consider when selecting a measurement basis have been provided.
- Presentation and disclosure - clarification that income statements is the primary source of information about an entity's financial performance for a reporting period. In principle, recycling of income/expense included in other comprehensive income to income statements is required if this results in more relevant information or a more faithful representation of income statements.

Amendments to References to the Conceptual Framework in MFRS Standards

The MASB also issued Amendments to References to the Conceptual Framework in MFRS Standards ('Amendments'), to update references and quotations to fourteen (14) Standards so as to clarify the version of Conceptual Framework these Standards refer to, for which the effective date above applies.

The amendments should be applied retrospectively in accordance with MFRS 108 unless retrospective application would be impracticable or involve undue cost or effort.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2019 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)

(ii) Amendments to MFRS 101 and MFRS 108 'Definition of Material' - effective 1 January 2020

The amendments clarify the definition of materiality and use a consistent definition throughout MFRSs and the Conceptual Framework for Financial Reporting.

The definition of 'material' has been revised as 'Information is material if omitting, misstating or obscuring it could reasonably be expected to influence decisions that the primary users of general purpose financial statements make on the basis of those financial statements, which provide financial information about a specific reporting entity.'

The amendments also:

- clarify that an entity assess materiality in the context of the financial statements as a whole.
- explain the concept of obscuring information in the new definition. Information is obscured if it has the effect similar as omitting or misstating of that information. For example, material transaction is scattered throughout the financial statements, dissimilar items are inappropriately aggregated, or material information is hidden by immaterial information.
- clarify the meaning of 'primary users of general purpose financial statements' to whom those financial statements are directed, by defining them as 'existing and potential investors, lenders and other creditors' that must rely on general purpose financial statements for much of the financial information they need.

The amendments shall be applied prospectively.

(iii) Amendments to MFRS 3 'Definition of a Business' - effective 1 January 2020

The amendments clarify that to be considered a business, an acquisition would have to include an input and a substantive process that together significantly contribute to the ability to create outputs.

The amendments provide guidance to determine whether an input and a substantive process are present, including situation where an acquisition does not have outputs. To be a business without outputs, there will now need to be an organised workforce. It is also no longer necessary to assess whether market participants are capable of replacing missing elements or integrating the acquired activities and assets.

In addition, the revised definition of the term 'outputs' is narrower, focuses on goods or services provided to customers, generating investment returns and other income but excludes returns in the form of cost savings.

The amendments introduce an optional simplified assessment known as 'concentration test' that, if met, eliminates the need for further assessment. Under this concentration test, if substantially all of the fair value of gross assets acquired is concentrated in a single identifiable asset (or a group of similar assets), the assets acquired would not represent a business.

The amendments shall be applied prospectively.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(1) BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

(b) Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective (continued)

(iv) MFRS 17 'Insurance Contracts' - effective 1 January 2021

MFRS 17 applies to insurance contracts issued, to all reinsurance contracts and to investment contracts with discretionary participating features if an entity also issues insurance contracts. For fixed-fee service contracts whose primary purpose is the provision of services, an entity has an accounting policy choice to account for them in accordance with either MFRS 17 or MFRS 15 'Revenue from Contracts with Customers'. An entity is allowed to account financial guarantee contracts in accordance with MFRS 17 if the entity has asserted explicitly that it regarded them as insurance contracts. Insurance contracts, (other than reinsurance) where the entity is the policyholder are not within the scope of MFRS 17. Embedded derivatives and distinct investment and service components should be 'unbundled' and accounted for separately in accordance with the related MFRSs. Voluntary unbundling of other components is prohibited.

MFRS 17 requires a current measurement model where estimates are remeasured at each reporting period. The measurement is based on the building blocks of discounted, probability-weighted cash flows, a risk adjustment and a contractual service margin ('CSM') representing the unearned profit of the contract. An entity has a policy choice to recognise the impact of changes in discount rates and other assumptions that are related to financial risks either in income statements or in other comprehensive income.

Alternative measurement models are provided for the different insurance coverages:

- Simplified Premium Allocation Approach if the insurance coverage period is a year or less; or
- Variable Fee Approach should be applied for insurance contracts that specify a link between payments to the policyholder and the returns on the underlying items.

The requirements of MFRS 17 align the presentation of revenue with other industries. Revenue is allocated to the periods in proportion to the value of the expected coverage and other services that the insurer provides in the period, and claims are presented when incurred. Investment components are excluded from revenue and claims.

Insurers are required to disclose information about amounts, judgements and risks arising from insurance contracts.

The adoption of the accounting standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Bank but not yet effective above are not expected to give rise to any material financial impact to the Group and the Bank, except for the adoption of MFRS 17, of which the cumulative impact upon adoption will be recognised in the retained earnings as at 1 January 2021, and with enhanced disclosures.

(c) Changes in regulatory requirements

(i) Financial Reporting and Financial Reporting for Islamic Banking Institutions

On 27 September 2019, Bank Negara Malaysia ('BNM') issued the revised policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions with updates to clarify on the classification of a credit facility as credit impaired including where the credit facility is rescheduled and restructured, effective 1 October 2019.

The application of the revised policy document will affect disclosure, measurement and classification of a rescheduled and restructured credit facility as credit impaired.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2019 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION

(a) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity.

Subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases.

(i) Acquisition accounting

The Group applies the acquisition method to account for business combination. The consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, the liabilities incurred and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date.

Non-controlling interest is the equity in a subsidiary not attributable, directly or indirectly, to the Group or the Bank. Non-controlling interest is measured either at fair value or proportionate share of the acquiree's identifiable net assets at the acquisition date, determined on a case by case basis. At the end of a reporting period, non-controlling interest consists of the amount calculated on the date of combination and its share of changes in the subsidiary's equity since the date of combination.

Acquisition-related costs are expensed as incurred.

In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition date fair value and the resulting gain or loss is recognised in income statements.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 9 in income statements. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

The excess of the aggregate of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the Group's share of the identifiable net assets acquired is recorded as goodwill. If this is less than the fair value of the net assets of the subsidiary acquired, the gain is recognised in income statements. Refer to accounting policy Note 7 on goodwill.

(ii) Predecessor accounting

The Group and the Bank apply predecessor accounting to account for business combinations under common control. Under the predecessor accounting, assets and liabilities acquired are not restated to their respective fair values but at the carrying amounts from the consolidated financial statements of the ultimate holding company of the Group and adjusted to ensure uniform accounting policies of the Group. The difference between any consideration given and the aggregate carrying amounts of the assets and liabilities (as of the date of the transaction) of the acquired entity is recorded as an adjustment to retained earnings. No additional goodwill is recognised.

The acquired entity's results, assets and liabilities are consolidated as if both the acquirer and acquiree had always been combined. Consequently, the consolidated financial statements reflect both entities' full year results. The corresponding amounts for the previous year are restated to reflect the combined results of both entities.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION (CONTINUED)

(a) Subsidiaries (continued)

All earnings and losses of the subsidiary are attributed to the parent and the non-controlling interest, even if the attribution of losses to the non-controlling interest results in a debit balance in the shareholders' equity. Profit or loss attributed to non-controlling interest for prior years is not restated.

All material inter-company and intra-group transactions and balances are eliminated on consolidation. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(b) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity attributable to owners of the Group.

(c) Disposal of subsidiaries

When the Group ceases to have control, any retained interest in the entity is remeasured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit and loss. The fair value is the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to income statements.

Gain or loss on disposal of subsidiaries included the carrying amount of goodwill relating to subsidiaries sold.

(d) Joint ventures

A joint venture is a joint arrangement whereby the joint ventures have rights to the net assets of the arrangement. The Group's interest in a joint venture is accounted for in the financial statements by the equity method of accounting. Under the equity method of accounting, interests in joint ventures are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses in income statements and the Group's share of movements in other comprehensive income. When the Group's share of losses in a joint venture equals or exceeds its interests in the joint ventures (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint ventures), the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the joint ventures.

The Group determines at each reporting date whether there is any objective evidence that the investment in the joint venture is impaired. An impairment loss is recognised for the amount by which the carrying amount of the joint venture exceeds its recoverable amount.

Unrealised gains on transactions between the Group and its joint ventures are eliminated to the extent of the Group's interest in the joint ventures. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of the joint ventures have been changed where necessary to ensure consistency with the policies adopted by the Group.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2019 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(2) BASIS OF CONSOLIDATION (CONTINUED)

(d) Joint ventures (continued)

When the Group ceases to equity account its joint venture because of a loss of joint control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in income statements. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate or financial asset. In addition, any amount previously recognised in other comprehensive income in respect of the entity is accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to income statements.

If the ownership interest in a joint venture is reduced but joint control is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to income statements where appropriate.

(e) Associates

Associates are those corporations or other entities in which the Group exercises significant influence, but which it does not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Significant influence is the power to participate in the financial and operating policies through representation on the Board but not power to exercise control over those policies.

Investments in associates are accounted for in the consolidated financial statements using the equity method of accounting and are initially recognised at cost. Equity accounting involves recognising the Group's share of its associates' post-acquisition profits or losses in income statements, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition changes are adjusted against the cost of investment and include goodwill on acquisition, less accumulated impairment loss.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its amount.

When the Group's share of losses in an associate equals or exceeds its interest in the associate, the Group discontinues recognising its shares of further losses. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Dilution gains and losses arising in investments in associates are recognised in the income statements.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the asset transferred. Where necessary, in applying the equity method of accounting, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

(f) Puttable Instrument

Financial liabilities due to third party investors relate to the net asset value of units (puttable instruments) held by the third party investors of investment funds, and measured at fair value as at year end. This arises in accordance with MFRS 10 where the financial statements of investment funds is required to be consolidated to the financial statements of the Group and recorded as a financial liability in Note 26 to the financial statements.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(3) INVESTMENTS IN SUBSIDIARIES, ASSOCIATES AND JOINT VENTURES

In the Bank's separate financial statements, investments in subsidiaries, associates and joint ventures are stated at cost less accumulated impairment losses. At the end of each reporting period, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the investment is assessed and written down immediately to its recoverable amount. Refer to accounting policy Note 21 on impairment of non-financial assets.

On disposal of investments in subsidiaries, associates and joint ventures, the difference between disposal proceeds and the carrying amount of the investments is recognised in income statements.

(4) FINANCIAL ASSETS

(a) Classification

The Group and the Bank classify their financial assets into the following measurement categories:

- Those to be measured at fair value (either through other comprehensive income ('OCI'), or through profit or loss; and
- Those to be measured at amortised cost

The classification of debt instruments depend on the Group and the Bank's business model for managing the financial assets and the contractual cash flow characteristics of the financial assets:

(i) Business model assessment

The Group and the Bank conduct assessment of the objective of a business model to align with how an asset held within a portfolio is being managed. Factors that are being considered include the key objectives of a portfolio whether the business strategy is to earn contractual interest revenue, matching the duration of the financial assets to the duration of the liabilities that are funding those assets or realising a portfolio through sale of assets. Other factors considered also include the frequency and volume of sales in prior periods, how the asset's performance is evaluated and reported to key management personnel.

(ii) Assessment whether contractual cash flows are solely payments of principal and interest ('SPPI')

Where the business model is to hold the financial assets to collect contractual cash flows, or to collect contractual cash flows and sell, the Group and the Bank assess whether the financial assets' contractual cash flows represent SSPI. In applying the SPPI test, the Group and the Bank consider whether the contractual cash flows are consistent with a basic lending arrangement, i.e. interest includes only consideration for time value of money, credit risk, other basic lending risks and a profit margin that is consistent with a basic lending arrangement. Where the contractual terms introduce exposure to risk or volatility that are inconsistent with a basic lending arrangement, the related financial asset is classified and measured at fair value through profit or loss.

(b) Recognition and derecognition

A financial asset is recognised in the statements of financial position when the Group and the Bank become parties to the contractual provisions of the instrument. Regular way purchases and sales of financial assets are recognised on trade date, the date on which the Group and the Bank commit to purchase and sell the assets.

Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group and the Bank have transferred substantially all the risks and rewards of ownership.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2019 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) FINANCIAL ASSETS (CONTINUED)

(c) Measurement

At initial recognition, the Group and the Bank measure a financial asset at fair value plus transaction costs that are directly attributable to acquisition of the financial asset in the case of a financial asset not FVTPL. Transaction costs of financial assets carried at FVTPL are expensed in the income statements.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are SPPI.

(i) Debt instruments

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans, government and corporate bonds and trade receivables purchased from clients in factoring arrangements without recourse.

Subsequent measurement of debt instruments depends on the Group's and the Bank's business model for managing the financial asset and the cash flow characteristics of the financial asset. There are three measurement categories into which the Group and the Bank classify its debt instruments:

(1) Financial investments at amortised cost

Financial assets that are held for collection of contractual cash flows where those cash flows represent SPPI, and that are not designated as fair value through profit or loss ('FVTPL'), are measured at amortised cost. The carrying amount of these assets is adjusted for any expected credit losses that are recognised into income statements. The interest income is recognised into income statements using the effective interest rate method. Upon derecognition, any gain or loss will be recognised in income statements and presented under 'other operating income'.

(2) Financial assets through other comprehensive income ('FVOCI')

Financial assets that are held for collection of contractual cash flows and for selling the financial assets, where those cash flows represent SPPI, and that are not designated at FVTPL, are measured at FVOCI. Changes in the fair value of these assets are recognised in OCI, except for recognition of interest, foreign exchange gains or losses and expected credit losses which are recognised in income statements.

When these financial assets are derecognised, the cumulative gains or losses previously recognised in OCI is reclassified from equity to income statements and recognised in 'other operating income'. The interest income is recognised into income statements using the effective interest rate method. Foreign exchange gains or losses are recognised in 'other operating income' and impairment credit losses are presented separately under 'allowance for credit losses'.

(3) Financial assets at FVTPL

Financial assets that do not meet the criteria for amortised cost or FVOCI are measured at FVTPL. A gain or loss on a debt instrument that is subsequently measured at FVTPL and is not part of a hedging relationship is recognised in profit or loss and presented in the income statements within 'net gain/(loss) arising from financial assets at FVTPL' in the period in which it arises. The interest income is recognised into income statements using the effective interest rate method.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(4) FINANCIAL ASSETS (CONTINUED)

(c) Measurement (continued)

(ii) Equity instruments

Equity instruments are instruments that meet the definition of equity from the issuers' perspective; that is, instruments that do not contain a contractual obligation to pay and that evidence a residual interest in the issuers' net assets.

The Group and the Bank subsequently measure all equity instruments at FVTPL, except where the management has elected, at initial recognition, to irrevocably designate an equity instrument as FVOCI. The Group and the Bank's policy is to designate equity instruments as FVOCI when those instruments are held for purposes other than to generate investment returns. When this election is used, fair value gains and losses are recognised in OCI and are not subsequently reclassified to income statements, including on disposal. Dividend, when representing a return on such investments, continue to be recognised in income statements as dividend income when the Group and the Bank's right to receive payments is established.

Gains and losses on equity instruments at FVTPL are included in the 'net gain/(loss) arising from financial assets at FVTPL' in the income statements.

(d) Reclassification policy

Reclassification of financial assets is required when, and only when, the Group and the Bank change their business model for managing the assets. In such cases, the Group and the Bank are required to reclassify all affected financial assets.

However, it will be inappropriate to reclassify financial assets that have been designated at FVTPL, or equity instruments that have been designated as FVOCI even when there is a change in business model. Such designations are irrevocable.

(5) REPURCHASE AGREEMENTS

Securities purchased under resale agreements are securities which the Group and the Bank have purchased with a commitment to resell at future dates. The commitment to resell the securities is reflected as an asset on the statements of financial position.

Conversely, obligations on securities sold under repurchase agreements are securities which the Group and the Bank have sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligation to repurchase the securities is reflected as a liability on the statements of financial position.

The difference between sale and repurchase price as well as purchase and resale price are amortised as interest income and interest expense respectively on an effective yield method.

(6) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING

Derivatives are initially recognised at fair value on the date on which derivative contracts are entered into and are subsequently remeasured at their fair values at the end of each reporting period. Fair values are obtained from quoted market prices in active markets, including recent market transactions, and valuation techniques, including discounted cash flow models and option pricing models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative. Changes in the fair value of any derivatives that do not qualify for hedge accounting are recognised immediately in the income statements. Cash collateral held in relation to derivative transactions are carried at amortised cost.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2019 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise profits on day one.

The method of recognising the resulting fair value gain or loss depends on whether the derivative is designated and qualifies as a hedging instrument, and if so, the nature of the item being hedged. The Group and the Bank designate certain derivatives as either: (1) hedges of the fair value of recognised assets or liabilities or firm commitments (fair value hedge); or (2) hedges of highly probable future cash flows attributable to a recognised asset or liability, or a forecasted transaction (cash flow hedge); or (3) hedges of a net investment in a foreign operation (net investment hedge). Hedge accounting is used for derivatives designated in this way provided certain criteria are met.

The Group and the Bank document at the inception of the hedging transaction, the risk management objective and strategy and the economic relationship between hedging instruments and hedged items including whether the hedging instrument is expected to offset changes in cash flows of hedged items.

If the hedge ratio for risk management purposes is no longer optimal but the risk management objective remains unchanged and the hedge continues to qualify for hedge accounting, the hedge relationship will be rebalanced by adjusting either the volume of the hedging instrument or the volume of the hedged item so that the hedge ratio aligns with the ratio used for risk management purposes. Any hedge ineffectiveness is calculated and accounted for in profit or loss at the time of the hedge relationship rebalancing.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 12 to the financial statements.

(a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statements, together with any changes in the fair value of the hedged assets or liabilities that are attributable to the hedged risk.

The Group and the Bank apply fair value hedge accounting for hedging fixed interest risk on loans, advances and financing and financial assets at FVOCI. The gain or loss relating to the effective portion of interest rate swaps hedging fixed rate loans, advances and financing and financial assets at FVOCI is recognised in income statements within other operating income. The gain or loss relating to the ineffective portion is recognised in income statements within net gain or loss on fair value hedges. Changes in the fair value of the hedge fixed rate loans, advances and financing attributable to interest rate risk are recognised in income statements within other operating income. Changes in the fair value of the hedge financial assets at FVOCI are recycled from FVOCI reserves to income statements within other operating income.

For fair value hedge of financial assets designated as FVOCI, any changes in fair value of the hedged financial assets FVOCI are recycled from FVOCI reserves to income statements, while the changes in fair value of the derivatives that is related to the effective portion of the hedge is recognised in income statements within other operating income. The ineffective portion of the aforesaid hedging derivatives is recognised in income statements with net gain or loss on fair value changes of derivatives.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item for which the effective interest method is used is amortised to the income statements over the period to maturity and recorded as other operating income.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(6) DERIVATIVE FINANCIAL INSTRUMENTS AND HEDGE ACCOUNTING (CONTINUED)

(b) Cash flow hedge

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income and accumulated in reserves within equity. The gain or loss relating to the ineffective portion is recognised immediately in the income statements.

Amounts accumulated in equity are recycled to the income statements in the periods when the hedged item affects profit or loss. They are recorded in the income or expense lines in which the revenue or expense associated with the related hedged item is reported.

When a hedging instrument expires or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised in the periods when the hedged item affects profit or loss. When a forecast transaction is no longer expected to occur, the cumulative gain or loss previously recognised in other comprehensive income is immediately reclassified to the income statements.

(c) Net investment hedge

Net investment hedge is a hedge against the exposure to exchange rate fluctuations on the net assets of the Group's foreign operations/subsidiaries. Any gain or loss on the hedging instrument relating to the effective portion of the hedge is recognised directly in the foreign currency translation reserve in equity via other comprehensive income while any gain or loss relating to the ineffective portion is recognised directly in the income statements. On disposal of the foreign operations/subsidiaries, the cumulative value of any such gains or losses recognised in equity is transferred to the income statements.

(d) Derivatives that do not qualify for hedge accounting

Certain derivative instruments do not qualify for hedge accounting. Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in the income statements.

(7) GOODWILL

Goodwill arising on the acquisition of subsidiaries represents the excess of consideration transferred over the Group's interest in the net fair value of the net identifiable assets, liabilities and contingent liabilities of the acquiree and the fair value of non-controlling interest in the acquiree.

Goodwill is stated at cost less accumulated impairment loss and is tested at least annually for impairment. Impairment loss on goodwill (inclusive of impairment losses recognised in a previous interim period) is not reversed. Gains and losses on the disposal of a subsidiary include the carrying amount of goodwill relating to the subsidiary sold. Refer to accounting policy Note 21 on impairment of non-financial assets.

Goodwill is allocated to Cash-Generating-Units ('CGUs') for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the synergies of the business combination in which the goodwill arose, identified according to operating segment. Each unit or group of units to which the goodwill is allocated represents the lowest level within the entity at which the goodwill is monitored for internal management purposes.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2019 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(8) INTANGIBLE ASSETS

Intangible assets comprise separately identifiable intangible items arising from business combinations, computer software licenses and other intangible assets. Intangible assets are recognised at cost. The cost of an intangible asset acquired in a business combination is its fair value at the date of acquisition. Intangible assets with a definite useful life are amortised using the straight-line method over their estimated useful economic life. Intangible assets with an indefinite useful life are not amortised. Generally, the identified intangible assets of the Group and the Bank have a definite useful life. At each date of the consolidated statement of financial position, intangible assets are reviewed for indications of impairment or changes in estimated future economic benefits. If such indications exists, the intangible assets are analysed to assess whether their carrying amount is fully recoverable. An impairment loss is recognised if the carrying amount exceeds the recoverable amount. Intangible assets with indefinite useful life are annually tested for impairment and whenever there is an indication that the asset may be impaired. Refer to accounting policy Note 21 on impairment of non-financial assets.

(a) Computer software licenses

Acquired computer software licenses are capitalised on the basis of the costs incurred to acquire and bring to use the specific software. Computer software licenses are subsequently carried at cost less accumulated amortisation and impairment losses. These costs are amortised over the estimated useful lives of 3 to 10 years.

(b) Other intangible assets

Other intangible assets consist of customer relationship, brands, trading rights and membership. Other intangible assets are initially recognised when they are separable or arose from contractual or other legal rights, and when the cost can be measured reliably and, in the case of intangible assets not acquired in a business combination, it is recognised where it is probable that future economic benefits attributable to the assets will flow from their use. The value of intangible assets which are acquired in a business combination is generally determined using income approach methodologies such as the discounted cash flow method.

Other intangible assets with definite life are stated at cost less amortisation and allowance for impairment, if any, plus reversals of impairment, if any. They are amortised over their useful lives in a manner that reflects the pattern to which they contribute to future cash flows, generally over the following useful lives:

Customer relationship	10 years
Brand	3 to 10 years

(9) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION

Property, plant and equipment are stated at cost less accumulated depreciation and impairment losses, if any. Cost includes expenditure that is directly attributable to the acquisition of the items. Subsequent costs are included in the asset's carrying amount or recognised as a separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the Bank and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repair and maintenance costs are recognised as expense in income statements during the financial period in which they are incurred.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(9) PROPERTY, PLANT AND EQUIPMENT AND DEPRECIATION (CONTINUED)

Freehold land, buildings in progress and renovations in progress are not depreciated. Other property, plant and equipment are depreciated on a straight-line basis to write down their costs to their residual values over their estimated useful lives. The principal annual depreciation rates are as follows:

Leasehold land	Amortised over the period of the lease*
Buildings	2% to 3.33%
Renovations and improvements	10% to 11%
Computer equipment	14.28% to 33.33%
Furniture, fittings and equipment	10% to 20%
Motor vehicles	20%
Computer software	10% to 33.33%

* The remaining period of the lease ranges from 3 to 864 years.

The asset's residual values and useful lives are reviewed, and adjusted if appropriate, at the end of each reporting period. There are no material adjustments arising from the review that would require disclosure in the financial statements.

From 1 January 2019, leased assets acquired from the date of initial application of MFRS 16 are presented as a separate line item in statements of financial position as right of use. Refer to accounting policy Note 12 on leases. For leasehold land acquired prior to date of initial application, it continues to be classified under property, plant and equipment. Up to 31 December 2018, leased assets (including leasehold land) under lease arrangement classified as finance lease is amortised in equal instalments over the period of the respective leases that range from 3 to 865 years.

Gains or losses on disposals are determined by comparing proceeds with carrying amounts and are included in other operating income in income statements.

At the end of the reporting period, the Group and the Bank assess whether there is any indication of impairment. Where an indication of impairment exists, the carrying amount of the asset is written down to its recoverable amount. Refer to accounting policy Note 21 on impairment of non-financial assets.

(10) FINANCIAL LIABILITIES

Financial liabilities are measured at amortised cost, except for trading liabilities designated at fair value, which are held at fair value through profit or loss. Financial liabilities are initially recognised at fair value plus transaction costs for all financial liabilities not carried at fair value through profit or loss. Financial liabilities at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed in income statements. Financial liabilities are de-recognised when extinguished.

(a) Financial liabilities at fair value through profit or loss

This category comprises two sub-categories: financial liabilities as held-for-trading, and financial liabilities designated at fair value through profit or loss upon initial recognition.

A financial liability is classified as held-for-trading if it is acquired or incurred principally for the purpose of selling or repurchasing it in the near term or if it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking. Derivatives are also categorised as held-for-trading unless they are designated as hedges. Refer to accounting policy Note 6 on hedge accounting.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2019 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(10) FINANCIAL LIABILITIES (CONTINUED)

(b) Other financial liabilities measured at amortised cost

Other financial liabilities are initially recognised at fair value plus transaction costs. Subsequently, other financial liabilities are remeasured at amortised cost using the effective interest rate.

Other financial liabilities measured at amortised cost are deposits from customers, deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements, bills and acceptances payable, clients' and brokers' balances, recourse obligation on loans sold to Cagamas and other financial liabilities.

(c) Borrowings measured at amortised cost

Borrowings are initially recognised at fair value, net of transaction costs incurred. Borrowings are subsequently carried at amortised cost, any difference between initial recognised amount and the redemption value is recognised in income statements over the period of the borrowings using the effective interest method.

All other borrowing costs are recognised in income statements in the period in which they are incurred.

Borrowings measured at amortised cost are long term and short term borrowings from financial institutions, subordinated obligations, senior debt securities and Hybrid Tier-1 Capital Securities.

(11) RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS

In the normal course of banking operations, the Group and the Bank sell loans to Cagamas but undertake to administer the loans on behalf of Cagamas and to buy back any loans which are regarded as defective. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the statements of financial position and accounted for in accordance with accounting policy Note 10(b).

(12) LEASES – WHERE THE GROUP AND THE BANK IS THE LESSEE

<u>Accounting policy from 1 January 2019</u>

From 1 January 2019, leases are recognised as right of use ('ROU') asset and a corresponding liability at the date on which the leased asset is available for use by the Group and the Bank (i.e. the commencement date).

Contracts may contain both lease and non-lease components. The Group and the Bank allocate the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices.

In applying MFRS 16 for the first time, the Group and the Bank have applied the following practical expedients permitted by the standard to leases previously classified as operating leases under MFRS 117:

- the use of a single discount rate to a portfolio of leases with reasonably similar characteristics; and
- for leases of information technology equipment for which the Group and the Bank is a lessee, the Group and the Bank have elected not to separate lease and non-lease components. Both components are accounted for as a single lease component and payments for both components are included in the measurement of lease liability.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) LEASES – WHERE THE GROUP AND THE BANK IS THE LESSEE (CONTINUED)

<u>Accounting policy from 1 January 2019 (continued)</u>

(a) Lease term

In determining the lease term, the Group and the Bank consider all facts and circumstances that create an economic incentive to exercise an extension option, or not to exercise a termination option. Extension options (or periods after termination options) are only included in the lease term if the lease is reasonably certain to be extended (or not to be terminated).

The Group and the Bank reassess the lease term upon the occurrence of a significant event or change in circumstances that is within the control of the Group and the Bank, and affects whether the Group and the Bank is reasonably certain to exercise an option not previously included in the determination of lease term, or not to exercise an option previously included in the determination of lease term. A revision in lease term results in remeasurement of the lease liabilities (refer to (d) below).

(b) ROU assets

ROU assets are initially measured at cost comprising the following:

- the amount of the initial measurement of lease liability;
- any lease payments made at or before the commencement date less any lease incentive received;
- any initial direct costs; and
- decommissioning or restoration costs.

ROU assets that are not investment properties are subsequently measured at cost, less accumulated depreciation and impairment loss (if any). The ROU assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group and the Bank are reasonably certain to exercise a purchase option, the ROU asset is depreciated over the underlying asset's useful life. In addition, the ROU assets are adjusted for certain remeasurement of the lease liabilities.

(c) Lease liabilities

Lease liabilities are initially measured at the present value of the lease payments that are not paid at that date. The lease payments include the following:

- fixed payments (including in-substance fixed payments), less any lease incentive receivable;
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date;
- amounts expected to be payable by the Group and the Bank under residual value guarantees;
- the exercise price of a purchase and extension options if the Group and the Bank are reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the Group and the Bank exercising that option.

Lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group and the Bank, the lessee's incremental borrowing is used. This is the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the ROU in a similar economic environment with similar term, security and conditions.

Lease payments are allocated between principal and finance cost. The finance cost is charged to income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Variable lease payments that depend on sales are recognised in income statements in the period in which the condition that triggers those payments occurs.

The Group and the Bank present the lease liabilities as a separate line item in the statements of financial position. Interest expense on the lease liability is presented within the other interest expenses in the income statements.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2019 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(12) LEASES – WHERE THE GROUP AND THE BANK IS THE LESSEE (CONTINUED)

Accounting policy from 1 January 2019 (continued)

(d) Reassessment of lease liabilities

The Group and the Bank are also exposed to potential future increases in variable lease payments that depend on an index or rate, which are not included in the lease liability until they take effect. When adjustments to lease payments based on an index or rate take effect, the lease liability is remeasured and adjusted against the ROU assets.

(e) Short term leases and leases of low-value assets

Short term leases are leases with a lease term of 12 months or less. Low-value assets comprise information technology equipment and small items of office furniture. Payments associated with short term leases of information technology and all leases of low-value assets are recognised on a straight-line basis as an expense in income statements.

Accounting policy prior to 1 January 2019

(a) Operating lease

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to income statements on a straight-line basis over the period of the lease.

The upfront payments made for leasehold land represent prepaid lease rentals and are amortised on straight-line basis over the lease term.

Where an operating lease is terminated before the lease period has expired, any payment required to be made to the lessor by way of penalty is recognised as an expense in the period when termination takes place.

(b) Finance lease

Leases of assets where the Group and the Bank assume substantially all the risks and rewards of ownership of the assets are classified as finance leases. The assets are capitalised under property, plant and equipment and subject to depreciation consistent with that of depreciable assets which are owned. The assets and the corresponding lease obligations are recorded at the lower of present value of the minimum lease payments and the fair value of the leased assets at the beginning of the lease term. Each lease payment is allocated between the liability and finance charges using effective yield basis. The corresponding rental obligations, net of finance charges, are included in liabilities. The interest element of the finance charges is charged to income statements over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance leases are depreciated over the shorter of the estimated useful life of the asset and the lease term.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(13) LEASES – WHERE THE GROUP AND THE BANK IS THE LESSOR

As a lessor, the Group and the Bank determine at lease inception whether each lease is a finance lease or an operating lease. To classify each lease, the Group and the Bank make an overall assessment of whether the lease transfers substantially all of the risks and rewards incidental to ownership of the underlying asset to the lessee. As part of this assessment, the Group and the Bank consider certain indicators such as whether the lease is for the major part of the economic life of the asset.

(a) Operating lease

When assets are leased out under an operating lease, the asset is included in the statements of financial position based on the nature of the asset. Lease income is recognised over the term of the lease on a straight-line basis.

(b) Finance lease

When assets are leased out under a finance lease, the present value of the lease payment is recognised as a receivable. The receivable is subject to MFRS 9 impairment (refer to accounting policy Note 20 on impairment of financial assets). The difference between the gross receivable and the present value of the receivable is recognised as unearned finance income. Lease income is recognised over the term of the lease using the 'net investment' method so as to reflect a constant periodic rate of return.

(14) PROVISIONS

Provisions are recognised when the Group and the Bank have a present legal or constructive obligation, as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount of obligation can be made.

Where the Group and the Bank expect a provision to be reimbursed (for example, under an insurance contract), the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of the expenditure expected to be required to settle the obligation using a pre-tax rate that reflects current market assessment of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(a) Onerous contracts

The Group and the Bank recognise a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(b) Restructuring

Restructuring provisions mainly comprise lease termination penalties and employee termination payments and are recognised in the period in which the Group becomes legally or constructively committed to payment. Future operating costs are not provided for.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2019 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(15) FINANCIAL GUARANTEE CONTRACTS

Financial guarantee contracts are contracts that require the Group or the Bank to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument. Such financial guarantees are given to financial institutions and other bodies on behalf of customers to secure loans, overdrafts and other banking facilities.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The fair value of a financial guarantee at the time of issuance is zero because all guarantees are agreed on arm's length terms and the value of the premium agreed corresponds to the value of the guarantee obligation. No receivable for the future premium is recognised.

The fair value of financial guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligations.

Financial guarantee contracts are subsequently measured at the higher of the amount determined in accordance with the expected credit loss model under MFRS 9 'Financial Instruments' and the amount initially recognised less cumulative amount of income recognised in accordance with the principles of MFRS 15 'Revenue from Contracts with Customers', where appropriate.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Group and the Bank for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

(16) CONTINGENT LIABILITIES AND CONTINGENT ASSETS

The Group and the Bank do not recognise contingent assets and liabilities other than those arising from business combinations, but disclose their existence in the financial statements. A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group or the Bank or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Bank. The Group and the Bank do not recognise contingent assets but disclose their existence where inflows of economic benefits are probable, but not virtually certain.

The Group recognises separately the contingent liabilities of the acquiree as part of allocating the cost of a business combination where their fair values can be measured reliably. Where the fair values cannot be measured reliably, the resulting effect will be reflected in the goodwill arising from the acquisitions and the information about the contingent liabilities acquired are disclosed in the financial statements.

Subsequent to the initial recognition, the Group measures the contingent liabilities that are recognised separately at the date of acquisition at the higher of the amount that would be recognised in accordance with the provision of MFRS 137 'Provisions, Contingent Liabilities and Contingent Assets' and the amount initially recognised less when appropriate, cumulative amortisation recognised in accordance with MFRS 15 'Revenue from Contracts with Customers'.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(17) SHARE CAPITAL

(a) Classification

Ordinary shares are classified as equity. Other shares, if issued, are classified as equity and/or liability according to the economic substance of the particular instrument.

(b) Share issue cost

Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(c) Dividend distribution

Distributions to holders of an equity instrument are debited directly to equity, and the corresponding liability is recognised in the period in which the shareholders' right to receive the dividends are established or the dividends are approved.

(18) CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash equivalents are held for the purpose of meeting short term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprise cash on hand, deposits held at call with financial institutions, other short term, highly liquid investments with original maturities of one month or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(19) REVENUE RECOGNITION

(a) Interest income is recognised using the effective interest rate method. The effective interest rate is the rate that discounts estimated future cash receipts or payments through the expected life of the financial instrument or, when appropriate, a shorter period to its carrying amount. The calculation includes significant fees and transaction costs that are integral to the effective interest rate, as well as premiums or discounts. Interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset except for financial asset that subsequently becomes credit-impaired. For credit-impaired financial asset, the effective interest rate is applied to the net carrying amount of the financial asset (after deduction of the loss allowance).

(b) Fees and commissions are recognised as income when all conditions precedent are fulfilled. Commitment fees and guarantee fees for loans, advances and financing that are likely to be drawdown are deferred (together with related direct costs) and income which forms an integral part of the effective interest rate of a financial instrument is recognised as an adjustment to the effective interest rate of the financial instrument.

(c) Income from Islamic Banking business is recognised using effective profit method in accordance with the principles of Shariah.

(d) Brokerage commission is recognised when services are rendered. Interest income from margin financing, clients' overdue outstanding purposes and contra losses are recognised using effective interest rate method.

(e) Premium income from general insurance business (net of all reinsurance) is recognised on the date of assumption of risks. Premium in respect of risk incepted, for which policies have not been raised as at the date of statements of financial position, is accrued at that date.

Premiums, claims and other transactions of inward treaty business are accounted for in the income statements as and when the statements of account are received. Outward reinsurance premiums are recognised in the same accounting period as the original policies to which the reinsurance relate.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2019 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(19) REVENUE RECOGNITION (CONTINUED)

(f) Corporate advisory fees are recognised as income based on fulfilment of the performance obligation.

(g) Management fees of the unit trust and asset management company are recognised based on time apportionment method over the period of services.

(h) Dividends are recognised when the shareholders' right to receive payment is established. This applies even if they are paid out of the pre-acquisition profits. However, the investment may need to be tested for impairment as a consequence. Dividend income received from subsidiaries, financial assets at FVTPL and FVOCI are recognised as other operating income in income statements.

Dividend that clearly represents a recovery of part of the cost of an investment is recognised in other comprehensive income if it relates to an investment in equity investment measured at fair value through other comprehensive income.

(i) Income from bancassurance/bancatakaful agreements are recognised based on time apportionment method throughout the exclusive services agreement period.

(20) IMPAIRMENT OF FINANCIAL ASSETS

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

There are two approaches adopted by the Group and the Bank:

(1) General approach

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 or which has low credit risk at reporting date 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.

Unless identified at an earlier stage, all financial assets are deemed to have suffered a significant increase in credit risk when 30 days past due.

(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 cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognised.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

(1) General approach (continued)

(iii) Stage 3: Lifetime ECL – credit impaired (continued)

Generally, all financial assets that are 90 days past due or more are classified under Stage 3. The Group and the Bank consider the following as constituting an event of default:

(1) Quantitative criteria
- the borrower is past due more than 90 days on any material credit obligation to the Group and the Bank.

(2) Qualitative criteria
- legal action has been initiated by the Group and the Bank for recovery purposes;
- borrower is a bankrupt;
- borrower has been assigned to external collection agency.

Significant increase in credit risk ('SICR')

(1) The Group and the Bank consider the probability of default upon initial recognition of asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Bank compare the risk of a default occurring on the asset as at the reporting date with the risk of default as at the date of initial recognition.

(2) Among the indicators incorporated in ascertaining SICR are:
- internal credit rating;
- external credit rating (as far as available);
- actual or expected significant adverse changes in business, financial or economic conditions that are expected to cause a significant change to the borrower's ability to meet its obligations;
- actual or expected significant changes in the operating results of the borrower;
- significant increase in credit risk on other financial instruments of the same borrower;
- significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements; and
- significant changes in the expected performance and behaviour of the borrower, including changes in the payment status of borrower in the group and changes in the operating results of the borrower.

Macroeconomic information (such as market interest rates or growth rates) is incorporated as part of the internal rating model.

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 ('IRB') model, where feasible or available, with necessary adjustment to meet MFRS 9 requirements. The changes in ECL between two-periods will be recognised in income statements.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2019 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(20) IMPAIRMENT OF FINANCIAL ASSETS (CONTINUED)

Significant increase in credit risk ('SICR') (continued)

An exposure will migrate through the ECL stages as asset quality deteriorates. If, in a subsequent period, asset quality improves and also reverses any previously assessed significant increase in credit risk since origination, then the provision for doubtful debts reverts from lifetime ECL to 12-months ECL. Exposures that have not deteriorated significantly since origination, or where the deterioration remains within the Group's and the Bank's investment grade criteria, or which are less than 30 days past due, are considered to have a low credit risk. The provision for doubtful debts for these financial assets is based on a 12-months ECL. When an asset is uncollectible, it is written off against the related provision. Such assets are written off after all the necessary procedures have been completed and the amount of the loss has been determined. Subsequent recoveries of amounts previously written off reduce the amount of the expense in the income statements.

The Group and the Bank leverage on the model/segments/credit related factors implemented under the Basel II IRB framework where feasible or available, with calibration to meet MFRS 9 requirements. For portfolio without Basel model, other relevant historical information, loss experience or proxies will be utilised if deemed feasible.

In determining the ECL, management will evaluate a range of possible outcomes, taking into account past events, current conditions/ trends and economic outlooks. Additional considerations that are assessed to have been adequately addressed by the ECL model estimates, a structured management overlay, which is subject to robust review and governance process, will be applied consistently.

Generally, all financial assets are considered to have experienced a significant increase in credit risk if the exposures is more than 30 days past due on its contractual payments.

(2) Simplified approach

The Group and the Bank apply the MFRS 9 simplified approach to measure ECL which uses a lifetime expected loss allowance for clients' and brokers' balances, fee and premium receivables. The expected loss allowance is based on provisional matrix.

(21) IMPAIRMENT OF NON-FINANCIAL ASSETS

Non-financial assets that have an indefinite useful life, for example goodwill, are not subject to amortisation and are tested annually for impairment. Non-financial assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the carrying amount of the non-financial assets exceeds its recoverable amount.

The recoverable amount is the higher of a non-financial assets' fair value less costs to sell and value in use. For the purpose of assessing impairment, non-financial assets are grouped at the lowest levels for which there is separately identifiable cash flows or CGU. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting period.

The impairment loss is charged to income statements. Impairment losses on goodwill are not reversed. In respect of other non-financial assets, any subsequent increase in recoverable amount is recognised in income statements.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) GENERAL INSURANCE

Insurance contracts are those contracts that transfer significant insurance risk. An insurance contract is a contract under which the insurance subsidiary (the insurer) has accepted significant insurance risk from another party (the policyholders) by agreeing to compensate the policyholders if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the Group determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur.

The general insurance underwriting results are determined for each class of business after taking into account reinsurances, commissions, unearned premiums and claims incurred.

(a) Premium income

Premium income is recognised on the date of assumption of risk. Premiums in respect of risks incepted for which policies have not been raised as of the date of statements of financial position, are accrued at the date.

Premiums, claims and other transactions of inward treaty business are accounted for in the income statements as and when the statements of account are received.

Outward reinsurance premiums are recognised in the same accounting period as the original policies to which the reinsurance relate.

(b) Premium liabilities

Premium liabilities refer to the higher of:

(i) the aggregate of the unearned premium reserves; or

(ii) the best estimate value of the insurer's unexpired risk reserves at the valuation date and the Provision of Risk Margin for Adverse Deviation ('PRAD') calculated at the overall insurance subsidiary. The best estimate value is a prospective estimate of the expected future payments arising from future events insured under policies in force as at the valuation date and also includes allowance for the insurer's expense including overheads and cost of reinsurance, expected to be incurred during the unexpired period in administering these policies and settling the relevant claims, and shall allow for expected future premium refunds.

Unearned premium reserves ('UPR') represent the portion of premium income not yet earned at the date of statements of financial position. UPR is computed with reference to the month of accounting for the premium on the following basis:

(i) 25% method for marine and aviation cargo, and transit business;

(ii) 1/24th method for all other classes of general business except for non-annual policies in respect of Malaysian policies, reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM; and

(iii) time apportionment method for non-annual policies (including long term inwards treaty business) reduced by the percentage of accounted gross direct business commission to the corresponding premium, not exceeding limits specified by BNM.

(c) Claim liabilities

A liability for outstanding claims is recognised in respect of both direct insurance and inward reinsurance. The amount of claims liabilities is the best estimate of the expenditure required together with related expenses less recoveries to settle the present obligations at the date of statements of financial position. These include provision for claims reported, claims incurred but not reported, claims incurred but not enough reserved and direct and indirect claims-related expenses such as investigation fees, loss adjustment fees, legal fees, sue and labour charges and the expected internal costs that the insurer expects to incur when settling these claims.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2019 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) GENERAL INSURANCE (CONTINUED)

(d) Acquisition costs

The cost of acquiring and renewing insurance policies net of income derived from ceding reinsurance premium is recognised as incurred and properly allocated to the periods in which it is probable they give rise to income.

(e) Reinsurance

The insurance subsidiary cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contracts.

Ceded reinsurance arrangements do not relieve the insurance subsidiary from its obligations to policyholders. Premiums and claims are presented on a gross basis for both ceded and assumed reinsurance.

Reinsurance assets are reviewed for impairment at each reporting date or more frequently when an indication of impairment arises during the reporting period. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the insurance subsidiary may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the insurance subsidiary will receive from the reinsurer. The impairment loss is recorded in income statements.

Gains or losses on buying reinsurance are recognised in income statements immediately at the date of purchase and are not amortised.

The insurance subsidiary also assumes reinsurance risk in the normal course of business for general insurance contracts when applicable.

Premiums and claims on assumed reinsurance are recognised as revenue or expenses in the same manner as they would be if the reinsurance were considered direct business, taking into account the product classification of the reinsured business. Reinsurance liabilities represent balances due to reinsurance companies. Amounts payable are estimated in a manner consistent with the related reinsurance contract.

Reinsurance assets or liabilities are derecognised when the contractual rights are extinguished or expired or when the contract is transferred to another party.

Reinsurance contracts that do not transfer significant insurance risk are accounted for directly through the statements of financial position. These are deposit assets or financial liabilities that are recognised based on the consideration paid or received less any explicit identified premiums or fees to be retained by the reinsured. Investment income on these contracts is accounted for using the effective yield method when accrued.

(f) Insurance contract liabilities

General insurance contract liabilities are recognised when contracts are entered into and premiums are charged.

These liabilities comprise claims liabilities and premium liabilities.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(22) GENERAL INSURANCE (CONTINUED)

(f) Insurance contract liabilities (continued)

Outstanding claims provision are based on the estimated ultimate cost of all claims incurred but not settled at the date of statements of financial position, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these claims cannot be known with certainty at the date of statements of financial position. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. No provision for equalisation or catastrophe reserves is recognised. The liabilities are derecognised when the contract expires, is discharged or is cancelled. The provision for unearned premiums represents premiums received for risks that have not yet expired. Generally, the reserve is released over the term of the contract and is recognised as premium income.

At each reporting date, the insurance subsidiary reviews its unexpired risks and a liability adequacy test is performed to determine whether there is any overall excess of expected claims and deferred acquisition costs over unearned premiums. This calculation uses current estimates of future contractual cash flows (taking into consideration current loss ratios) after taking account of the investment return expected to arise on assets relating to the relevant general insurance technical provisions. If these estimates show that the carrying amount of the unearned premiums less related deferred acquisition costs is inadequate, the deficiency is recognised in income statements by setting up a provision for liability adequacy.

(23) EMPLOYEE BENEFITS

(a) Short term employee benefits

The Group and the Bank recognise a liability and an expense for bonuses. The Group and the Bank recognise a provision where contractually obliged or where there is a past practice that has created a constructive obligation.

Wages, salaries, paid annual leave and sick leave, bonuses and non-monetary benefits are accrued in the period in which the associated services are rendered by employees of the Group and the Bank.

(b) Defined contribution plans

A defined contribution plan is a pension plan under which the Group and the Bank pay fixed contributions to the national pension scheme, the Employees' Provident Fund. The Group's and the Bank's contributions to defined contribution plans are charged to income statements in the period to which they relate. Once the contributions have been paid, the Group and the Bank have no further legal or constructive obligations.

(c) Termination benefits

Termination benefits are payable whenever an employee's employment is terminated before the normal retirement date or whenever an employee accepts voluntary redundancy in exchange for these benefits. The Group recognises termination benefits at the earlier of the following dates:

(i) when the Group can no longer withdraw the offer of those benefits; and

(ii) when the entity recognises costs for a restructuring that is within the scope of MFRS 137 and involves the payment of termination benefits.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2019 (continued)

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(24) CURRENT AND DEFERRED INCOME TAXES

The tax expense for the period comprises current and deferred tax. Tax is recognised in income statements, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is recognised in other comprehensive income or directly in equity, respectively.

Current tax expense is determined according to the tax laws of each jurisdiction in which the Group and the Bank operate and include all taxes based upon the taxable profits, including withholding taxes payable by foreign subsidiaries, associates and joint ventures and arising from distributions of retained profits to companies in the Group.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. However, deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss.

Deferred tax assets are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences or unused tax losses can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, associates and joint ventures except where the timing of the reversal of the temporary differences can be controlled by the Group and it is probable that the temporary differences will not reverse in the foreseeable future.

Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantially enacted by the date of statements of financial position and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

(25) CURRENCY CONVERSION AND TRANSLATION

(a) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Ringgit Malaysia, which is the Bank's functional and presentation currency.

(b) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in income statements, except when deferred in other comprehensive income as qualifying cash flow hedges and qualifying net investment hedges. Foreign exchange gains and losses are presented in income statements within other operating income.

(A) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(25) CURRENCY CONVERSION AND TRANSLATION (CONTINUED)

(b) Transactions and balances (continued)

Changes in the fair value of monetary securities denominated in foreign currency classified as debt instruments under fair value through other comprehensive income are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in income statements, and other changes in carrying amount are recognised in other comprehensive income.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. Translation differences on non-monetary financial assets and liabilities such as equities held at fair value through profit or loss are recognised in income statements as part of the fair value gain or loss. Translation differences on non-monetary financial assets, such as equities classified as at fair value through other comprehensive income, are included in other comprehensive income.

(c) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

(i) Assets and liabilities for each statements of financial position presented are translated at the closing rate at the date of that statements of financial position;

(ii) Income and expenses for each statements of comprehensive income are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of transactions); and

(iii) All resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign operations, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is partially disposed of or sold, a proportionate share of such exchange differences is recognised in income statements as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(26) SEGMENT REPORTING

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker, who is responsible for allocating resources to and assessing performance of the operating segments of an entity. The Group has determined its Group Management Committee as its chief operating decision-maker.

Summary of Significant Accounting Policies and Critical Accounting Estimates and Assumptions

for the financial year ended 31 December 2019 (continued)

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS

The Group and the Bank make estimates and assumptions that affect the reported amounts of assets and liabilities within the next financial year. Estimates and judgements are continuously evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amount of assets within the next financial year are outlined below:

(1) Fair value measurement

A significant portion of financial instruments are carried on the balance sheet at fair value.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Where the classification of a financial asset or liability results in it being measured at fair value, wherever possible, the fair value is determined by reference to the quoted bid or offer price in the most advantageous active market to which the Group and the Bank has immediate access. An adjustment for credit risk is also incorporated into the fair value as appropriate.

Fair value for a net open position that is a financial liability quoted in an active market is the current offer price, and for a financial asset the bid price, multiplied by the number of units of the instrument held or issued.

Where no active market exists for a particular asset or liability, the Group and the Bank use a valuation technique to arrive at the fair value, including the use of transaction prices obtained in recent arm's length transactions, discounted cash flow analysis, option pricing models and other valuation techniques, based on market conditions and risks existing at reporting date. In doing so, fair value is estimated using a valuation technique that makes maximum use of observable market inputs and places minimal reliance upon entity-specific inputs.

The best evidence of the fair value of a financial instrument at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets. When such evidence exists, the Group and the Bank recognise the difference between the transaction price and the fair value in profit or loss on initial recognition (i.e. on day one).

The valuation techniques are further disclosed in Note 55(g)(i) to the financial statements.

(2) Allowance for expected credit losses ('ECL')

The measurement of the ECL for financial assets measured at amortised cost and FVOCI is an area that requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.

MFRS 9 introduces the use of macroeconomic factors which include, but is not limited to, private consumption, unemployment rates, inflation, KLIBOR-3M and commercial property prices, and requires an evaluation of both the current and forecast direction of the economic cycle. Incorporating forward looking information increases the level of judgement as to how changes in these macroeconomic factors will affect ECL. The methodology and assumptions including any forecasts of future economic conditions are reviewed regularly.

(B) CRITICAL ACCOUNTING ESTIMATES AND ASSUMPTIONS (CONTINUED)

(2) Allowance for expected credit losses ('ECL') (continued)

A number of significant judgements are also required in applying the accounting requirements for measuring ECL, such as:

(i) Determining criteria for significant increase in credit risk;
(ii) Choosing appropriate models and assumptions for the measurement of ECL;
(iii) Establishing the number and relative weightings of forward-looking scenarios for each type of product/market and the associated ECL; and
(iv) Establishing groups of similar financial assets for the purposes of measuring ECL.

The sensitivity effect on the macroeconomic factor is further disclosed in Note 55(e)(vii) to the financial statements.

(3) Goodwill impairment

Goodwill is tested at least annually for impairment. Testing of goodwill for impairment involves a significant amount of estimation. This includes the identification of independent CGUs and the allocation of goodwill to these units based on which units are expected to benefit from the acquisition. Estimating the value in use requires the Group and the Bank to make an estimate of the expected future cash flows from the CGU. Determining both the expected pre-tax cash flows and the risk adjusted discount rate appropriate to the CGU also require the exercise of judgement. The variables are subject to fluctuations in external market rates and economic conditions beyond management control and are subject to uncertainty and require the exercise of significant judgement. The detailed disclosures on the assessment of impairment of goodwill is disclosed in Note 19 to the financial statements.

Notes to the Financial Statements

for the financial year ended 31 December 2019

1 GENERAL INFORMATION

RHB Bank Berhad is a public limited company, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activities of the Bank are commercial banking and finance related business and the provision of related services. The Group is involved in commercial banking and finance related business, Islamic banking, investment banking, stock broking, leasing, offshore banking, offshore trust services, property investment, general insurance, unit trust management, asset management, nominee and custodian services.

There have been no significant changes in these principal activities during the financial year.

The address of the registered office of the Bank is Level 10, Tower One, RHB Centre, Jalan Tun Razak, 50400 Kuala Lumpur.

The financial statements have been approved for issue in accordance with a resolution of the Board of Directors on 25 February 2020.

2 CASH AND SHORT TERM FUNDS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Cash and balances with banks and other financial institutions	**4,124,428**	3,875,207	**2,102,889**	1,983,837
Money at call and deposit placements maturing within one month	**7,503,564**	8,677,981	**3,400,004**	6,871,489
	11,627,992	12,553,188	**5,502,893**	8,855,326

Included in the cash and short term funds of the Group are accounts held in trust for remisiers amounting to RM64,861,000 (2018: RM62,918,000).

3 DEPOSITS AND PLACEMENTS WITH BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Licensed banks	**1,051,206**	898,120	**1,351,402**	1,290,958
Licensed Islamic banks	**43,940**	-	**2,944,389**	1,067,041
Licensed investment banks	**-**	-	**1,053,841**	734,187
Other financial institutions	**421**	-	**-**	-
	1,095,567	898,120	**5,349,632**	3,092,186

4 INVESTMENT ACCOUNT DUE FROM DESIGNATED FINANCIAL INSTITUTIONS

This investment account which is exposure to Restricted Profit Sharing Investment Account ('RPSIA'), is an arrangement by the Bank with its wholly-owned subsidiary, RHB Islamic Bank Berhad ('RHB Islamic Bank').

The underlying assets of RHB Islamic Bank for the RPSIA are as follows:

	Bank	
	2019 RM'000	2018 RM'000
Principal		
Personal financing	**1,000,000**	700,000
Other term financing	**6,320,301**	6,422,927
Unquoted securities	**811,775**	693,775
	8,132,076	7,816,702

As at 31 December 2019, the RPSIA placements have an average rate of return ranging between 3.69% to 5.90% (2018: 4.28% to 5.49%) per annum and average profit sharing rate ranging between 81% to 89% (2018: 81% to 86%).

5 FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS ('FVTPL')

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Mandatory measured at fair value				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	**491,029**	745,056	**491,029**	745,056
Malaysian Government Treasury Bills	**-**	24,411	**-**	24,411
Malaysian Government Investment Issues	**1,606,524**	813,898	**1,399,379**	539,672
Bank Negara Malaysia Monetary Notes	**-**	24,873	**-**	24,873
Singapore Housing Development Board	**30,383**	-	**30,383**	-
Singapore Government Securities	**16,922**	-	**16,922**	-
QUOTED SECURITIES:				
In Malaysia				
Shares, exchanged traded funds and warrants	**23,716**	111,544	**-**	-
Unit trusts	**65,906**	67,553	**-**	-
Corporate bond/sukuk	**3,324**	13,704	**3,324**	3,179
Outside Malaysia				
Shares, exchanged traded funds and warrants	**282,457**	227,837	**3,337**	5,294
UNQUOTED SECURITIES:				
In Malaysia				
Corporate bond/sukuk	**254,807**	277,460	**254,807**	277,460
Unit trusts	**1,024,555**	785,212	**-**	-
Commercial paper	**119,813**	-	**119,813**	-
Outside Malaysia				
Corporate bond/sukuk	**211,294**	271,826	**211,294**	271,826
Private equity funds	**492,717**	437,275	**-**	-
	4,623,447	3,800,649	**2,530,288**	1,891,771

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI')

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
At fair value				
(a) Debt instruments	**39,109,505**	31,900,621	**33,279,961**	26,946,919
(b) Equity instruments	**695,799**	677,212	**654,311**	637,457
	39,805,304	32,577,833	**33,934,272**	27,584,376
(a) Debt instruments				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	**2,471,928**	3,043,129	**2,338,619**	2,914,403
Malaysian Government Investment Issues	**6,111,157**	4,317,009	**4,618,503**	3,235,390
Cagamas bonds	**168,360**	317,761	**158,135**	307,617
Khazanah bonds	**45,910**	52,942	**-**	-
Negotiable instruments of deposits	**650,517**	1,102,277	**500,980**	903,443
Other foreign government investment issues	**50,473**	20,633	**50,473**	20,633
Sukuk Perumahan Kerajaan	**71,596**	119,853	**-**	49,939
Singapore Government Securities	**1,125,612**	1,199,663	**1,125,612**	1,199,663
Thailand Government Securities	**581,245**	429,548	**581,245**	429,548
Other Foreign Government Treasury Bills	**1,920,742**	1,007,629	**1,920,742**	1,007,629
Singapore Housing Development Board	**677,603**	722,998	**677,603**	722,998
UNQUOTED SECURITIES:				
In Malaysia				
Corporate bond/sukuk	**18,990,597**	14,276,552	**15,115,781**	10,915,972
Perpetual notes/sukuk	**102,651**	102,750	**102,651**	102,750
Prasarana bonds	**2,175,940**	1,189,007	**2,150,023**	1,163,546
Outside Malaysia				
Corporate bond/sukuk	**3,965,174**	3,998,870	**3,939,594**	3,973,388
	39,109,505	31,900,621	**33,279,961**	26,946,919

Included in financial investments at FVOCI of the Group and the Bank are corporate bond/sukuk, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM204,000,000 (2018: RM761,000,000) and RM787,000,000 (2018: RM761,000,000) respectively.

	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
i) (Movement in credit impaired financial assets at FVOCI		
Balance as at the beginning of the financial year	**5,252**	8,520
Derecognition	**(4,224)**	(4,339)
Exchange differences	**(8)**	1,071
Balance as at the end of the financial year	**1,020**	5,252

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI') (CONTINUED)

(a) Debt instruments (continued)

(ii) Movement in allowance for credit losses recognised in FVOCI reserves

Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
2019				
Balance as at the beginning of the financial year	**55,977**	**306**	**-**	**56,283**
Transfer to 12-month ECL (Stage 1)	**306**	**(306)**	**-**	**-**
Allowance written back during the financial year	**(5,065)**	**-**	**-**	**(5,065)**
Purchases and origination	**8,125**	**-**	**-**	**8,125**
Derecognition and disposal	**(15,407)**	**-**	**-**	**(15,407)**
Exchange differences	**328**	**-**	**-**	**328**
Balance as at the end of the financial year	**44,264**	**-**	**-**	**44,264**
2018				
Balance as at the beginning of the financial year	58,128	794	-	58,922
Transfer to 12-month ECL (Stage 1)	802	(802)	-	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(238)	238	-	-
Allowance (written back)/made during the financial year	(11,908)	870	-	(11,038)
Purchases and origination	47,630	-	-	47,630
Derecognition and disposal	(36,964)	(793)	-	(37,757)
Exchange differences	(1,473)	(1)	-	(1,474)
Balance as at the end of the financial year	55,977	306	-	56,283
Bank				
2019				
Balance as at the beginning of the financial year	**50,278**	**-**	**-**	**50,278**
Allowance written back during the financial year	**(2,921)**	**-**	**-**	**(2,921)**
Purchases and origination	**7,851**	**-**	**-**	**7,851**
Derecognition and disposal	**(13,671)**	**-**	**-**	**(13,671)**
Exchange differences	**328**	**-**	**-**	**328**
Balance as at the end of the financial year	**41,865**	**-**	**-**	**41,865**
2018				
Balance as at the beginning of the financial year	52,371	794	-	53,165
Allowance written back during the financial year	(10,753)	-	-	(10,753)
Purchases and origination	45,869	-	-	45,869
Derecognition and disposal	(35,723)	(793)	-	(36,516)
Exchange differences	(1,486)	(1)	-	(1,487)
Balance as at the end of the financial year	50,278	-	-	50,278

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI') (CONTINUED)

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
(b) Equity instruments				
QUOTED SECURITIES:				
In Malaysia				
Shares	**-**	514	**-**	-
Outside Malaysia				
Shares	**2,418**	2,082	**-**	-
UNQUOTED SECURITIES:				
In Malaysia				
Shares	**692,963**	674,218	**654,310**	637,456
Outside Malaysia				
Shares	**418**	398	**1**	1
	695,799	677,212	**654,311**	637,457

The Group and the Bank designated certain investments as equity securities under FVOCI. The FVOCI designation was made because these investments are either held for socio-economic purposes or not for trading purposes. There is no transfer of cumulative gain/(loss) in the equity during the year.

	Group Fair value RM'000	Group Dividend income recognised during the financial year RM'000	Bank Fair value RM'000	Bank Dividend income recognised during the financial year RM'000
2019				
Securities				
Cagamas Holdings Berhad	332,233	2,647	302,233	2,347
Financial Park (Labuan) Sdn Bhd	213,823	1,600	213,823	1,600
Credit Guarantee Corporation Malaysia Bhd	60,085	-	60,085	-
Others	89,658	6,276	78,170	5,619
	695,799	10,523	654,311	9,566

6 FINANCIAL ASSETS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME ('FVOCI') (CONTINUED)

	Group Fair value RM'000	Group Dividend income recognised during the financial year RM'000	Bank Fair value RM'000	Bank Dividend income recognised during the financial year RM'000
2018				
Securities				
Cagamas Holdings Berhad	313,157	2,527	285,065	2,347
Financial Park (Labuan) Sdn Bhd	214,374	-	214,374	-
Credit Guarantee Corporation Malaysia Bhd	65,912	-	65,912	-
Others	83,769	850	72,106	309
	677,212	3,377	637,457	2,656

7 FINANCIAL INVESTMENTS AT AMORTISED COST

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
At amortised cost				
MONEY MARKET INSTRUMENTS:				
Malaysian Government Securities	**100,698**	100,602	**100,698**	100,602
Malaysian Government Investment Issues	**3,182,753**	3,705,897	**2,651,130**	3,142,579
Cagamas bonds	**237,412**	1,152,842	**237,412**	934,517
Khazanah bonds	**186,108**	110,467	**79,180**	75,672
Wakala Global Sukuk	**29,682**	30,246	**21,211**	21,620
Sukuk Perumahan Kerajaan	**111,034**	111,065	**101,020**	101,066
Other Foreign Government Treasury Bills	**272,494**	212,636	**272,494**	212,636
Sukuk (Brunei) Incorporation	**30,400**	39,425	**30,400**	39,425
UNQUOTED SECURITIES:				
In Malaysia				
Corporate bond/sukuk	**10,041,472**	8,667,354	**6,164,844**	5,647,529
Corporate loan stocks	**25,853**	27,023	**-**	860
Prasarana bonds	**343,732**	274,065	**272,894**	208,371
	14,561,638	14,431,622	**9,931,283**	10,484,877
Allowance for credit losses	**(312,229)**	(341,347)	**(228,481)**	(256,226)
	14,249,409	14,090,275	**9,702,802**	10,228,651

Included in financial investments at amortised cost of the Group and the Bank are corporate bond/sukuk, which are pledged as collateral for obligations on securities sold under repurchase agreements amounting to RM1,839,000,000 (2018: RM1,428,000,000) and RM2,973,000,000 (2018: RM2,350,000,000) respectively.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

7 FINANCIAL INVESTMENTS AT AMORTISED COST (CONTINUED)

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
(i) Movement in credit impaired financial investments at amortised cost				
Balance as at the beginning of the financial year	141,405	144,100	63,341	64,695
Derecognition	(897)	(2,873)	(280)	(1,532)
Exchange differences	(83)	178	(83)	178
Balance as at the end of the financial year	140,425	141,405	62,978	63,341

(ii) Movement in allowance for credit losses

Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
2019				
Balance as at the beginning of the financial year	23,820	176,683	140,844	341,347
Allowance written back during the financial year	(2,429)	(26,873)	(280)	(29,582)
Purchases and origination	7,211	-	-	7,211
Derecognition	(5,518)	(525)	(617)	(6,660)
Exchange differences	(3)	-	(84)	(87)
Balance as at the end of the financial year	23,081	149,285	139,863	312,229
2018				
Balance as at the beginning of the financial year	23,276	185,629	143,539	352,444
Allowance (written back)/made during the financial year	17	(7,592)	(1,518)	(9,093)
Purchases and origination	14,981	-	-	14,981
Derecognition	(14,473)	(1,354)	(1,340)	(17,167)
Exchange differences	19	-	163	182
Balance as at the end of the financial year	23,820	176,683	140,844	341,347
Bank				
2019				
Balance as at the beginning of the financial year	19,017	174,430	62,779	256,226
Allowance written back during the financial year	(757)	(25,334)	(280)	(26,371)
Purchases and origination	3,249	-	-	3,249
Derecognition	(4,539)	-	-	(4,539)
Exchange differences	-	-	(84)	(84)
Balance as at the end of the financial year	16,970	149,096	62,415	228,481
2018				
Balance as at the beginning of the financial year	20,705	184,311	64,134	269,150
Allowance written back during the financial year	(166)	(8,527)	(1,518)	(10,211)
Purchases and origination	10,929	-	-	10,929
Derecognition	(12,451)	(1,354)	-	(13,805)
Exchange differences	-	-	163	163
Balance as at the end of the financial year	19,017	174,430	62,779	256,226

8 LOANS, ADVANCES AND FINANCING

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
(a) By type				
At amortised cost				
Overdrafts	6,837,516	6,786,330	5,639,721	5,770,136
Term loans/financing:				
- Housing loans/financing	61,144,001	56,096,417	42,455,732	40,489,870
- Syndicated term loans/financing	7,016,496	6,475,098	3,466,440	2,993,804
- Hire purchase receivables/financing	9,108,539	9,441,182	1,385,512	2,195,103
- Lease receivables	193	715	-	-
- Other term loans/financing	67,530,547	68,122,419	40,939,402	45,025,256
Bills receivables	3,961,067	3,429,081	3,049,995	2,388,667
Trust receipts	686,290	587,595	657,190	564,973
Claims on customers under acceptance credits	3,452,118	3,293,614	3,452,118	3,293,614
Staff loans/financing	112,373	117,045	105,342	113,618
Credit/charge card receivables	2,225,932	2,149,984	1,932,411	1,865,814
Revolving credits/financing	14,099,776	12,379,047	6,564,356	5,970,550
Gross loans, advances and financing	176,174,848	168,878,527	109,648,219	110,671,405
Fair value changes arising from fair value hedges	41,906	2,840	3,342	1,873
	176,216,754	168,881,367	109,651,561	110,673,278
Less:				
- Allowance for credit losses	(2,980,082)	(3,251,593)	(2,305,896)	(2,457,132)
Net loans, advances and financing	173,236,672	165,629,774	107,345,665	108,216,146

Included in loans, advances and financing are housing loans, hire purchase receivables and other term loans/financing sold to Cagamas with recourse to the Group and the Bank amounting to RM3,312,744,000 (2018: RM4,926,747,000) and RM1,173,094,000 (2018: RM2,723,536,000) respectively.

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
(b) By type of customer				
Domestic non-bank financial institutions:				
- Others	3,923,700	4,002,667	831,549	544,223
Domestic business enterprises:				
- Small and medium enterprises	25,523,338	23,923,063	20,702,527	20,532,892
- Others	29,410,330	30,371,727	14,866,227	17,138,866
Government and statutory bodies	7,005,672	6,966,868	1,911,967	1,941,949
Individuals	90,163,496	84,651,922	55,525,488	55,763,504
Other domestic entities	137,795	144,079	15,456	14,087
Foreign entities	20,010,517	18,818,201	15,795,005	14,735,884
	176,174,848	168,878,527	109,648,219	110,671,405

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
(c) By geographical distribution				
Malaysia	**156,943,906**	150,434,800	**95,203,293**	97,353,043
Labuan Offshore	**1,978,689**	2,483,266	**-**	-
Singapore	**12,828,721**	11,894,363	**12,614,249**	11,696,999
Thailand	**1,829,253**	1,628,349	**1,663,059**	1,453,771
Brunei	**167,618**	167,592	**167,618**	167,592
Indonesia	**88,690**	128,070	**-**	-
Hong Kong	**27,032**	88,022	**-**	-
Cambodia	**2,113,095**	1,822,861	**-**	-
Laos	**197,844**	231,204	**-**	-
	176,174,848	168,878,527	**109,648,219**	110,671,405
(d) By interest/profit rate sensitivity				
Fixed rate:				
- Housing loans/financing	**114,426**	147,880	**93,249**	101,320
- Hire purchase receivables/financing	**3,631,363**	5,463,962	**1,385,512**	2,195,103
- Other fixed rate loans/financing	**16,270,398**	16,602,512	**9,117,878**	9,559,918
Variable rate:				
- Base lending/financing rate/base rate plus	**98,476,244**	91,179,109	**68,357,932**	67,621,594
- Cost-plus	**50,043,944**	47,752,540	**24,521,787**	25,317,549
- Other variable rates	**7,638,473**	7,732,524	**6,171,861**	5,875,921
	176,174,848	168,878,527	**109,648,219**	110,671,405
(e) By economic sector				
Agriculture, hunting, forestry and fishing	**3,640,554**	3,739,027	**2,096,069**	2,461,618
Mining and quarrying	**655,608**	1,186,963	**350,371**	326,975
Manufacturing	**9,492,621**	8,453,566	**7,075,716**	6,613,596
Electricity, gas and water	**2,122,290**	2,445,122	**1,728,133**	2,049,427
Construction	**12,316,993**	12,155,342	**7,282,412**	7,801,936
Wholesale and retail trade and restaurant and hotel	**14,319,252**	12,852,649	**11,702,940**	10,596,310
Transport, storage and communication	**7,216,382**	7,886,642	**2,066,500**	3,026,887
Finance, insurance, real estate and business services	**19,982,481**	19,716,460	**13,316,611**	13,629,919
Government and government agencies	**5,495,679**	5,456,807	**1,911,967**	1,941,949
Education, health and others	**5,514,353**	4,942,589	**2,791,386**	2,294,059
Household sector	**94,400,973**	88,914,861	**58,856,599**	59,260,651
Others	**1,017,662**	1,128,499	**469,515**	668,078
	176,174,848	168,878,527	**109,648,219**	110,671,405

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
(f) By purpose				
Purchase of securities	**11,305,453**	11,049,203	**5,072,680**	6,538,214
Purchase of transport vehicles	**8,702,883**	8,860,127	**947,556**	1,558,419
Purchase of landed property:				
- Residential	**59,458,474**	54,684,923	**41,770,722**	39,841,953
- Non-residential	**18,786,302**	18,035,783	**13,772,009**	14,001,746
Purchase of property, plant and equipment other than land and building	**2,645,065**	3,017,858	**1,962,043**	2,304,220
Personal use	**10,420,875**	10,329,313	**6,146,621**	6,696,533
Credit card	**2,225,932**	2,149,984	**1,932,411**	1,865,814
Purchase of consumer durables	**14,585**	15,956	**14,585**	15,956
Construction	**7,551,967**	7,499,847	**5,558,253**	5,598,892
Working capital	**37,465,094**	37,363,313	**23,752,175**	23,510,558
Merger and acquisition	**2,423,564**	2,858,468	**1,022,647**	1,429,580
Other purposes	**15,174,654**	13,013,752	**7,696,517**	7,309,520
	176,174,848	168,878,527	**109,648,219**	110,671,405
(g) By remaining contractual maturities				
Maturity within one year	**45,435,134**	42,198,881	**33,846,039**	32,450,920
One year to three years	**7,541,535**	11,255,456	**4,286,651**	6,811,286
Three years to five years	**14,742,896**	13,171,605	**5,581,448**	6,731,774
Over five years	**108,455,283**	102,252,585	**65,934,081**	64,677,425
	176,174,848	168,878,527	**109,648,219**	110,671,405

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(h) By stages

Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
2019				
Balance as at the beginning of the financial year	**150,795,264**	**14,599,709**	**3,483,554**	**168,878,527**
Transfer to 12-month ECL (Stage 1)	**4,295,223**	**(4,154,277)**	**(140,946)**	**-**
Transfer to Lifetime ECL not credit impaired (Stage 2)	**(5,157,801)**	**5,361,858**	**(204,057)**	**-**
Transfer to Lifetime ECL credit impaired (Stage 3)	**(697,430)**	**(464,203)**	**1,161,633**	**-**
Purchases and origination	**47,146,936**	**3,289,839**	**706,283**	**51,143,058**
Derecognition	**(36,896,035)**	**(5,551,624)**	**(668,725)**	**(43,116,384)**
Amount written off	**-**	**-**	**(857,988)**	**(857,988)**
Exchange differences	**122,206**	**6,008**	**(579)**	**127,635**
Balance as at the end of the financial year	**159,608,363**	**13,087,310**	**3,479,175**	**176,174,848**
2018				
Balance as at the beginning of the financial year	138,853,911	17,126,919	4,044,770	160,025,600
Transfer to 12-month ECL (Stage 1)	4,284,814	(3,980,510)	(304,304)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(4,347,109)	4,582,277	(235,168)	-
Transfer to Lifetime ECL credit impaired (Stage 3)	(479,334)	(472,259)	951,593	-
Purchases and origination	45,771,044	3,647,390	599,037	50,017,471
Derecognition	(33,288,892)	(6,322,429)	(850,707)	(40,462,028)
Amount written off	-	-	(727,464)	(727,464)
Exchange differences	830	18,321	5,797	24,948
Balance as at the end of the financial year	150,795,264	14,599,709	3,483,554	168,878,527
Bank				
2019				
Balance as at the beginning of the financial year	**97,205,288**	**10,910,911**	**2,555,206**	**110,671,405**
Transfer to 12-month ECL (Stage 1)	**3,297,282**	**(3,189,717)**	**(107,565)**	**-**
Transfer to Lifetime ECL not credit impaired (Stage 2)	**(3,892,797)**	**4,025,657**	**(132,860)**	**-**
Transfer to Lifetime ECL credit impaired (Stage 3)	**(559,686)**	**(360,995)**	**920,681**	**-**
Purchases and origination	**23,512,455**	**2,546,190**	**605,266**	**26,663,911**
Derecognition	**(22,459,344)**	**(4,152,578)**	**(516,048)**	**(27,127,970)**
Amount written off	**-**	**-**	**(704,846)**	**(704,846)**
Exchange differences	**130,102**	**11,670**	**3,947**	**145,719**
Balance as at the end of the financial year	**97,233,300**	**9,791,138**	**2,623,781**	**109,648,219**

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(h) By stages (continued)

Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
2018				
Balance as at the beginning of the financial year	95,160,637	12,470,599	3,140,438	110,771,674
Transfer to 12-month ECL (Stage 1)	3,428,519	(3,192,128)	(236,391)	-
Transfer to Lifetime ECL not credit impaired (Stage 2)	(3,005,056)	3,204,684	(199,628)	-
Transfer to Lifetime ECL credit impaired (Stage 3)	(363,606)	(336,719)	700,325	-
Purchases and origination	22,005,782	2,940,537	511,037	25,457,356
Derecognition	(20,076,112)	(4,181,378)	(772,789)	(25,030,279)
Amount written off	-	-	(584,161)	(584,161)
Exchange differences	55,124	5,316	(3,625)	56,815
Balance as at the end of the financial year	97,205,288	10,910,911	2,555,206	110,671,405

(i) Impaired loans, advances and financing

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
(i) By economic sector				
Agriculture, hunting, forestry and fishing	**60,515**	67,839	**39,635**	42,726
Mining and quarrying	**205,586**	202,393	**4,778**	1,467
Manufacturing	**505,152**	478,806	**392,742**	337,886
Electricity, gas and water	**288,619**	89,747	**267,404**	32,175
Construction	**272,855**	305,692	**222,660**	221,789
Wholesale and retail trade and restaurant and hotel	**311,918**	359,494	**241,942**	268,985
Transport, storage and communication	**422,749**	455,837	**408,896**	445,785
Finance, insurance, real estate and business services	**222,659**	362,056	**195,084**	331,107
Education, health and others	**32,962**	17,924	**23,000**	6,143
Household sector	**1,124,457**	1,109,278	**821,157**	862,454
Others	**31,703**	34,488	**6,483**	4,689
	3,479,175	3,483,554	**2,623,781**	2,555,206

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(i) Impaired loans, advances and financing (continued)

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
(ii) By purpose				
Purchase of securities	**49,214**	93,512	**25,534**	73,368
Purchase of transport vehicles	**75,345**	100,701	**22,676**	42,040
Purchase of landed property:				
- Residential	**775,570**	767,217	**560,655**	594,205
- Non-residential	**350,674**	315,270	**273,914**	242,075
Purchase of property, plant and equipment other than land and building	**86,651**	48,853	**78,999**	40,840
Personal use	**178,882**	173,526	**168,579**	167,697
Credit card	**29,456**	29,074	**25,852**	25,439
Purchase of consumer durables	**853**	590	**853**	590
Construction	**119,083**	95,637	**92,915**	76,422
Working capital	**1,691,412**	1,789,234	**1,301,656**	1,271,112
Other purposes	**122,035**	69,940	**72,148**	21,418
	3,479,175	3,483,554	**2,623,781**	2,555,206
(iii) By geographical distribution				
Malaysia	**2,206,536**	2,195,609	**1,740,174**	1,686,163
Labuan Offshore	**266,821**	285,737	**-**	-
Singapore	**865,907**	838,978	**852,015**	827,655
Thailand	**34,476**	33,682	**25,152**	25,031
Brunei	**6,440**	16,357	**6,440**	16,357
Cambodia	**81,881**	88,715	**-**	-
Hong Kong	**97**	16	**-**	-
Laos	**17,017**	24,460	**-**	-
	3,479,175	3,483,554	**2,623,781**	2,555,206

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(i) Impaired loans, advances and financing (continued)

(iv) Movement in allowance for credit losses

Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
2019				
Balance as at the beginning of the financial year	**591,911**	**994,604**	**1,665,078**	**3,251,593**
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	**182,069**	**(141,866)**	**(40,203)**	**-**
- Transferred to Lifetime ECL not credit impaired (Stage 2)	**(35,256)**	**87,303**	**(52,047)**	**-**
- Transferred to Lifetime ECL credit impaired (Stage 3)	**(11,211)**	**(49,845)**	**61,056**	**-**
	135,602	**(104,408)**	**(31,194)**	**-**
Allowance made/(written back) during the financial year	**(71,778)**	**219,210**	**740,370**	**887,802**
Bad debts written off	**-**	**-**	**(672,336)**	**(672,336)**
Changes to model methodologies	**(15,311)**	**(24,356)**	**(2)**	**(39,669)**
Derecognition	**(73,990)**	**(220,406)**	**(152,777)**	**(447,173)**
Exchange differences	**661**	**(593)**	**(203)**	**(135)**
Balance as at the end of the financial year	**567,095**	**864,051**	**1,548,936**	**2,980,082**
2018				
Balance as at the beginning of the financial year	513,570	925,900	1,803,107	3,242,577
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	210,496	(131,950)	(78,546)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(42,112)	87,737	(45,625)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(12,056)	(45,327)	57,383	-
	156,328	(89,540)	(66,788)	-
Allowance made/(written back) during the financial year	(31,805)	250,854	724,343	943,392
Bad debts written off	-	-	(561,971)	(561,971)
Derecognition	(46,617)	(95,675)	(375,675)	(517,967)
Reclassification from financial assets at FVOCI	-	-	135,716	135,716
Exchange differences	435	3,065	6,346	9,846
Balance as at the end of the financial year	591,911	994,604	1,665,078	3,251,593

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

8 LOANS, ADVANCES AND FINANCING (CONTINUED)

(i) Impaired loans, advances and financing (continued)

(iv) Movement in allowance for credit losses (continued)

Bank	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
2019				
Balance as at the beginning of the financial year	**489,408**	**774,591**	**1,193,133**	**2,457,132**
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	**148,061**	**(114,425)**	**(33,636)**	**-**
- Transferred to Lifetime ECL not credit impaired (Stage 2)	**(29,318)**	**68,519**	**(39,201)**	**-**
- Transferred to Lifetime ECL credit impaired (Stage 3)	**(10,688)**	**(45,922)**	**56,610**	**-**
	108,055	**(91,828)**	**(16,227)**	**-**
Allowance made/(written back) during the financial year	**(205,027)**	**247,662**	**667,330**	**709,965**
Bad debts written off	**-**	**-**	**(545,426)**	**(545,426)**
Changes to model methodologies	**(12,683)**	**(20,252)**	**(2)**	**(32,937)**
Derecognition	**(56,477)**	**(107,903)**	**(121,743)**	**(286,123)**
Exchange differences	**766**	**494**	**2,025**	**3,285**
Balance as at the end of the financial year	**324,042**	**802,764**	**1,179,090**	**2,305,896**
2018				
Balance as at the beginning of the financial year	430,239	720,125	1,302,193	2,452,557
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	174,619	(108,172)	(66,447)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(27,641)	65,614	(37,973)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(11,202)	(38,131)	49,333	-
	135,776	(80,689)	(55,087)	-
Allowance made/(written back) during the financial year	(43,162)	214,994	577,807	749,639
Bad debts written off	-	-	(427,029)	(427,029)
Derecognition	(33,154)	(80,650)	(340,580)	(454,384)
Reclassification from financial assets at FVOCI	-	-	135,716	135,716
Exchange differences	(291)	811	113	633
Balance as at the end of the financial year	489,408	774,591	1,193,133	2,457,132

Included in allowance for credit losses for the Group and the Bank is expected credit losses for loan commitments and financial guarantee contracts amounting to RM69,103,000 (2018: RM62,998,000) and RM56,069,000 (2018: RM51,657,000) respectively.

9 CLIENTS' AND BROKERS' BALANCES

	Group 2019 RM'000	Group 2018 RM'000
Amounts owing by clients	**696,427**	578,118
Less:		
- Allowance for credit losses	**(20,772)**	(19,564)
	675,655	558,554
Amounts owing by brokers	**75,556**	119,980
Amounts owing by clearing houses and stock exchanges	**142,237**	264,522
	893,448	943,056

Movement in allowance for credit losses

Group	Credit impaired RM'000	Non-credit impaired RM'000	Total RM'000
2019			
Balance as at the beginning of the financial year	**19,311**	**253**	**19,564**
Allowance for credit losses	**2,985**	**953**	**3,938**
Transferred to credit impaired	**386**	**(386)**	**-**
Amount written off	**(975)**	**-**	**(975)**
Derecognition	**(1,666)**	**(714)**	**(2,380)**
Exchange differences	**624**	**1**	**625**
Balance as at the end of the financial year	**20,665**	**107**	**20,772**
2018			
Balance as at the beginning of the financial year	142,297	642	142,939
Allowance for credit losses	2,014	403	2,417
Transferred to credit impaired	149	(149)	-
Amount written off	(123,876)	-	(123,876)
Derecognition	(1,493)	(643)	(2,136)
Exchange differences	220	-	220
Balance as at the end of the financial year	19,311	253	19,564

10 REINSURANCE ASSETS

	Note	Group 2019 RM'000	Group 2018 RM'000
Claims liabilities	25(a)	**410,763**	411,881
Premium liabilities	25(b)	**99,413**	99,355
		510,176	511,236

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

11 OTHER ASSETS

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Other receivables	(i)	**929,870**	1,091,121	**384,159**	343,376
Cash collateral in relation to derivative transactions		**162,603**	239,348	**162,603**	239,348
Deposits		**63,768**	53,400	**31,892**	30,495
Prepayments		**101,938**	105,970	**58,374**	61,840
Amount due from subsidiaries	(ii)	**-**	-	**467,698**	246,754
		1,258,179	1,489,839	**1,104,726**	921,813

(i) Other receivables of the Group which comprise of fee and premium receivable are stated net of allowance for credit losses/impairment losses of RM28,764,000 (2018: RM31,163,000).

Movement in allowance for credit losses is as follows:

	Group 2019 RM'000	Group 2018 RM'000
Balance as at the beginning of the financial year	**31,163**	38,808
Allowance made/(written back) during the financial year	**426**	(1,894)
Amount written off	**(2,828)**	(5,760)
Exchange differences	**3**	9
Balance as at the end of the financial year	**28,764**	31,163

(ii) Amount due from subsidiaries are unsecured, interest free and receivable within the normal credit period.

12 DERIVATIVE ASSETS/(LIABILITIES)

Derivative financial instruments are financial instruments whose values change in response to changes in prices or rates (such as foreign exchange rates, interest rates and security prices) of the underlying instruments. These instruments are used by the Group and the Bank for economic hedges and for proprietary trading purposes. The default classification for derivative financial instruments is trading, unless designated in a hedge relationship and are in compliance with the stringent requirements of hedge accounting mentioned in the Group's and Bank's accounting policies.

The table below shows the Group's and the Bank's derivative financial instruments as at the date of statements of financial position. The contractual or underlying principal amounts of these derivative financial instruments and their corresponding gross positive (derivative assets) and gross negative (derivative liabilities) fair values at the date of statements of financial position are analysed below:

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Derivative assets:				
- Trading derivatives	**853,555**	1,131,057	**901,883**	1,147,494
- Fair value hedging derivatives	**1,701**	-	**1,701**	-
	855,256	1,131,057	**903,584**	1,147,494
Derivative liabilities:				
- Trading derivatives	**1,068,399**	1,112,934	**1,103,391**	1,116,520
- Fair value hedging derivatives	**92,528**	3,767	**51,683**	3,767
	1,160,927	1,116,701	**1,155,074**	1,120,287

12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

	2019 Contract or underlying principal amount RM'000	2019 Year-end positive fair value RM'000	2019 Year-end negative fair value RM'000	2018 Contract or underlying principal amount RM'000	2018 Year-end positive fair value RM'000	2018 Year-end negative fair value RM'000
Group						
Trading derivatives:						
Foreign exchange related contracts:						
- Forwards/swaps	**52,494,800**	**304,168**	**623,039**	72,781,350	408,504	488,934
- Options	**2,181,278**	**11,933**	**5,226**	435,037	827	578
- Cross-currency interest rate swaps	**3,755,572**	**217,884**	**161,926**	6,190,687	503,616	455,016
	58,431,650	**533,985**	**790,191**	79,407,074	912,947	944,528
Interest rate related contracts:						
- Swaps	**30,255,839**	**303,302**	**262,100**	35,416,884	200,473	136,414
Commodity related contracts						
- Options	**290,309**	**11,831**	**11,831**	148,455	7,677	7,677
Structured warrants	**43,817**	**-**	**4,277**	89,405	-	4,246
Structured investments	**18,116**	**4,437**	**-**	-	-	-
Fair value hedging derivatives:						
Interest rate related contracts:						
- Swaps	**4,507,590**	**1,701**	**92,528**	1,971,780	9,960	23,836
	93,547,321	**855,256**	**1,160,927**	117,033,598	1,131,057	1,116,701
Bank						
Trading derivatives:						
Foreign exchange related contracts:						
- Forwards/swaps	**53,381,479**	**314,700**	**622,944**	74,972,799	420,881	496,622
- Options	**2,181,278**	**11,933**	**5,226**	435,037	827	578
- Cross-currency interest rate swaps	**4,920,676**	**215,877**	**160,422**	7,466,607	502,989	455,154
	60,483,433	**542,510**	**788,592**	82,874,443	924,697	952,354
Interest rate related contracts:						
- Swaps	**35,115,839**	**346,105**	**302,968**	37,956,884	205,160	136,420
Commodity related contracts						
- Options	**290,309**	**11,831**	**11,831**	148,455	7,677	7,677
Structured investments	**5,866**	**1,437**	**-**	-	-	-
Fair value hedging derivatives:						
Interest rate related contracts:						
- Swaps	**3,007,590**	**1,701**	**51,683**	1,971,780	9,960	23,836
	98,903,037	**903,584**	**1,155,074**	122,951,562	1,147,494	1,120,287

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

(i) Fair value hedges

Fair value hedges are used by the Group and the Bank for protection against the changes in fair value of financial assets and financial liabilities due to movement in market interest rates. The Group and the Bank use interest rate swaps to hedge against interest rate risk of specific identified fixed rate long term, portfolio homogenous pools of loans, advances and financing and financial assets measured at FVOCI.

The Group and the Bank's hedge accounting policy only allow for effective hedge relationship to be established. Hedge effectiveness is determined at the inception of the hedge relationship, and through periodic prospective effectiveness assessment to ensure that an economic relationship exists between the hedged item and hedging instrument. The Group and the Bank determine whether an economic relationship exists between hedged item and the hedging instrument by considering qualitative characteristics of these items and wherever necessary, supported by quantitative analysis. Under qualitative assessment, the Group and Bank will perform assessment by comparing the changes in the fair value of the hedge to changes in the fair value of the hypothetical derivative.

Only the interest rate risk element is hedged and therefore other risks, such as credit risk, are managed but not hedged by the Group and the Bank. The interest rate risk component is determined as the changes in fair value of long term fixed rate financial investment (e.g. bonds, loans, advances and financing) arising from changes in benchmarks rates such as 3-month KLIBOR, 3-month USD LIBOR, 6-month USD LIBOR, 6-month Singapore Swap Offer Rate. Such changes are usually the largest component of the overall change in fair value. This strategy is designated as a fair value hedge and its effectiveness is assessed with reference to the effectiveness requirements as set out in MFRS 9, which include demonstrating economic relationship, assessing the effect of credit risk and calculating hedge ratio.

The Group and the Bank establish the hedge ratio by aligning the principal amount of the hedged instrument to the extent of its hedged item.

The Group and the Bank have identified the following possible sources of ineffectiveness:

i. Counterparty credit risk which impact the fair value of the interest rate swaps but not the hedged items; and

ii. Mismatches in terms of the hedged items and hedging instruments such as voluntary discontinuance, maturity date and disposal of hedged item.

The following table sets out the maturity profile and average price of the hedging instruments used in fair value hedges:

2019	1 to 5 years	Over 5 years
Group		
Interest rate risk		
Nominal amount (RM'000)	3,160,397	1,347,193
Average fixed interest rate	3.60%	3.22%
Bank		
Interest rate risk		
Nominal amount (RM'000)	2,160,397	847,193
Average fixed interest rate	3.46%	2.80%

12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

(i) Fair value hedges (continued)

The amounts relating to items designated as hedging instruments are as follows:

2019	Nominal amount RM'000	Fair value Assets RM'000	Fair value Liabilities RM'000	Hedge effectiveness recognised in income statements RM'000
Group				
Interest rate risk				
Interest rate swap	4,507,590	1,701	92,528	(74,070)
Bank				
Interest rate risk				
Interest rate swap	3,007,590	1,701	51,683	(37,217)

The amounts relating to items designated as hedge items are as follows:

2019	Carrying value RM'000	Fair value hedge adjustments* RM'000	Hedge effectiveness recognised in income statements RM'000
Group			
Fixed rate loans, advances and financing	1,633,554	40,106	35,086
Financial assets at FVOCI	3,049,747	(48,662)	35,220
			70,306
Bank			
Fixed rate loans, advances and financing	93,068	2,192	1,469
Financial assets at FVOCI	3,049,747	(48,662)	35,220
			36,689

* All hedging instruments are included in derivative assets and liabilities line item in the statements of financial position.

The detailed disclosure is not presented for 2018 as the amount is not material. Included in other operating income is the net gain and loss arising from fair value hedges as follows:

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
(Loss)/Gain on hedging instruments	(74,070)	1,077	(37,217)	918
Gain/(Loss) on hedged items attributable to the hedged risk	70,306	(15,398)	36,689	(862)
	(3,764)	(14,321)	(528)	56

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

12 DERIVATIVE ASSETS/(LIABILITIES) (CONTINUED)

(ii) Net investment hedge

The Group's statements of financial position was affected by gains and losses as a result of the revaluation of net assets of its subsidiaries denominated in currencies other than its functional currency. The Group hedges its exposures to foreign currency risk via the designation of foreign currency denominated deposits and the fair value as at 31 December 2019 amounted to RM197,612,000 (2018: RM304,616,000). The hedging relationship was fully effective for the total hedging period and as of the reporting date.

13 STATUTORY DEPOSITS

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Statutory deposits with BNM	(a)	**4,076,015**	4,350,167	**2,497,015**	2,869,418
Statutory deposits with Monetary Authority of Singapore	(b)	**91,206**	90,987	**91,206**	90,987
Statutory deposits with Ministry of Finance Negara Brunei Darussalam	(c)	**20,095**	18,272	**20,095**	18,272
Statutory deposits with Labuan Offshore Financial Services Authority ('LOFSA')	(d)	**100**	100	**-**	-
Statutory deposits and reserve deposits with National Bank of Cambodia ('NBC')	(e)	**360,014**	334,373	**-**	-
Statutory deposits with National Bank of Lao ('BOL')	(f)	**1,866**	1,331	**-**	-
		4,549,296	4,795,230	**2,608,316**	2,978,677

(a) Non-interest bearing statutory deposits maintained with BNM in compliance with Section 26(2)(c) of the Central Bank of Malaysia Act, 2009. The amount is determined at a set percentage of total eligible liabilities.

(b) Non-interest bearing statutory deposits maintained with the Monetary Authority of Singapore in compliance with Banking Act, Cap.19 and Singapore Finance Companies Act Cap.108.

(c) Non-interest bearing statutory deposits maintained with the Ministry of Finance, Negara Brunei Darussalam in compliance with Section 6A of the Banking Act.

(d) Non-interest bearing statutory deposits maintained with LOFSA relating to a trust subsidiary which is maintained in accordance with Section 61(2)(b)(ii) of the Labuan Financial Services and Securities Act 2010.

(e) Included in statutory deposits with NBC are:

(i) Interest bearing statutory deposits of RM30.7 million (2018: RM31.0 million) maintained with NBC in compliance with NBC's Prakas B7-01-136 dated 15 October 2001 as capital guarantee. This deposit bears interest from 0.48% to 0.72% (2018: 0.62%) per annum, and is not available for use in day-to-day operations but it is refundable when RHB Indochina Bank Limited voluntarily ceases to operate its banking business in Cambodia.

(ii) Non-interest bearing deposits of RM325.3 million (2018: RM299.2 million) maintained with NBC as reserve, computed at 8.0% (2018: 8.0%) and 12.5% (2018: 12.5%) of customer deposits in Cambodian Riel ('KHR') and in foreign currencies, respectively.

13 STATUTORY DEPOSITS (CONTINUED)

(e) Included in statutory deposits with NBC are (continued):

(iii) Non-interest bearing statutory deposits of RM4.0 million (2018: RM4.1 million) maintained with NBC as capital guarantee deposits in compliance with Securities and Exchange Commission of Cambodia ('SECC')'s Prakas No. 009 on the Licensing of Securities Firms and Securities Representatives for operating as a securities underwriter in Cambodia.

(f) Non-interest bearing statutory deposits maintained with BOL computed at 5% and 10% (2018: 5% and 10%) of customer deposits in Lao Kip ('LAK') and in foreign currencies, respectively.

The statutory deposits amount and reserve requirements mentioned above are determined by the respective authorities.

14 DEFERRED TAX ASSETS/(LIABILITIES)

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same authority. The following amounts determined after appropriate set off, are shown in the statements of financial position:

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Deferred tax assets	**22,989**	79,191	**-**	32,490
Deferred tax liabilities	**(169,763)**	(2,308)	**(136,711)**	-
	(146,774)	76,883	**(136,711)**	32,490
Deferred tax assets:				
- Settled more than twelve months	**35,222**	79,418	**19,039**	52,818
- Settled within twelve months	**154,723**	159,833	**124,034**	125,347
Deferred tax liabilities:				
- Settled more than twelve months	**(296,368)**	(128,002)	**(251,455)**	(115,861)
- Settled within twelve months	**(40,351)**	(34,366)	**(28,329)**	(29,814)
	(146,774)	76,883	**(136,711)**	32,490

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

The movements in deferred tax assets and liabilities during the financial year comprise the following:

Group	Note	Property, plant and equipment, intangible assets and right of use assets RM'000	Financial assets at FVOCI RM'000	Tax losses RM'000	Provisions RM'000	Expected credit losses RM'000	Total RM'000
2019							
Balance as at the beginning of the financial year							
- As previously reported		**(62,719)**	**(103,844)**	**5,190**	**155,732**	**82,524**	**76,883**
- Effect of adoption of MFRS 16	57	**323**	**-**	**-**	**-**	**-**	**323**
- As restated		**(62,396)**	**(103,844)**	**5,190**	**155,732**	**82,524**	**77,206**
Transfer from/(to) income statements	45	**(17,095)**	**(4,359)**	**(3,489)**	**5,232**	**(55,313)**	**(75,024)**
Transfer to equity		**-**	**(147,919)**	**-**	**(1,203)**	**-**	**(149,122)**
Exchange differences		**89**	**7**	**88**	**(18)**	**-**	**166**
Balance as at the end of the financial year		**(79,402)**	**(256,115)**	**1,789**	**159,743**	**27,211**	**(146,774)**
2018							
Balance as at the beginning of the financial year		(50,405)	(95,851)	5,160	157,193	-	16,097
Transfer from/(to) income statements	45	(12,329)	-	(8)	(3,212)	82,524	66,975
Transfer to equity		-	(7,994)	-	(364)	-	(8,358)
Exchange differences		15	1	38	2,115	-	2,169
Balance as at the end of the financial year		(62,719)	(103,844)	5,190	155,732	82,524	76,883
Bank							
2019							
Balance as at the beginning of the financial year							
- As previously reported		**(51,233)**	**(94,442)**	**-**	**108,711**	**69,454**	**32,490**
- Effect of adoption of MFRS 16	57	**250**	**-**	**-**	**-**	**-**	**250**
- As restated		**(50,983)**	**(94,442)**	**-**	**108,711**	**69,454**	**32,740**
Transfer from/(to) income statements	45	**(20,133)**	**-**	**-**	**13,124**	**(48,520)**	**(55,529)**
Transfer to equity		**-**	**(113,827)**	**-**	**-**	**-**	**(113,827)**
Exchange differences		**-**	**-**	**-**	**(95)**	**-**	**(95)**
Balance as at the end of the financial year		**(71,116)**	**(208,269)**	**-**	**121,740**	**20,934**	**(136,711)**
2018							
Balance as at the beginning of the financial year		(38,381)	(90,723)	-	109,660	-	(19,444)
Transfer from/(to) income statements	45	(12,852)	-	-	(2,905)	69,454	53,697
Transfer to equity		-	(3,719)	-	-	-	(3,719)
Exchange differences		-	-	-	1,956	-	1,956
Balance as at the end of the financial year		(51,233)	(94,442)	-	108,711	69,454	32,490

14 DEFERRED TAX ASSETS/(LIABILITIES) (CONTINUED)

Deferred tax assets have not been recognised on the following amounts as it is not probable that the relevant subsidiaries will generate sufficient future taxable profits available against which the deductible temporary differences can be utilised:

	Group 2019 RM'000	Group 2018 RM'000
Unabsorbed tax losses carried forward	**1,173,613**	972,676
Unabsorbed capital allowances carried forward	**4,776**	1,156
	1,178,389	973,832

For Malaysia, the deductible temporary differences have an expiry date of 7 years which is in line with Section 44(5F) of the Income Tax Act 1967 that comes into operation from year of assessment 2019 and subsequent years of assessment. For overseas, the deductible temporary differences have no expiry date, except for Thailand and Indonesia which can only be carried forward to deduct against future profits for a period of 5 years.

15 INVESTMENTS IN SUBSIDIARIES

	Bank 2019 RM'000	Bank 2018 RM'000
Unquoted shares, at cost:		
- In Malaysia	**4,415,458**	4,413,233
- Outside Malaysia	**499,171**	499,171
	4,914,629	4,912,404
Accumulated impairment losses	**(744)**	(744)
	4,913,885	4,911,660

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows:

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2019 %	Effective equity interest held by the Group 2018 %	Effective equity interest held by NCI 2019 %	Effective equity interest held by NCI 2018 %	Principal activities
RHB Islamic Bank Berhad ('RHB Islamic Bank')	Malaysia	1,673,424,002	**100**	100	-	-	Islamic banking
RHB Bank (L) Ltd	Malaysia	USD54,000,000	**100**	100	-	-	Labuan banking business
RHB International Trust (L) Ltd	Malaysia	USD40,000	**100**	100	-	-	Labuan trust company
RHB Corporate Services Sdn Bhd	Malaysia	150,000	**100**	100	-	-	Corporate secretarial services
RHB Bank (Cambodia) Plc ('RHB Bank Cambodia') (formerly known as RHB Indochina Bank Limited)[1]	Cambodia	USD75,000,000	**100**	100	-	-	Commercial banking
RHB Bank Lao Limited[1]	Lao PDR	LAK301,500 million	**100**	100	-	-	Commercial banking
RHB Capital Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	-	-	Nominee services for Malaysian beneficial shareholders
RHB Capital Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	-	-	Nominee services for foreign beneficial shareholders
RHB Investment Ltd[1]	Singapore	SGD19,000,000	**100**	100	-	-	Other investment holding companies
Banfora Pte Ltd[1]	Singapore	SGD25,000,000	**100**	100	-	-	Other investment holding companies
RHB Bank Nominees Pte Ltd[1]	Singapore	SGD100,000	**100**	100	-	-	Trustee, fiduciary and custody services firm
RHB Leasing Sdn Bhd	Malaysia	10,000,000	**100**	100	-	-	Leasing of industrial construction, business equipment and motor vehicles

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2019 %	Effective equity interest held by the Group 2018 %	Effective equity interest held by NCI 2019 %	Effective equity interest held by NCI 2018 %	Principal activities
RHB Capital Properties Sdn Bhd	Malaysia	7,300,000	**100**	100	-	-	Property investment
Utama Assets Sdn Bhd	Malaysia	300,000	**100**	100	-	-	Own and manage real properties for use by its related companies
RHB Investment Bank Berhad ('RHB Investment Bank')	Malaysia	1,487,773,000	**100**	100	-	-	Merchant banking business, dealing in securities, stock, debt and derivatives, stockbroking business and the business of brokers and dealers in futures and options contracts
RHB Merchant Nominees (Tempatan) Sdn Bhd	Malaysia	10,000	**100**	100	-	-	To act as nominee services for Malaysian beneficial shareholders
RHB Merchant Nominees (Asing) Sdn Bhd	Malaysia	10,000	**100**	100	-	-	Provision of nominee services for foreign beneficial shareholders
RHB Nominees Sdn Bhd	Malaysia	25,000	**100**	100	-	-	Nominee and custodian services
RHB Nominees (Asing) Sdn Bhd	Malaysia	25,000	**100**	100	-	-	Nominee and custodian services for foreign beneficial shareholders
RHB Nominees (Tempatan) Sdn Bhd	Malaysia	25,000	**100**	100	-	-	Nominee and custodian services for Malaysian beneficial shareholders
RHB Asset Management Sdn Bhd	Malaysia	10,000,000	**100**	100	-	-	Rendering of investment management services, management of unit trust funds and private retirement schemes and provision of investment advisory services

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2019 %	Effective equity interest held by the Group 2018 %	Effective equity interest held by NCI 2019 %	Effective equity interest held by NCI 2018 %	Principal activities
RHB Islamic International Asset Management Berhad	Malaysia	13,000,000	**100**	100	**-**	-	Rendering of Islamic fund management services and management of Islamic unit trust funds
RHB Private Equity Holdings Sdn Bhd	Malaysia	110,000,002	**100**	100	**-**	-	Investment holding
RHB Private Equity Management Ltd	Malaysia	USD 1	**100**	100	**-**	-	Investment holding, investment management and other ancillary services for private equity business
RHB Private Equity Fund Ltd[2]	Cayman Islands	USD 10,001	**100**	100	**-**	-	Investment company
RHB International Investments Pte Ltd[1]	Singapore	SGD12,000,000	**100**	100	**-**	-	Investment holding
RHB Asset Management Pte Ltd[1]	Singapore	SGD12,100,000	**100**	100	**-**	-	Fund management
RHB Hong Kong Limited[1]	Hong Kong	HKD300,000,000	**100**	100	**-**	-	Investment holding
RHB Securities Hong Kong Limited[1]	Hong Kong	HKD340,000,000	**100**	100	**-**	-	Securities dealing and provision of securities margin financing and advising on securities
RHB Futures Hong Kong Limited[1]	Hong Kong	HKD35,000,000	**100**	100	**-**	-	Dealing in futures and options contracts
RHB Finance Hong Kong Limited[1]	Hong Kong	HKD1	**100**	100	**-**	-	Money lending
RHB Capital Hong Kong Limited[1]	Hong Kong	HKD10,000,000	**100**	100	**-**	-	Provision of corporate finance advisory services and to engage in securities dealing activities incidental to its corporate finance advisory activities

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2019 %	Effective equity interest held by the Group 2018 %	Effective equity interest held by NCI 2019 %	Effective equity interest held by NCI 2018 %	Principal activities
RHB Fundamental Capital Hong Kong Limited[1,3]	Hong Kong	HKD10,000,000	**-**	100	**-**	-	Dissolved
RHB Asset Management Limited[1]	Hong Kong	HKD17,000,000	**100**	100	**-**	-	Dealing in securities, advising on securities and provision of asset management services
RHB Wealth Management Hong Kong Limited[1]	Hong Kong	HKD5,000,000	**100**	100	**-**	-	Negotiating or arranging contracts of insurance in or from Hong Kong as the agent of the policy holder or potential policy holder or advising on matters related to insurance
RHB (China) Investment Advisory Co Ltd[1]	People's Republic of China	USD2,000,000	**100**	100	**-**	-	Consulting for investment business and related services
PT RHB Sekuritas Indonesia[1]	Indonesia	IDR204,082 million	**99**	99	**1**	1	Securities brokerage and underwriting
PT RHB Asset Management Indonesia[1]	Indonesia	IDR50,000 million	**98.62**	98.62	**1.38**	1.38	Investment manager
RHB Securities Singapore Pte. Ltd.[1]	Singapore	SGD75,000,000	**100**	100	**-**	-	Provision of stock and share broking services and corporate finance advisory services
RHB Securities (Thailand) Public Company Limited[1]	Thailand	THB819,171,600	**99.95**	99.95	**0.05**	0.05	Provision of stock and derivatives broking services
RHB Trustees Berhad	Malaysia	6,000,000	**100**	100	**-**	-	Professional retail trustee services (will writing, estate planning and private trust) and corporate trustee services (collective investment schemes)

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2019 %	Effective equity interest held by the Group 2018 %	Effective equity interest held by NCI 2019 %	Effective equity interest held by NCI 2018 %	Principal activities
Malaysian Trustees Berhad	Malaysia	550,000	**100**	100	**-**	-	Engage in the business of trustee agents, executors and administrators pursuant to the Trust Companies Act 1949
RHB Finexasia.Com Sdn Bhd	Malaysia	11,361,111	**100**	100	**-**	-	Investment holding, development of products and provision of services related to information technology and the company has since been dormant
RHB Indochina Securities Plc.[1]	Cambodia	USD12,500,000	**100**	100	**-**	-	Securities underwriting, dealing, brokerage and investment advisory service
RHB Securities Vietnam Company Limited ('RHB Securities Vietnam') *(formerly known as Vietnam Securities Corporation)*[4]	Vietnam	VND135 billion	**100**	49	**-**	51	Securities brokerage, securities investment, consultancy and self trading
RHB Entrepreneur Fund[1,5,^]	Singapore	-	**-**	49.78	**-**	50.22	Invest in securities of companies that possess entrepreneurial characteristics as determined by the Manager
RHB Insurance Berhad ('RHB Insurance')	Malaysia	100,000,000	**94.7**	94.7	**5.3**	5.3	Underwriting of all classes of general insurance business
RHB-OSK Income Plus Fund [9^]	Malaysia	-	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2019 %	Effective equity interest held by the Group 2018 %	Effective equity interest held by NCI 2019 %	Effective equity interest held by NCI 2018 %	Principal activities
RHB-OSK Income Plus Fund [2^]	Malaysia	-	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
AmIncome Value[^]	Malaysia	-	**94.7**	94.7	**5.3**	5.3	Wholesale unit trust fund
RHB Property Management Sdn Bhd	Malaysia	500,000	**100**	100	**-**	-	Property management
RHB Capital (Jersey) Limited	Jersey, Channel Islands	GBP4,012	**100**	100	**-**	-	Investment holding
RHB Kawal Sdn Bhd[6]	Malaysia	3,700,000	**100**	100	**-**	-	Security services
RHB Foundation[*]	Malaysia	-	**-**	-	**-**	-	Charitable foundation
RHB Bank's dormant subsidiaries							
RHB Trade Services Limited[7]	Hong Kong	HKD2	**-**	100	**-**	-	Issuance of letters of credit to foreign beneficiaries, for the benefit of its immediate holding company and the company has since been dissolved
UMBC Sdn Bhd	Malaysia	1,482,499,818	**100**	100	**-**	-	Investment holding and the company has since been dormant
RHB Delta Sdn Bhd[8]	Malaysia	345,000,000	**100**	100	**-**	-	Dormant
Utama Gilang Sdn Bhd[8]	Malaysia	800,000,000	**100**	100	**-**	-	Dormant

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2019 %	Effective equity interest held by the Group 2018 %	Effective equity interest held by NCI 2019 %	Effective equity interest held by NCI 2018 %	Principal activities
RHB Bank's dormant subsidiaries (continued)							
RHB (Philippines) Inc.[1,9]	Philippines	PHP180,000,000	**100**	100	-	-	Primarily deal in the acquisition and disposition of real and personal property of every kind and description, except land and the company has since been dormant
RHB Equities Sdn Bhd	Malaysia	20,010,000	**100**	100	-	-	Activities of holding companies and the company has since been dormant
RHBF Sdn Bhd	Malaysia	148,160,176	**100**	100	-	-	Dormant
RHB Stock 188.Com Sdn Bhd	Malaysia	480,000	**100**	100	-	-	Dormant
RHB Investment Bank's dormant subsidiaries							
RHB Excel Sdn Bhd[10]	Malaysia	200,000,000	**100**	100	-	-	Dormant
RHB Progressive Sdn Bhd[10]	Malaysia	13,500,000	**100**	100	-	-	Dormant
RHB Marketing Services Sdn Bhd[8]	Malaysia	100,000	**100**	100	-		Dormant
RHB Unit Trust Management Berhad[10]	Malaysia	5,000,000	**100**	100	-	-	Dormant
RHB Futures and Options Sdn Bhd	Malaysia	10,000,000	**100**	100	-	-	Dormant

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2019 %	Effective equity interest held by the Group 2018 %	Effective equity interest held by NCI 2019 %	Effective equity interest held by NCI 2018 %	Principal activities
RHB Investment Bank's dormant subsidiaries (continued)							
RHB Research Institute Sdn Bhd[11]	Malaysia	500,000	**100**	100	-	-	Providing research services relating to corporate and maintaining data pertaining to public quoted institutions, equities, bonds and all other forms of financial instruments and the company has since been dormant
RHB Research Sdn Bhd[12]	Malaysia	500,000	**100**	100	-	-	Dormant
RHB International Asset Management Sdn Bhd	Malaysia	7,000,000	**100**	100	-	-	Activities of holding companies and the company has since been dormant
RHBIB Nominees (Tempatan) Sdn Bhd[12]	Malaysia	3,670,000	**100**	100	-	-	Dormant
RHBIB Nominees (Asing) Sdn Bhd[12]	Malaysia	2,670,000	**100**	100	-	-	Dormant
RHB Islamic Asset Management Sdn Bhd	Malaysia	4,000,000	**100**	100	-	-	Investment advisory services and the company has since been dormant
RHBIM Berhad	Malaysia	10,000,000	**100**	100	-	-	Management of unit trust funds and the investment management of discretionary and non-discretionary mandates and the company has since been dormant
TCL Nominees (Tempatan) Sdn Bhd[12]	Malaysia	644,000	**100**	100	-	-	Dormant

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

15 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

The details of the subsidiaries are as follows (continued):

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest held by the Group 2019 %	2018 %	Effective equity interest held by NCI 2019 %	2018 %	Principal activities
RHB Investment Bank's dormant subsidiaries (continued)							
TCL Nominees (Asing) Sdn Bhd[12]	Malaysia	4,000	**100**	100	**-**	-	Dormant
KE-ZAN Nominees (Tempatan) Sdn Bhd[12]	Malaysia	650,000	**100**	100	**-**	-	Dormant
KE-ZAN Nominees (Asing) Sdn Bhd[12]	Malaysia	10,000	**100**	100	**-**	-	Dormant
RHB Nominees Singapore Pte. Ltd.[1]	Singapore	SGD2	**100**	100	**-**	-	Inactive
Summit Nominees Pte Ltd[1]	Singapore	SGD2,000	**100**	100	**-**	-	Inactive
RHB Research Institute Singapore Pte. Ltd.[1]	Singapore	SGD175,000	**100**	100	**-**	-	Financial advisory services and the company has since been dormant

Notes:

[1] Subsidiaries audited by a member firm of PricewaterhouseCoopers which is a separate and independent legal entity from PricewaterhouseCoopers PLT, Malaysia.

[2] Subsidiary not audited pursuant to Companies Act 2013 in Cayman Islands.

[3] The company was deregistered on 18 April 2019 and accordingly dissolved pursuant to Section 751 of the Hong Kong Companies Ordinance.

[4] Subsidiary audited by a firm other than member firm of PricewaterhouseCoopers. RHB Securities Vietnam has become a wholly-owned subsidiary of RHB Investment Bank effective 19 February 2019 following the acquisition of the remaining 51% equity interest as further disclosed in Note 58(1).

[5] RHB Investment Bank has fully redeemed its entire investment in RHB Entrepreneur Fund on 16 September 2019, for a total sale proceeds of RM71,922,000 upon termination of the fund.

[6] The Bank has on 23 October 2019, injected additional capital of RM2,200,000 into the company via the recapitalisation of intercompany balance due to the Bank.

[7] The company was deregistered on 1 March 2019 and accordingly dissolved pursuant to Section 751 of the Hong Kong Companies Ordinance.

[8] The company has commenced member's voluntary winding up on 16 February 2011.

[9] The company has ceased operations effective from the close of business on 10 December 2001.

[10] The company has commenced member's voluntary winding up on 28 March 2012.

[11] The company has been dormant effective 2 May 2019 following the completion of the transfer of research operations to RHB Investment Bank and the Bank as further disclosed in Note 58(2).

[12] The company has commenced member's voluntary winding up on 30 June 2017.

^ The funds are subsidiaries consolidated in the Group as the Group controls the funds in accordance with MFRS 10 'Consolidated Financial Statements'.

* Consolidated in the Group as the substance of the relationship between the entity and the Bank indicates that the entity is controlled by the Bank.

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES

	Note	Group 2019 RM'000	Group 2018 RM'000
Investments in associates – at cost	(a)	**45,000**	45,000
Less: Allowance for impairment losses		**(35,500)**	(35,500)
		9,500	9,500
Share of net assets of joint ventures	(b)	**12**	29,622
Less: Allowance for impairment losses		**-**	(13,770)
		12	15,852
		9,512	25,352

(a) Share of net assets of associates

The details of the associates are as follows:

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest 2019 %	2018 %	Principal activities
Prostar Capital (Asia-Pacific) Ltd.[1] ('Prostar')	Cayman Islands	USD 60	**33.33**	33.33	Investment holding with subsidiaries involved in the investment advisory and management of private equity funds
Satin Straits Sdn Bhd[2] ('Satin Straits')	Malaysia	5,000,000	**-**	-	Investment holding

Notes:

[1] Held through RHB Private Equity Management Ltd, a wholly-owned subsidiary of RHB Private Equity Holdings Sdn Bhd ('RHBPE'), which in turn is a wholly-owned subsidiary of RHB Investment Bank.

As at 31 December 2019, the Group's share of cumulative losses in Prostar of RM743,000 (2018: RM346,000) has exceeded the cost of investment. Accordingly the Group does not recognise further losses in the current financial year.

[2] Held through RHBPE, a wholly-owned subsidiary of RHB Investment Bank. The effective equity interest in Satin Straits is Nil as RHBPE has only subscribed for RM45 million Redeemable Convertible Preference Shares. RHBPE will only share the profits of the company and is entitled for full principal repayment upon maturity and with upside potential upon the trade sales or listing of the company.

The Group has accounted for this as an associate as the Group is deemed to have significant influence in accordance with MFRS 128 'Investment in Associates and Joint Ventures'.

There are no capital commitments or contingent liabilities relating to the Group's investments in the associates as at 31 December 2019.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

(a) Share of net assets of associates (continued)

Summarised financial information of Prostar and Satin Straits which are accounted for using the equity method is as follows:

(i) Summarised statements of financial position

	Prostar 2019 RM'000	Prostar 2018 RM'000	Satin Straits 2019 RM'000	Satin Straits 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
Assets						
Cash and cash equivalents	**5**	2	**18**	18	**23**	20
Other current assets	**25**	259	**-**	-	**25**	259
Non-current assets	**119**	96	**32,591**	32,591	**32,710**	32,687
Total assets	**149**	357	**32,609**	32,609	**32,758**	32,966
Liabilities						
Financial liabilities	**(2,378)**	(1,384)	**(92)**	(92)	**(2,470)**	(1,476)
Other current liabilities	**-**	(11)	**(61)**	(61)	**(61)**	(72)
Total liabilities	**(2,378)**	(1,395)	**(153)**	(153)	**(2,531)**	(1,548)
Net assets/(liabilities)	**(2,229)**	(1,038)	**32,456**	32,456	**30,227**	31,418

(ii) Summarised statements of comprehensive income

	Prostar 2019 RM'000	Prostar 2018 RM'000	Satin Straits 2019 RM'000	Satin Straits 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
Other operating income	**10,331**	13,959	**-**	-	**10,331**	13,959
Other operating expenses	**(11,550)**	(14,907)	**-**	(13)	**(11,550)**	(14,920)
Loss before taxation	**(1,219)**	(948)	**-**	(13)	**(1,219)**	(961)
Taxation	**-**	(11)	**-**	-	**-**	(11)
Net loss for the financial year	**(1,219)**	(959)	**-**	(13)	**(1,219)**	(972)

(iii) Reconciliation of summarised financial information presented to the carrying amount of its interest in associates:

	Prostar 2019 RM'000	Prostar 2018 RM'000	Satin Straits 2019 RM'000	Satin Straits 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
Balance as at the beginning of the financial year	**(1,038)**	(78)	**32,456**	32,469	**31,418**	32,391
Net loss for the financial year	**(1,219)**	(959)	**-**	(13)	**(1,219)**	(972)
Translation reserves	**28**	(1)	**-**	-	**28**	(1)
Balance as at the end of the financial year	**(2,229)**	(1,038)	**32,456**	32,456	**30,227**	31,418
Equity interest attributable to net assets	**-**	-	**45,000**	45,000	**45,000**	45,000
Accumulated impairment losses	**-**	-	**(35,500)**	(35,500)	**(35,500)**	(35,500)
Carrying value	**-**	-	**9,500**	9,500	**9,500**	9,500

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

(b) Share of net assets of joint ventures

The details of the joint ventures are as follows:

Name of company	Country of incorporation	Share capital (in RM unless otherwise stated)	Effective equity interest 2019 %	Effective equity interest 2018 %	Principal activities
RHB Securities Vietnam Company Limited ('RHB Securities Vietnam') (formerly known as Vietnam Securities Corporation)[1]	Vietnam	VND135 billion	**-**	49	Securities brokerage, securities investment, consultancy and self trading
RHB GC-Millennium Capital Pte Ltd ('RHB GC')	Singapore	SGD10,000	**40**	40	Investment activities

Notes:

[1] RHB Securities Vietnam has become a wholly-owned subsidiary of RHB Investment Bank effective 19 February 2019 following the acquisition of the remaining 51% equity interest as further disclosed in Note 58(1).

There are no capital commitments or contingent liabilities relating to the Group's investments in the joint ventures as at 31 December 2019.

Summarised financial information of VSEC and RHB GC which are accounted for using the equity method is as follows:

(i) Summarised statements of financial position

	VSEC 2019 RM'000	VSEC 2018 RM'000	RHB GC 2019 RM'000	RHB GC 2018 RM'000	Total 2019 RM'000	Total 2018 RM'000
Assets						
Cash and cash equivalents	**-**	32,424	**-**	-	**-**	32,424
Other current assets	**-**	446	**134**	98	**134**	544
Non-current assets	**-**	32	**-**	-	**-**	32
Total assets	**-**	32,902	**134**	98	**134**	33,000
Liabilities						
Financial liabilities	**-**	-	**(82)**	(46)	**(82)**	(46)
Other current liabilities	**-**	(45)	**(22)**	(22)	**(22)**	(67)
Total liabilities	**-**	(45)	**(104)**	(68)	**(104)**	(113)
Net assets	**-**	32,857	**30**	30	**30**	32,887

Notes to the Financial Statements
for the financial year ended 31 December 2019 (continued)

16 INVESTMENTS IN ASSOCIATES AND JOINT VENTURES (CONTINUED)

(b) Share of net assets of joint ventures (continued)

Summarised financial information of VSEC and RHB GC which are accounted for using the equity method is as follows (continued):

(ii) Summarised statements of comprehensive income

	VSEC		RHB GC		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Interest income	165	2,118	-	-	165	2,118
Interest expense	-	(1)	-	-	-	(1)
Net interest income	165	2,117	-	-	165	2,117
Other operating income	-	11	36	36	36	47
Net operating income	165	2,128	36	36	201	2,164
Other operating expenses	(226)	(1,784)	(36)	(36)	(262)	(1,820)
Including:						
Depreciation and amortisation	(3)	(30)	-	-	(3)	(30)
Profit/(Loss) before taxation	(61)	344	-	-	(61)	344
Taxation	-	(140)	-	-	-	(140)
Net profit/(loss) for the financial year	(61)	204	-	-	(61)	204

(iii) Reconciliation of summarised financial information presented to the carrying amount of its interest in joint ventures:

	VSEC		RHB GC		Total	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Balance as at the beginning of the financial year	32,857	32,651	30	30	32,887	32,681
Net profit/(loss) for the financial year	(61)	204	-	-	(61)	204
Translation reserves	(277)	2	-	-	(277)	2
Transfer of equity interest to investment in subsidiary	(32,519)	-	-	-	(32,519)	-
Balance as at the end of the financial year	-	32,857	30	30	30	32,887
Equity interest attributable to net assets	-	16,100	12	12	12	16,112
Goodwill	-	14,204	-	-	-	14,204
Accumulated impairment losses	-	(13,770)	-	-	-	(13,770)
Exchange differences	-	(694)	-	-	-	(694)
Carrying value	-	15,840	12	12	12	15,852

17 RIGHT OF USE ASSETS

Group	Note	Properties RM'000	Equipment RM'000	Others RM'000	Total RM'000
2019					
Balance as at the beginning of the financial year					
- As previously reported		-	-	-	-
- Effect of adoption of MFRS 16	57	104,310	8,542	2,271	115,123
- As restated		104,310	8,542	2,271	115,123
Depreciation charge for the financial year	41	(68,444)	(4,628)	(2,738)	(75,810)
Additions		66,265	599	6,493	73,357
Written off		(511)	-	-	(511)
Exchange differences		558	49	41	648
Balance as at the end of the financial year		102,178	4,562	6,067	112,807
Bank					
2019					
Balance as at the beginning of the financial year					
- As previously reported		-	-	-	-
- Effect of adoption of MFRS 16	57	63,135	7,217	1,849	72,201
- As restated		63,135	7,217	1,849	72,201
Depreciation charge for the financial year	41	(41,605)	(3,842)	(2,505)	(47,952)
Additions		54,368	590	6,493	61,451
Exchange differences		226	23	11	260
Balance as at the end of the financial year		76,124	3,988	5,848	85,960

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

18 PROPERTY, PLANT AND EQUIPMENT

Group	Note	Land RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2019								
Cost								
Balance as at the beginning of the financial year		343,162	490,049	553,624	768,210	414,380	25,136	2,594,561
Additions		-	-	25,556	74,392	28,111	2,929	130,988
Disposals		(1,822)	(1,277)	-	(213)	(10)	(2,956)	(6,278)
Written off		-	(2)	(27,699)	(32,461)	(7,576)	(2,236)	(69,974)
Acquisition of a subsidiary		-	-	-	1,050	156	197	1,403
Reclassification (to)/from intangible assets	20	-	-	(1,084)	4,051	(10,862)	-	(7,895)
Exchange differences		306	139	433	746	1,430	162	3,216
Balance as at the end of the financial year		341,646	488,909	550,830	815,775	425,629	23,232	2,646,021
Accumulated depreciation								
Balance as at the beginning of the financial year		10,397	204,192	363,273	644,899	347,426	21,423	1,591,610
Charge for the financial year	41	605	10,480	35,460	59,558	20,804	1,524	128,431
Disposals		(67)	(493)	-	(205)	(10)	(2,938)	(3,713)
Written off		-	(2)	(26,608)	(32,454)	(7,553)	(2,208)	(68,825)
Acquisition of a subsidiary		-	-	-	1,022	155	196	1,373
Exchange differences		7	59	245	1,206	1,205	132	2,854
Balance as at the end of the financial year		10,942	214,236	372,370	674,026	362,027	18,129	1,651,730
Accumulated impairment loss								
Balance as at the beginning of the financial year		-	1,313	-	1,676	-	-	2,989
Exchange differences		-	(3)	-	-	-	-	(3)
Balance as at the end of the financial year		-	1,310	-	1,676	-	-	2,986
Net book value as at the end of the financial year		330,704	273,363	178,460	140,073	63,602	5,103	991,305

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Note	Land RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2018								
Cost								
Balance as at the beginning of the financial year		343,000	489,942	541,063	756,396	395,334	23,906	2,549,641
Additions		-	4	33,306	53,576	25,329	1,550	113,765
Disposals		-	-	(632)	(569)	(61)	(357)	(1,619)
Written off		-	-	(17,228)	(27,655)	(9,054)	(4)	(53,941)
Reclassifications		-	-	(3,430)	1,271	2,159	-	-
Reclassification to intangible assets	20	-	-	-	(15,085)	-	-	(15,085)
Exchange differences		162	103	545	276	673	41	1,800
Balance as at the end of the financial year		343,162	490,049	553,624	768,210	414,380	25,136	2,594,561
Accumulated depreciation								
Balance as at the beginning of the financial year		9,793	194,431	346,026	625,242	337,562	19,896	1,532,950
Charge for the financial year	41	597	9,708	34,401	54,866	18,328	1,821	119,721
Disposals		-	-	(490)	(542)	(54)	(321)	(1,407)
Written off		-	-	(16,467)	(27,655)	(9,052)	(4)	(53,178)
Reclassification to intangible assets	20	-	-	-	(7,383)	-	-	(7,383)
Exchange differences		7	53	(197)	371	642	31	907
Balance as at the end of the financial year		10,397	204,192	363,273	644,899	347,426	21,423	1,591,610
Accumulated impairment loss								
Balance as at the beginning of the financial year		-	1,305	-	1,676	-	-	2,981
Exchange differences		-	8	-	-	-	-	8
Balance as at the end of the financial year		-	1,313	-	1,676	-	-	2,989
Net book value as at the end of the financial year		332,765	284,544	190,351	121,635	66,954	3,713	999,962

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Note	Land RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2019								
Cost								
Balance as at the beginning of the financial year		212,632	441,473	419,937	586,053	275,223	7,511	1,942,829
Additions		-	-	15,735	63,780	19,511	110	99,136
Transfer from a subsidiary company	58(2)	-	-	323	66	15	-	404
Disposals		(1,822)	(1,276)	-	(25)	-	(1,042)	(4,165)
Written off		-	-	(15,404)	(21,573)	(6,106)	(1,115)	(44,198)
Reclassification from/(to) intangible assets	20	-	-	(1,083)	3,935	933	-	3,785
Exchange differences		4	68	397	410	237	57	1,173
Balance as at the end of the financial year		210,814	440,265	419,905	632,646	289,813	5,521	1,998,964
Accumulated depreciation								
Balance as at the beginning of the financial year		5,708	191,124	266,374	482,655	236,962	6,171	1,188,994
Charge for the financial year	41	254	9,292	25,952	48,362	15,398	596	99,854
Transfer from a subsidiary company	58(2)	-	-	73	63	14	-	150
Disposals		(67)	(493)	-	(25)	-	(1,026)	(1,611)
Written off		-	-	(14,469)	(21,573)	(6,085)	(1,115)	(43,242)
Exchange differences		-	44	257	346	187	43	877
Balance as at the end of the financial year		5,895	199,967	278,187	509,828	246,476	4,669	1,245,022
Accumulated impairment loss								
Balance as at the beginning of the financial year		-	304	-	-	-	-	304
Balance as at the end of the financial year		-	304	-	-	-	-	304
Net book value as at the end of the financial year		204,919	239,994	141,718	122,818	43,337	852	753,638

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Bank	Note	Land RM'000	Buildings RM'000	Renovations and improvements RM'000	Computer equipment RM'000	Furniture, fittings and equipment RM'000	Motor vehicles RM'000	Total RM'000
2018								
Cost								
Balance as at the beginning of the financial year		212,630	441,437	394,152	565,534	262,902	7,138	1,883,793
Additions		-	-	31,050	45,194	16,702	356	93,302
Disposals		-	-	-	(186)	-	(3)	(189)
Written off		-	-	(3,171)	(20,609)	(5,673)	(4)	(29,457)
Reclassifications		-	-	(2,241)	786	1,455	-	-
Reclassification to intangible assets	20	-	-	-	(4,745)	-	-	(4,745)
Exchange differences		2	36	147	79	(163)	24	125
Balance as at the end of the financial year		212,632	441,473	419,937	586,053	275,223	7,511	1,942,829
Accumulated depreciation								
Balance as at the beginning of the financial year		5,454	182,354	243,536	459,881	230,316	5,514	1,127,055
Charge for the financial year	41	254	8,747	25,880	43,551	12,482	642	91,556
Disposals		-	-	-	(158)	-	(3)	(161)
Written off		-	-	(3,161)	(20,609)	(5,673)	(4)	(29,447)
Reclassification to intangible assets	20	-	-	-	(425)	-	-	(425)
Exchange differences		-	23	119	415	(163)	22	416
Balance as at the end of the financial year		5,708	191,124	266,374	482,655	236,962	6,171	1,188,994
Accumulated impairment loss								
Balance as at the beginning of the financial year		-	304	-	-	-	-	304
Balance as at the end of the financial year		-	304	-	-	-	-	304
Net book value as at the end of the financial year		206,924	250,045	153,563	103,398	38,261	1,340	753,531

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

18 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Accumulated depreciation and impairment loss				
Balance as at the beginning of the financial year	**1,594,599**	1,535,931	**1,189,298**	1,127,359
Balance as at the end of the financial year	**1,654,716**	1,594,599	**1,245,326**	1,189,298

The above property, plant and equipment includes the following assets under construction:

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Cost				
Renovations and improvements	**8,657**	23,632	**8,657**	23,632

As at 31 December 2019, included in the carrying value of land and buildings of the Group and the Bank are right of use assets relating to leasehold property amounting to RM138,148,000 and RM13,329,000 respectively.

19 GOODWILL

The carrying amounts of goodwill allocated to the Group's and the Bank's CGUs are as follows:

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
CGU				
Group Retail Banking	**483,982**	483,982	**292,837**	292,837
Group Business Banking	**184,297**	184,297	**174,777**	174,777
Group Wholesale Banking ('GWB')	**1,869,542**	1,864,727	**1,183,928**	1,183,928
- Group Corporate Banking and Group Investment Banking ('CIBR')	**972,136**	967,321	**314,308**	314,308
- Group Treasury and Global Markets	**897,406**	897,406	**869,620**	869,620
Commercial Bank Cambodia	**116,301**	116,301	**-**	-
	2,654,122	2,649,307	**1,651,542**	1,651,542

The recoverable amount of a CGU is determined based on value in use calculations. These calculations use pre-tax cash flow projections based on financial budgets approved by Directors covering a three-year (2018: three-year) period. Cash flows beyond the three-year period are extrapolated using the estimated terminal growth rates and discounted using pre-tax discount rates which reflect the specific risks relating to the CGU. The growth rate does not exceed the long-term average growth rate for the business in which the CGU operates.

19 GOODWILL (CONTINUED)

The cash flow projections are derived based on a number of key factors including the past performance and the management's expectations of the market developments.

The discount rates used are pre-tax and reflect specific risks relating to the relevant CGUs.

Impairment was not required for goodwill arising from all CGUs. Management believes that any reasonable possible change to the assumptions applied is not likely to cause the recoverable amount of all the CGUs to be lower than its carrying amount.

The estimated terminal growth rates and discount rates used for value in use calculation are as follows:

	Discount rate 2019 %	Discount rate 2018 %	Terminal growth rate 2019 %	Terminal growth rate 2018 %
CGU				
Group Retail Banking	**9.0**	9.0	**4.5**	4.5
Group Business Banking	**9.1**	9.1	**4.5**	4.5
GWB				
- Group CBIB	**9.2**	9.2	**4.5**	4.5
- Group Treasury and Global Markets	**9.3**	9.3	**4.5**	4.5
Commercial Bank Cambodia	**11.1**	13.4	**6.1**	6.9

20 INTANGIBLE ASSETS

Group	Note	Customer relationship RM'000	Brand RM'000	Trading rights and memberships RM'000	Computer software license RM'000	Total RM'000
2019						
Cost						
Balance as at the beginning of the financial year		22,333	25,098	2,761	1,509,182	1,559,374
Additions		-	-	-	140,524	140,524
Written off		-	-	(709)	(10,026)	(10,735)
Reclassification from property, plant and equipment	18	-	-	-	7,895	7,895
Exchange differences		-	-	250	1,224	1,474
Balance as at the end of the financial year		22,333	25,098	2,302	1,648,799	1,698,532
Accumulated amortisation						
Balance as at the beginning of the financial year		13,771	23,203	1,334	918,628	956,936
Amortisation for the financial year	41	2,233	495	80	118,449	121,257
Written off		-	-	(463)	(10,020)	(10,483)
Exchange differences		-	-	76	834	910
Balance as at the end of the financial year		16,004	23,698	1,027	1,027,891	1,068,620
Net book value as at the end of the financial year		6,329	1,400	1,275	620,908	629,912

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

20 INTANGIBLE ASSETS (CONTINUED)

Group	Note	Customer relationship RM'000	Brand RM'000	Trading rights and memberships RM'000	Computer software license RM'000	Total RM'000
2018						
Cost						
Balance as at the beginning of the financial year		22,333	25,098	2,695	1,292,393	1,342,519
Additions		-	-	-	207,015	207,015
Written off		-	-	-	(5,400)	(5,400)
Reclassification from property, plant and equipment	18	-	-	-	15,085	15,085
Exchange differences		-	-	66	89	155
Balance as at the end of the financial year		22,333	25,098	2,761	1,509,182	1,559,374
Accumulated amortisation						
Balance as at the beginning of the financial year		11,538	22,709	1,303	818,100	853,650
Amortisation for the financial year	41	2,233	494	-	97,987	100,714
Written off		-	-	-	(5,372)	(5,372)
Reclassification from property, plant and equipment	18	-	-	-	7,383	7,383
Exchange differences		-	-	31	530	561
Balance as at the end of the financial year		13,771	23,203	1,334	918,628	956,936
Net book value as at the end of the financial year		8,562	1,895	1,427	590,554	602,438

Bank	Note	Computer software license 2019 RM'000	Computer software license 2018 RM'000
Cost			
Balance as at the beginning of the financial year		**1,303,152**	1,112,757
Additions		**124,079**	189,577
Transfer from a subsidiary company	58(2)	**8**	-
Written off		**(8,019)**	(4,157)
Reclassification (to)/from property, plant and equipment	18	**(3,785)**	4,745
Exchange differences		**750**	230
Balance as at the end of the financial year		**1,416,185**	1,303,152
Accumulated amortisation			
Balance as at the beginning of the financial year		**775,590**	697,067
Amortisation for the financial year	41	**99,694**	81,998
Transfer from a subsidiary company	58(2)	**7**	-
Written off		**(8,014)**	(4,157)
Reclassification from property, plant and equipment	18	**-**	425
Exchange differences		**474**	257
Balance as at the end of the financial year		**867,751**	775,590
Net book value as at the end of the financial year		**548,434**	527,562

21 DEPOSITS FROM CUSTOMERS

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
(a) By type of deposits				
Demand deposits	**38,376,019**	36,284,375	**31,538,822**	30,229,454
Savings deposits	**10,554,978**	10,107,052	**8,739,694**	8,404,126
Fixed/investment deposits	**140,705,781**	131,278,948	**90,374,161**	87,325,687
Negotiable instruments of deposits	**918,447**	1,185,955	**918,447**	1,185,955
	190,555,225	178,856,330	**131,571,124**	127,145,222
(b) By type of customer				
Government and statutory bodies	**13,905,730**	11,817,181	**3,711,730**	4,631,954
Business enterprises	**107,669,851**	105,062,527	**79,328,733**	73,724,271
Individuals	**62,773,983**	56,325,426	**42,718,943**	43,595,983
Other financial institutions	**6,205,661**	5,651,196	**5,811,718**	5,193,014
	190,555,225	178,856,330	**131,571,124**	127,145,222
(c) By maturity structure of fixed/investment deposits and negotiable instruments of deposits				
Due within six months	**95,216,919**	96,317,780	**62,411,341**	63,439,942
Six months to one year	**41,871,670**	33,947,548	**25,827,669**	23,149,265
One year to three years	**3,935,590**	1,299,374	**2,936,737**	1,113,157
Three years to five years	**600,049**	900,201	**116,861**	809,278
	141,624,228	132,464,903	**91,292,608**	88,511,642

22 DEPOSITS AND PLACEMENTS OF BANKS AND OTHER FINANCIAL INSTITUTIONS

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Licensed banks	**19,492,073**	16,057,418	**18,640,809**	16,846,493
Licensed Islamic banks	**996,510**	1,598,865	**2,739**	3,256
Licensed investment banks	**500,155**	191,678	**76,175**	298,982
BNM	**511,165**	415,127	**451,805**	374,670
Other financial institutions	**39,426**	27,806	**2,304**	2,784
	21,539,329	18,290,894	**19,173,832**	17,526,185

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

23 OBLIGATIONS ON SECURITIES SOLD UNDER REPURCHASE AGREEMENTS

Obligations on securities sold under repurchase agreements are securities which the Group and the Bank have sold from its portfolio, with a commitment to repurchase at future dates. Such financing and the obligations to repurchase the securities are reflected as a liability on the statements of financial position.

The financial assets sold under repurchase agreements are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial assets at FVOCI	**204,000**	761,000	**787,000**	761,000
Financial investments at amortised cost	**1,839,000**	1,428,000	**2,973,000**	2,350,000
	2,043,000	2,189,000	**3,760,000**	3,111,000

24 CLIENTS' AND BROKERS' BALANCES

	Group	
	2019 RM'000	2018 RM'000
Amounts due to:		
- Clients	**669,821**	772,714
- Brokers	**47,728**	39,954
- Clearing houses and stock exchanges	**106,617**	29,114
	824,166	841,782

25 GENERAL INSURANCE CONTRACT LIABILITIES

	Group	
	2019 RM'000	2018 RM'000
Claims liabilities	**790,872**	751,931
Premium liabilities	**316,014**	342,183
	1,106,886	1,094,114

	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
2019				
Claims reported by policyholders		**530,956**	**(318,277)**	**212,679**
Incurred but not reported claims ('IBNR')		**259,916**	**(92,486)**	**167,430**
Claims liabilities	(a)	**790,872**	**(410,763)**	**380,109**
Premium liabilities	(b)	**316,014**	**(99,413)**	**216,601**
Total		**1,106,886**	**(510,176)**	**596,710**

25 GENERAL INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Note	Gross RM'000	Reinsurance RM'000	Net RM'000
2018				
Claims reported by policyholders		496,257	(305,833)	190,424
IBNR		255,674	(106,048)	149,626
Claims liabilities	(a)	751,931	(411,881)	340,050
Premium liabilities	(b)	342,183	(99,355)	242,828
Total		1,094,114	(511,236)	582,878

(a) Claims liabilities

	Gross RM'000	Reinsurance RM'000	Net RM'000
2019			
Balance as at the beginning of the financial year	**751,931**	**(411,881)**	**340,050**
Claims incurred in current accident year:			
- Paid	**147,500**	**(39,980)**	**107,520**
- Case reserves	**325,695**	**(149,023)**	**176,672**
- IBNR	**267,202**	**(86,627)**	**180,575**
Claims incurred in prior accident year:			
- Paid	**227,313**	**(102,296)**	**125,017**
- Case reserves	**(668,580)**	**278,855**	**(389,725)**
- IBNR	**(260,189)**	**100,189**	**(160,000)**
Balance as at the end of the financial year	**790,872**	**(410,763)**	**380,109**
2018			
Balance as at the beginning of the financial year	692,187	(377,685)	314,502
Claims incurred in current accident year:			
- Paid	185,154	(43,426)	141,728
- Case reserves	278,313	(122,538)	155,775
- IBNR	276,882	(93,486)	183,396
Claims incurred in prior accident year:			
- Paid	213,850	(78,843)	135,007
- Case reserves	(663,068)	230,121	(432,947)
- IBNR	(231,387)	73,976	(157,411)
Balance as at the end of the financial year	751,931	(411,881)	340,050

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

25 GENERAL INSURANCE CONTRACT LIABILITIES (CONTINUED)

	Gross RM'000	Reinsurance RM'000	Net RM'000
(b) Premium liabilities			
2019			
Balance as at the beginning of the financial year	**342,183**	**(99,355)**	**242,828**
Premium written for the financial year	**696,491**	**(215,788)**	**480,703**
Premium earned during the financial year	**(722,660)**	**215,730**	**(506,930)**
Balance as at the end of the financial year	**316,014**	**(99,413)**	**216,601**
2018			
Balance as at the beginning of the financial year	306,123	(105,075)	201,048
Premium written for the financial year	786,647	(238,177)	548,470
Premium earned during the financial year	(750,587)	243,897	(506,690)
Balance as at the end of the financial year	342,183	(99,355)	242,828

26 OTHER LIABILITIES

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Other creditors and accruals		**1,879,774**	1,593,171	**1,004,785**	1,214,257
Amount payable for redemption units		**312,101**	13,955	**-**	-
Contract liabilities	(i)	**47,498**	80,357	**22,710**	42,000
Short term employee benefits		**416,781**	383,495	**323,540**	288,683
Accrual for operational expenses		**217,227**	236,914	**173,804**	147,185
Prepaid instalments		**36,220**	47,328	**36,220**	47,189
Cash collateral pledged for derivative transactions		**194,010**	321,125	**194,010**	321,125
Remisiers' trust deposits		**64,861**	62,917	**-**	-
Amount due to trust funds		**42,007**	112,679	**-**	-
Amount due to subsidiaries		**-**	-	**25,791**	21,684
Puttable financial instruments		**-**	70,615	**-**	-
		3,210,479	2,922,556	**1,780,860**	2,082,123

(i) Contract liabilities were reduced by RM40,665,000 and RM21,000,000 (2018: RM39,726,000 and RM21,000,000) for the Group and the Bank respectively as a result of recognition of the bancassurance/bankatakaful fees and recognition of fee income that were included in contract liabilities balance at the beginning of the year.

27 RECOURSE OBLIGATION ON LOANS SOLD TO CAGAMAS BERHAD ('CAGAMAS')

Recourse obligation on loans sold to Cagamas represents those acquired from the originators and sold to Cagamas with recourse. Under the agreement, the Group and the Bank undertake to administer the loans on behalf of Cagamas and to buy back any loans which are regarded as defective based on pre-determined and agreed-upon prudential criteria with recourse against the originators. Such financing transactions and the obligation to buy back the loans are reflected as a liability on the statements of financial position. The loans are not de-recognised and are analysed in Note 8.

28 PROVISION FOR TAXATION AND ZAKAT

	Group 2019 RM'000	Group 2018 RM'000
Tax expense	**55,131**	20,537
Zakat	**5,041**	4,041
	60,172	24,578

29 LEASE LIABILITIES

	Group 2019 RM'000	Bank 2019 RM'000
Lease liabilities	**111,769**	**85,267**
Scheduled repayment of lease liabilities:		
- Within one year	**65,142**	**43,070**
- One year to three years	**41,262**	**41,487**
- More than three years	**5,365**	**710**
	111,769	**85,267**

30 BORROWINGS

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Secured					
Term loans:					
- Cambodian Riel ('KHR')	(a)	**112,930**	-	**-**	-
Unsecured					
Revolving credits:					
- Hong Kong Dollar ('HKD')	(b(i))	**-**	39,584	**-**	-
Term loans:					
- United States Dollar ('USD')	(c(i))	**840,177**	981,849	**840,177**	981,849
- Singapore Dollar ('SGD')	(c(ii))	**72,972**	90,999	**-**	-
- HKD	(c(iii))	**3,101**	-	**-**	-
Promissory note:					
- Indonesia Rupiah ('IDR')	(d(i))	**29,673**	57,706	**-**	-
- Thai Baht ('THB')	(d(ii))	**123,674**	12,747	**-**	-
		1,182,527	1,182,885	**840,177**	981,849
Scheduled repayment of borrowings:					
- Within one year		**978,026**	335,756	**635,676**	134,720
- One year to three years		**204,501**	847,129	**204,501**	847,129
		1,182,527	1,182,885	**840,177**	981,849

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for the financial year ended 31 December 2019 (continued)

30 BORROWINGS (CONTINUED)

The borrowings of the Group and the Bank are as follows:

(a) Term loans - secured

The KHR term loans of the Group bear interest at rates ranging from 2.80% to 3.00% (2018: Nil) per annum and is secured by negotiable certificate of deposits with National Bank of Cambodia.

(b) Revolving credits - unsecured

(i) The HKD revolving credit facilities of the Group in 2018 bear interest at rates ranging from 1.75% to 7.10% per annum.

(c) Term loans - unsecured

(i) The USD term loans of the Group and the Bank bear interest at rates ranging from 2.30% to 3.81% (2018: 1.77% to 3.81%) per annum.

(ii) The SGD term loan of the Group bear interest at rates ranging from 1.07% to 2.85% (2018: 1.00% to 2.59%) per annum.

(iii) The HKD term loan of the Group bear interest at rates ranging from 1.33% to 4.72% (2018: Nil) per annum.

(d) Promissory note - unsecured

(i) The IDR promissory note facilities of the Group bear interest at rates ranging from 7.50% to 8.80% (2018: 6.75% to 9.00%) per annum.

(ii) The THB promissory note facilities of the Group bear interest at rates ranging from 1.85% to 3.27% (2018: 1.85% to 2.90%) per annum.

31 SENIOR DEBT SECURITIES

	Note	Group and Bank 2019 RM'000	Group and Bank 2018 RM'000
USD300 million 3.088% senior debt securities due in 2019	(a)	-	1,248,208
USD500 million 2.503% senior debt securities due in 2021		**2,055,132**	2,075,456
USD300 million 3.766% senior debt securities due in 2024	(b)	**1,241,631**	-
		3,296,763	3,323,664

(a) The Bank had on 3 October 2019 fully redeemed the USD300 million in nominal value senior debt securities that was issued in 2014.

(b) The Bank had on 19 February 2019 completed its third issuance of USD300 million in nominal value senior notes under the USD5 billion (or its equivalent in other currencies) Euro Medium Term Note programme.

31 SENIOR DEBT SECURITIES (CONTINUED)

Issuance date	Tranche	Principal USD'million	Maturity date	Interest rate	Interest payment
3 October 2014	I	300	3 October 2019	3.088% per annum	Accrued and payable semi-annually in arrears
6 October 2016	II	500	6 October 2021	2.503% per annum	Accrued and payable semi-annually in arrears
19 February 2019	III	300	19 February 2024	3.766% per annum	Accrued and payable semi-annually in arrears

32 HYBRID TIER-1 CAPITAL SECURITIES

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
RM370 million Hybrid Tier-1 Capital Securities	-	377,597	-	377,597
RM230 million Hybrid Tier-1 Capital Securities	-	225,624	-	230,638
	-	603,221	-	608,235

Issuance date	Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
31 March 2009	I	370	31 March 2039 (callable with step-up in 2019)	8.00% per annum to 2019, thereafter at 9.00% per annum if not called	Accrued and payable semi-annually in arrears
17 December 2009	II	230	16 December 2039 (callable with step-up in 2019)	6.75% per annum to 2019, thereafter at 7.75% per annum if not called	Accrued and payable semi-annually in arrears

The Bank had fully redeemed the RM370 million and RM230 million in nominal value of Hybrid Tier-1 Capital Securities on 29 March 2019 and 17 December 2019 respectively.

Notes to the Financial Statements

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33 SUBORDINATED OBLIGATIONS

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
5.60% RM300 million Tier II Subordinated Notes 2010/2025	(a)	**302,946**	302,946	**302,946**	302,946
4.95% RM500 million Tier II Subordinated Sukuk Murabahah 2014/2024	(b)	**-**	503,187	**-**	-
4.99% RM1 billion Tier II Subordinated Notes 2014/2024	(c)	**-**	1,023,925	**-**	1,023,925
4.95% RM200 million Tier II Subordinated Notes 2015/2025	(d)	**202,061**	202,061	**-**	-
4.75% RM500 million Tier II Subordinated Notes 2015/2025	(e)	**503,474**	503,363	**503,474**	503,363
4.88% RM250 million Tier II Subordinated Sukuk Murabahah 2017/2027	(b)	**252,139**	252,139	**-**	-
4.82% RM750 million Tier II Subordinated Notes 2017/2027	(e)	**758,976**	758,832	**758,976**	758,832
4.90% RM200 million Tier II Subordinated Notes 2017/2027	(d)	**202,202**	202,202	**-**	-
4.32% RM500 million Tier II Subordinated Sukuk Murabahah 2019/2029	(b)	**502,426**	-	**-**	-
		2,724,224	3,748,655	**1,565,396**	2,589,066

The subordinated obligations comprise unsecured liabilities of the Bank and its investment bank and islamic bank subsidiaries and are subordinated to the senior indebtedness in accordance with their respective terms and conditions of issuance and qualify as Tier II capital as disclosed in Note 54 for the purpose of determining the capital adequacy ratios of the respective subsidiaries.

(a) 5.60% RM300 million Tier II Subordinated Notes 2010/2025

On 29 April 2010, the Bank issued RM300 million nominal value of Subordinated Notes, being part of RM3 billion in nominal value of Subordinated Notes and/or Senior Notes under a Medium Term Note Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2010/2025	300	29 April 2025 (callable with step-up in 2020)	5.60% per annum chargeable to 29 April 2020 (but exclusive of payment date), thereafter on step-up coupon rate of 0.5% per annum	Accrued and payable semi-annually in arrears

33 SUBORDINATED OBLIGATIONS (CONTINUED)

(b) 4.95% RM500 million Tier II Subordinated Sukuk Murabahah 2014/2024, 4.88% RM250 million Tier II Subordinated Sukuk Murabahah 2017/2027 and 4.32% RM500 million Tier II Subordinated Sukuk Murabahah 2019/2029

On 15 May 2014, RHB Islamic Bank issued RM500 million nominal value of Subordinated Sukuk Murabahah, being part of RM1 billion Subordinated Sukuk Programme. On 15 May 2019, RHB Islamic Bank had fully redeemed this RM500 million Subordinated Sukuk Murabahah ('Redeemed Subordinated Sukuk').

On 27 April 2017, RHB Islamic Bank has further issued RM250 million nominal value of Subordinated Sukuk Murabahah under the same RM1 billion Subordinated Sukuk programme.

On 25 July 2018, the Subordinated Sukuk programme has been upsized from RM1 billion to RM5 billion.

On 21 May 2019, RHB Islamic Bank has issued RM500 million nominal value of Subordinated Sukuk Murabahah under the RM5 billion Subordinated Sukuk programme to replenish the Redeemed Subordinated Sukuk.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2014/2024	500	15 May 2024 (callable in 2019)	4.95% per annum chargeable to 15 May 2024	Accrued and payable semi-annually in arrears
2017/2027	250	27 April 2027 (callable in 2022)	4.88% per annum chargeable to 27 April 2027	Accrued and payable semi-annually in arrears
2019/2029	500	21 May 2029 (callable in 2024)	4.32% per annum chargeable to 21 May 2029	Accrued and payable semi-annually in arrears

(c) 4.99% RM1 billion Tier II Subordinated Notes 2014/2024

On 8 July 2014, the Bank issued RM1 billion nominal value of Subordinated Notes, being part of RM3 billion Subordinated Notes and/or Senior Notes Medium Term Note Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2014/2024	1,000	7 July 2024 (callable in 2019)	4.99% per annum chargeable to 7 July 2024	Accrued and payable semi-annually in arrears

The Bank had fully redeemed the RM1 billion Tier II Subordinated Notes 2014/2024 on 8 July 2019.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

33 SUBORDINATED OBLIGATIONS (CONTINUED)

(d) 4.95% RM200 million Tier II Subordinated Notes 2015/2025 and 4.90% RM200 million Tier II Subordinated Notes 2017/2027

On 16 April 2015, RHB Investment Bank issued RM200 million nominal value of Subordinated Notes, being part of RM1 billion Multi-Currency Medium Term Note Programme ('MCMTN Programme').

On 11 October 2017, RHB Investment Bank has further issued RM200 million nominal value of Subordinated Notes, being part of the same RM1 billion MCMTN Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2015/2025	200	16 April 2025 (Callable in 2020)	4.95% per annum chargeable to 16 April 2025	Accrued and payable semi-annually in arrears
2017/2027	200	11 October 2027 (Callable in 2022)	4.90% per annum chargeable to 11 October 2027	Accrued and payable semi-annually in arrears

(e) 4.75% RM500 million Tier II Subordinated Notes 2015/2025 and 4.82% RM750 million Tier II Subordinated Notes 2017/2027

On 8 May 2015, the Bank issued RM500 million nominal value of Subordinated Notes, being part of RM5 billion Multi-Currency Medium Term Note Programme ('MCMTN Programme').

On 27 September 2017, the Bank has further issued RM750 million nominal value of Subordinated Notes, being part of the same RM5 billion MCMTN Programme.

Tranche	Principal RM'million	Maturity date	Interest rate	Interest payment
2015/2025	500	8 May 2025 (Callable in 2020)	4.75% per annum chargeable to 8 May 2025	Accrued and payable semi-annually in arrears
2017/2027	750	27 September 2027 (Callable in 2022)	4.82% per annum chargeable to 27 September 2027	Accrued and payable semi-annually in arrears

(f) The Group and the Bank did not have any defaults of principal and interest or other breaches with respect to its subordinated obligations during the financial years ended 31 December 2019 and 2018.

34 SHARE CAPITAL

	Group and Bank			
	2019		2018	
	Number of shares '000	Amount RM'000	Number of shares '000	Amount RM'000
Issued and fully paid:				
Ordinary shares				
Balance as at the beginning/end of the financial year	**4,010,045**	**6,994,103**	4,010,045	6,994,103

There were no issue of shares in the Bank during the current financial year.

35 RESERVES

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Statutory reserves	(a)	**513**	513	**-**	-
Regulatory reserves	(b)	**838,992**	249,687	**352,506**	126,230
FVOCI reserves	(c)	**1,328,060**	376,108	**1,165,505**	349,347
Translation reserves	(d)	**688,866**	684,275	**374,754**	371,680
Other reserves		**23,331**	23,331	**-**	-
Retained profits		**15,901,529**	15,029,970	**11,862,355**	11,461,418
		18,781,291	16,363,884	**13,755,120**	12,308,675

(a) Statutory reserves represent non-distributable profits held by the Thailand's stockbroking subsidiary in compliance with Section 116 of the Public Limited Company Act B.E. 2535 in Thailand.

(b) Regulatory reserves are maintained by the Bank and its banking subsidiaries in Malaysia and Cambodia.

i. The regulatory reserves in Malaysia is in compliance with BNM's Revised Policy Documents on Financial Reporting and Financial Reporting for Islamic Banking Institutions with effect from 1 January 2018, whereby the Bank and its domestic banking subsidiaries 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.

ii. The regulatory reserves in Cambodia is in line with the requirements of Prakas B7-017-344 and Circular B7-018-001 issued by the National Bank of Cambodia.

(c) FVOCI reserves represents the cumulative gains and losses arising on the revaluation of investment in equity instruments designated as at FVOCI, net of cumulative gain/loss transferred to retained earnings upon disposal and investments in debt instruments classified as FVOCI, net of cumulative loss allowance recognised on these investments and cumulative gain/loss reclassified to income statements upon disposal or reclassification of these investments.

(d) Translation reserves comprise all foreign exchange differences from the translation of the financial statements of foreign operations, subsidiaries and joint ventures, and the effect of the effective portion of net investment hedges.

36 NON-CONTROLLING INTERESTS ('NCI')

	Note	Group 2019 RM'000	Group 2018 RM'000
Balance as at the beginning of the financial year			
- As previously reported		**37,961**	34,257
- Effect of adoption of MFRS 16	57	**(7)**	-
- As restated		**37,954**	34,257
Share of profit during the financial year		**5,377**	3,716
Actuarial (loss)/gain on defined benefit plan of subsidiaries, net of tax		**(29)**	62
Dividends paid		**(7,950)**	-
Exchange differences		**63**	(74)
Balance as at the end of the financial year		**35,415**	37,961

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

37 INTEREST INCOME

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Loans and advances	**6,198,852**	6,307,919	**5,845,375**	5,947,154
Money at call and deposits and placements with banks and other financial institutions	**171,009**	203,801	**218,355**	227,085
Investment account due from designated financial institutions	**-**	-	**339,436**	357,698
Securities purchased under resale agreements	**-**	-	**-**	281
Financial assets at FVTPL	**81,517**	76,599	**80,721**	75,583
Financial assets at FVOCI - debt instruments	**1,149,047**	903,620	**1,121,941**	867,508
Financial investments at amortised cost	**480,822**	507,198	**429,538**	466,955
Others	**17,081**	16,035	**7,099**	12,345
	8,098,328	8,015,172	**8,042,465**	7,954,609
Of which:				
Interest income accrued on impaired financial assets	**107,109**	124,809	**94,145**	105,785

38 INTEREST EXPENSE

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Deposits and placements of banks and other financial institutions	**511,439**	579,047	**524,908**	590,403
Deposits from customers	**3,486,141**	3,299,980	**3,351,339**	3,154,346
Obligations on securities sold under repurchase agreements	**29,982**	6,730	**80,873**	24,624
Recourse obligation on loans sold to Cagamas	**128,982**	123,205	**128,982**	123,205
Subordinated obligations	**122,494**	146,544	**102,794**	126,844
Senior debt securities	**123,641**	90,064	**123,641**	90,064
Hybrid Tier-1 Capital Securities	**21,741**	45,220	**22,050**	45,558
Borrowings	**39,334**	38,118	**28,720**	30,054
Others	**24,982**	31,030	**20,850**	28,244
	4,488,736	4,359,938	**4,384,157**	4,213,342

39 OTHER OPERATING INCOME

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Fee income				
Service charges and fees	**170,573**	174,422	**152,272**	153,730
Commission	**151,404**	163,773	**176,384**	181,643
Guarantee fees	**33,439**	37,282	**32,386**	34,659
Commitment fees	**42,000**	47,835	**39,472**	42,754
Net brokerage income	**237,553**	272,395	**-**	-
Fund management fees	**234,438**	221,021	**-**	-
Unit trust fee income	**110,128**	52,951	**-**	-
Corporate advisory fees	**52,061**	46,178	**-**	-
Underwriting and arrangement fees	**29,682**	7,214	**-**	-
Other fee income	**83,226**	69,872	**23,902**	21,580
	1,144,504	1,092,943	**424,416**	434,366
Fee and commission expenses	**(213,223)**	(133,371)	**-**	-
	931,281	959,572	**424,416**	434,366
Net gain/(loss) arising from financial assets at FVTPL				
- Net gain/(loss) on disposal	**105,948**	(13,965)	**89,327**	5,533
- Unrealised net gain/(loss) on revaluation	**52,738**	(31,824)	**1,840**	(12,615)
- Dividend income	**76,500**	44,938	**-**	-
	235,186	(851)	**91,167**	(7,082)
Net (loss)/gain on revaluation of derivatives	**(57,411)**	121,431	**(16,649)**	44,285
Net (loss)/gain on fair value hedges	**(528)**	56	**(528)**	56
Net gain arising from derecognition of financial investments at amortised cost	**-**	275	**-**	247
Net gain arising from financial assets at FVOCI				
- Net gain on debt instruments on disposal	**205,576**	98,798	**205,237**	77,529
- Dividend on equity instruments still held as at year end	**10,523**	3,377	**9,566**	2,656
	216,099	102,175	**214,803**	80,185
Dividend income from subsidiaries	**-**	-	**63,544**	9,259

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

39 OTHER OPERATING INCOME (CONTINUED)

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Other income				
Net foreign exchange gain	**281,596**	315,203	**312,124**	249,128
Insurance underwriting surplus before management expenses	**192,980**	165,294	**-**	-
Gain/(Loss) on disposal of property, plant and equipment	**2,856**	(17)	**2,489**	71
Gain on remeasurement of previously held equity interest in a joint venture	**258**	-	**-**	-
Loss on disposal of a subsidiary	**(51)**	-	**-**	-
Gain on modification of right of use assets	**9**	-	**-**	-
Rental income	**2,143**	2,006	**11,811**	12,211
Other operating income	**37,576**	50,945	**32,364**	46,871
Other non-operating income	**34,720**	5,963	**14,831**	3,148
	552,087	539,394	**373,619**	311,429
	1,876,714	1,722,052	**1,150,372**	872,745

40 INCOME FROM ISLAMIC BANKING BUSINESS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Income derived from investment of depositors' fund	**2,803,295**	2,349,655	**12,101**	4,338
Income derived from investment account funds	**439,805**	410,557	**-**	-
Income derived from investment of shareholders' fund	**310,323**	196,554	**977**	-
	3,553,423	2,956,766	**13,078**	4,338
Income attributable to depositors	**(1,938,959)**	(1,528,439)	**(9,540)**	(3,782)
	1,614,464	1,428,327	**3,538**	556
Of which:				
Financing income earned on impaired financing and advances	**11,753**	11,570	**-**	-

41 OTHER OPERATING EXPENSES

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Personnel costs				
Salaries, bonuses, wages and allowances	**1,647,080**	1,588,204	**1,074,370**	990,652
Defined contribution plan	**224,260**	221,348	**153,816**	146,673
Other staff related costs	**182,361**	195,774	**114,607**	108,415
	2,053,701	2,005,326	**1,342,793**	1,245,740
Establishment costs				
Property, plant and equipment:				
- Depreciation	**128,431**	119,721	**99,854**	91,556
- Written off	**1,149**	763	**956**	10
Intangible assets:				
- Amortisation	**121,257**	100,714	**99,694**	81,998
- Written off	**252**	28	**5**	-
Right of use assets:				
- Depreciation	**75,810**	-	**47,952**	-
Rental of premises	**33,613**	105,585	**18,748**	57,762
Rental of equipment	**8,122**	13,475	**7,858**	12,475
Insurance	**34,260**	32,291	**33,927**	32,458
Water and electricity	**31,040**	32,105	**18,287**	19,087
Repair and maintenance	**36,705**	31,610	**24,338**	23,480
Security and escorting expenses	**45,242**	42,421	**45,571**	42,564
Information technology expenses	**265,554**	253,815	**151,176**	153,271
Others	**6,774**	8,514	**-**	-
	788,209	741,042	**548,366**	514,661
Marketing expenses				
Sales commission	**93,433**	90,473	**67,577**	59,107
Advertisement and publicity	**65,263**	64,868	**50,783**	48,823
Others	**93,924**	89,285	**42,004**	37,190
	252,620	244,626	**160,364**	145,120
Administration and general expenses				
Communication expenses	**156,762**	162,260	**98,435**	96,575
Auditors' remuneration (Note (i))	**8,541**	10,224	**4,840**	6,369
Legal and professional fees	**65,852**	52,434	**111,578**	113,615
Others	**146,074**	141,743	**91,274**	83,940
	377,229	366,661	**306,127**	300,499
	3,471,759	3,357,655	**2,357,650**	2,206,020

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

41 OTHER OPERATING EXPENSES (CONTINUED)

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
(i) Auditors' remuneration				
(a) Audit:				
Statutory audit:				
- Malaysia	**2,784**	2,884	**1,646**	1,677
- Overseas	**3,829**	3,504	**1,474**	1,163
Limited review	**490**	488	**433**	431
Other audit related	**300**	300	**200**	200
	7,403	7,176	**3,753**	3,471
(b) Non-audit:				
- Malaysia	**638**	1,401	**587**	1,251
- Overseas	**500**	1,647	**500**	1,647
	1,138	3,048	**1,087**	2,898
	8,541	10,224	**4,840**	6,369

Included in the personnel costs is the Group Managing Director's remuneration for the Group and the Bank, as disclosed in Note 42.

Included in administration and general expenses of the Group and the Bank are other directors' remuneration as disclosed in Note 42.

42 DIRECTORS' REMUNERATION

	Salary and other remuneration RM'000	Benefits-in-kind (based on an estimated monetary value) RM'000	Bonus RM'000	Total RM'000
Group and Bank				
2019				
Group Managing Director				
Dato' Khairussaleh Ramli	**2,759**	**35**	**2,100**	**4,894**
2018				
Group Managing Director				
Dato' Khairussaleh Ramli	2,721	35	1,750	4,506

In addition to the above, during the financial year ended 31 December 2019, the Group Managing Director who led the achievement of the Group's short and long term business objectives, was awarded a sum of RM2,240,000 (inclusive of the employer's EPF contribution) (2018: RM3,360,000) under the Group's Cash Retention Scheme and Special Recognition Award.

42 DIRECTORS' REMUNERATION (CONTINUED)

	Group Fees RM'000	Group Benefits-in-kind (based on an estimated monetary value) RM'000	Group Other remuneration RM'000	Group Total RM'000	Bank Fees RM'000	Bank Benefits-in-kind (based on an estimated monetary value) RM'000	Bank Other remuneration RM'000	Bank Total RM'000
2019								
Non-executive Directors								
Tan Sri Azlan Zainol	**415**	**24**	**362**	**801**	**200**	**24**	**335**	**559**
Tan Sri Saw Choo Boon	**370**	**32**	**184**	**586**	**175**	**-**	**117**	**292**
Abdul Aziz Peru Mohamed	**425**	**17**	**97**	**539**	**175**	**-**	**24**	**199**
Tan Sri Ong Leong Huat @ Wong Joo Hwa	**335**	**-**	**151**	**486**	**175**	**-**	**83**	**258**
Tan Sri Dr Rebecca Fatima Sta Maria	**213**	**-**	**95**	**308**	**175**	**-**	**76**	**251**
Ong Ai Lin	**310**	**-**	**214**	**524**	**175**	**-**	**97**	**272**
Lim Cheng Teck	**175**	**-**	**107**	**282**	**175**	**-**	**107**	**282**
Sharifatu Laila Syed Ali	**388**	**-**	**138**	**526**	**140**	**-**	**52**	**192**
Mohamed Ali Ismaeil Ali Alfahim	**61**	**-**	**8**	**69**	**61**	**-**	**8**	**69**
	2,692	**73**	**1,356**	**4,121**	**1,451**	**24**	**899**	**2,374**
2018								
Non-executive Directors								
Tan Sri Azlan Zainol	414	24	354	792	200	24	311	535
Tan Sri Saw Choo Boon	340	12	193	545	175	-	124	299
Abdul Aziz Peru Mohamed	509	3	112	624	175	-	23	198
Tan Sri Ong Leong Huat @ Wong Joo Hwa	360	-	191	551	175	-	101	276
Mohamed Ali Ismaeil Ali Alfahim	175	-	17	192	175	-	17	192
Tan Sri Dr Rebecca Fatima Sta Maria	310	-	129	439	175	-	65	240
Ong Ai Lin	310	-	205	515	175	-	93	268
Lim Cheng Teck	16	-	11	27	16	-	11	27
	2,434	39	1,212	3,685	1,266	24	745	2,035

Note:
During the financial year, Directors of the Group and the Bank are covered under the Directors' Liability Insurance in respect of liabilities arising from acts committed in their respective capacity as, inter alia, Directors of the Group and the Bank subject to the term of the policy. The total amount of Directors' Liability Insurance effected for the Directors of the Group and the Bank was RM200 million (2018: RM200 million). The total amount of premium paid for the Directors' Liability Insurance by the Group and the Bank was RM828,000 and RM700,000 (2018: RM816,000 and RM688,000) respectively.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

43 ALLOWANCE FOR CREDIT LOSSES ON FINANCIAL ASSETS

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Charge/(Writeback)				
Loans, advances and financing:				
- Net charge	**400,960**	425,425	**390,905**	295,255
- Bad debts recovered	**(265,008)**	(271,299)	**(246,737)**	(255,440)
- Bad debts written off	**183,151**	168,295	**155,887**	146,568
	319,103	322,421	**300,055**	186,383
Financial assets at FVOCI	**(12,347)**	(1,165)	**(8,741)**	(1,400)
Financial investments at amortised cost	**(29,031)**	(11,279)	**(27,661)**	(13,087)
Other financial assets	**812**	(3,975)	**(319)**	935
	278,537	306,002	**263,334**	172,831

44 IMPAIRMENT LOSSES MADE ON OTHER NON-FINANCIAL ASSETS

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Investment in an associate	**-**	23,000	**-**	-
	-	23,000	**-**	-

45 TAXATION AND ZAKAT

	Note	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Income tax based on profit for the financial year:					
- Malaysian income tax		**786,342**	817,006	**538,744**	617,633
- Overseas tax		**23,691**	12,253	**2,709**	(582)
Deferred tax	14	**18,661**	(74,802)	**4,826**	(61,524)
		828,694	754,457	**546,279**	555,527
Under/(Over) provision in respect of prior financial years					
- Income tax		**(27,422)**	43,859	**(54,742)**	38,120
- Deferred tax	14	**56,363**	7,827	**50,703**	7,827
		28,941	51,686	**(4,039)**	45,947
Tax expense		**857,635**	806,143	**542,240**	601,474
Zakat		**5,000**	4,000	**-**	-
		862,635	810,143	**542,240**	601,474

45 TAXATION AND ZAKAT (CONTINUED)

The numerical reconciliation between the applicable statutory income tax rate and the effective income tax rate of the Group and the Bank are as below:

	Group 2019 %	Group 2018 %	Bank 2019 %	Bank 2018 %
Tax at Malaysian statutory tax rate	**24.0**	24.0	**24.0**	24.0
Tax effects in respect of:				
Effects of different tax rate in Labuan/other countries	**(0.9)**	(0.8)	**-**	-
Non-taxable income	**(0.9)**	(0.6)	**(0.8)**	(0.1)
Non-allowable expenses	**2.0**	1.1	**1.7**	0.9
Current year loss not recognised as deferred tax assets during the financial year	**0.5**	0.4	**-**	-
Under/(Over) provision in respect of prior financial years	**0.9**	1.7	**(0.2)**	2.1
	25.6	25.8	**24.7**	26.9

46 EARNINGS PER SHARE ('EPS')

(a) Basic earnings per share

Basic EPS is calculated by dividing the net profit attributable to equity holders of the Group by the weighted average number of ordinary shares in issue during the financial year.

	Group 2019	Group 2018
Net profit attributable to equity holders (RM'000)	**2,482,432**	2,305,196
Weighted average number of ordinary shares in issue ('000)	**4,010,045**	4,010,045
Basic earnings per share (sen)	**61.9**	57.5

(b) Diluted earnings per share

There were no dilutive potential ordinary shares outstanding as at 31 December 2019. As a result, the diluted EPS equal to the basic EPS for financial year ended 31 December 2019.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

47 INCOME TAX RELATING TO COMPONENTS OF OTHER COMPREHENSIVE INCOME/(LOSS)

Attributable to equity holders of the Group:

	Group		
	Before tax RM'000	Tax benefits RM'000	Net of tax RM'000
2019			
Financial assets at FVOCI			
- Net fair value gain, net amount transfer to income statements and changes in expected credit losses	**1,099,861**	**(147,909)**	**951,952**
Actuarial loss on defined benefit plan of subsidiaries and net gain on equity instruments	**5,255**	**(1,203)**	**4,052**
	1,105,116	**(149,112)**	**956,004**
2018			
Financial assets at FVOCI			
- Net fair value gain, net amount transfer to income statements and changes in expected credit losses	33,315	(7,994)	25,321
Actuarial gain on defined benefit plan of subsidiaries and net loss on equity instruments	7,309	(374)	6,935
	40,624	(8,368)	32,256

Attributable to equity holders of the Bank:

	Bank		
	Before tax RM'000	Tax benefits RM'000	Net of tax RM'000
2019			
Financial assets at FVOCI			
- Net fair value gain, net amount transfer to income statements and changes in expected credit losses	**929,985**	**(113,827)**	**816,158**
2018			
Financial assets at FVOCI			
- Net fair value gain, net amount transfer to income statements and changes in expected credit losses	12,609	(3,719)	8,890

48 DIVIDENDS

Dividends declared or proposed are as follows:

	Group and Bank			
	2019		2018	
	Dividend per share sen	Total dividend RM'000	Dividend per share sen	Total dividend RM'000
Ordinary shares:				
Interim dividend	**12.50**	**501,256**	7.50	300,753
Final dividend	**18.50**	**741,858**	13.00	521,306
	31.00	**1,243,114**	20.50	822,059

At the forthcoming Annual General Meeting, a single-tier final dividend in respect of the current financial year of 18.50 sen per share amounting to RM741,858,000 will be proposed for shareholders' approval. The single-tier final dividend was approved by the Board of Directors on 29 January 2020.

The financial statements for the current financial year do not reflect this single-tier final dividend. This dividend payment will be accounted for in the shareholders' equity as an appropriation of retained profits in the financial year ending 31 December 2020.

Dividends recognised as distribution to ordinary equity holders of the Bank:

	Group and Bank			
	2019		2018	
	Dividend per share sen	Total dividend RM'000	Dividend per share sen	Total dividend RM'000
Ordinary shares				
Interim dividend - 2019	**12.50**	**501,256**	-	-
Final dividend - 2018	**13.00**	**521,306**	-	-
Interim dividend - 2018	**-**	**-**	7.50	300,753
Final dividend - 2017	**-**	**-**	10.00	401,005
	25.50	**1,022,562**	17.50	701,758

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

49 COMMITMENTS AND CONTINGENCIES

(a) Commitments and Contingencies

In the normal course of business, the Group and the Bank make various commitments and incurs certain contingent liabilities with legal recourse to its customers. Apart from the allowance for commitments and contingencies already made in the financial statements, no material losses are anticipated as a result of these transactions.

The commitments and contingencies comprise the following:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Direct credit substitutes	**1,386,004**	1,586,463	**1,381,759**	1,565,728
Transaction-related contingent items	**4,258,393**	5,189,623	**3,984,356**	4,861,283
Short term self-liquidating trade-related contingencies	**1,311,586**	1,096,962	**1,240,297**	1,055,709
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	**4,119,202**	3,300,032	**4,119,202**	3,300,032
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	**-**	20,361	**-**	20,361
Irrevocable commitments to extend credit:				
- Maturity less than one year	**1,861,774**	1,903,660	**670,237**	516,646
- Maturity more than one year	**27,701,607**	27,844,792	**19,424,618**	20,302,395
Foreign exchange related contracts^:				
- Less than one year	**54,600,403**	75,141,589	**56,549,934**	77,770,403
- One year to less than five years	**2,719,057**	3,024,523	**2,821,309**	3,865,873
- More than five years	**1,112,190**	1,238,167	**1,112,190**	1,238,167
Commodity related contracts^				
- Less than one year	**266,117**	148,455	**266,117**	148,455
- One year to less than five years	**24,192**	-	**24,192**	-
Interest rate related contracts^:				
- Less than one year	**6,407,422**	10,520,565	**8,267,422**	11,785,566
- One year to less than five years	**19,713,844**	17,225,565	**20,713,844**	17,815,564
- More than five years	**8,642,163**	9,642,534	**9,142,163**	10,327,534
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	**16,303,840**	15,058,136	**13,728,325**	12,744,941
	150,427,794	172,941,427	**143,445,965**	167,318,657

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

49 COMMITMENTS AND CONTINGENCIES (CONTINUED)

(b) Guarantees Issued by the Group and the Bank

	Group	
	2019 RM'000	2018 RM'000
Corporate guarantee issued in favour of Monetary Authority of Singapore in relation to undertaking of subsidiaries	**152,009**	151,647
Corporate guarantee issued in favour of the Stock Exchange of Thailand in relation to a derivative warrant programme of a subsidiary	**458**	359
	152,467	152,006

The Group and the Bank has given a continuing guarantee to LOFSA to meet the liabilities and financial obligations and requirements of its subsidiary, RHB Bank (L) Ltd, arising from its offshore banking business in the Federal Territory of Labuan.

The Group and the Bank has also given a guarantee to the Bank of Thailand to provide support to meet any legal liabilities which may be incurred in respect of its operations in Thailand.

50 NON-CANCELLABLE LEASE COMMITMENTS

The Group and the Bank have lease commitments in respect of rented premises which are classified as operating leases as at 31 December 2018. From 1 January 2019, the Group and the Bank have recognised right of use assets for these leases, except for rented premises which are scoped-out of MFRS 16. A summary of the lease commitments, net of sub-leases, is as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Rental of premises:				
- Within one year	**16,046**	96,511	**10,720**	50,576
- Between one to five years	**10,790**	70,879	**6,490**	34,621
- More than five years	**-**	1,242	**-**	-
	26,836	168,632	**17,210**	85,197

51 CAPITAL COMMITMENTS

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Authorised and contracted for:				
- Property, plant and equipment	**209,078**	163,698	**185,483**	139,123
- Investment securities	**5,796**	8,845	**-**	-
	214,874	172,543	**185,483**	139,123

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for the financial year ended 31 December 2019 (continued)

52 RELATED PARTY TRANSACTIONS

(a) Related parties and relationships

The related parties of, and their relationship with the Bank, are as follows:

Related parties	Relationship
Employees Provident Fund ('EPF')	Substantial shareholder, a fund body that is significantly influenced by the government
Subsidiaries, associates and joint ventures of EPF as disclosed in its financial statements	Reporting entities that EPF has control or significant influence
Subsidiaries of the Bank as disclosed in Note 15	Subsidiaries
Key management personnel	The key management personnel of the Group and the Bank consists of: - All Directors of the Bank and its key subsidiaries; and - Members of the Group Management Committee ('GMC')
Related parties of key management personnel (deemed as related to the Bank)	(i) Close family members and dependents of key management personnel; and (ii) Entities that are controlled, jointly controlled or significantly influenced, by or for which voting power in such entity resides with, directly or indirectly by key management personnel or its close family members

(b) Significant related party balances and transactions

In addition to related party disclosures mentioned in Notes 11 and 26, set out below are other significant related party transactions and balances.

Other related parties of the Bank comprise of transactions or balances with the Bank's subsidiaries.

All related party transactions are entered into in the normal course of business at agreed terms between the related parties.

52 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant related party balances and transactions (continued)

Group	2019 Key management personnel RM'000	2019 EPF and EPF Group of companies RM'000	2018 Key management personnel RM'000	2018 EPF and EPF Group of companies RM'000
Income				
Interest on loans, advances and financing	**519**	**3,838**	654	41,745
Interest on financial assets at FVTPL	**-**	**79**	-	9
Interest on financial assets at FVOCI	**-**	**23,372**	-	14,559
Interest on financial investments at amortised cost	**-**	**25,480**	-	24,662
Fee income	**458**	**14,166**	1,009	8,525
Insurance premium	**203**	**23,753**	135	19,245
Brokerage income	**133**	**12,595**	178	13,550
Net gain on revaluation of derivatives	**153**	**-**	106	-
Other income	**74**	**73**	90	73
	1,540	**103,356**	2,172	122,368
Expenses				
Interest on deposits from customers	**292**	**7,572**	267	5,472
Rental of premises	**-**	**-**	508	-
Other expenses	**120**	**1,909**	19	1,294
	412	**9,481**	794	6,766
Amounts due from				
Loans, advances and financing	**12,047**	**315,684**	15,166	136,226
Clients' and brokers' balances	**2,296**	**16,465**	-	1,383
Financial assets at FVTPL	**-**	**50,229**	-	-
Financial assets at FVOCI	**-**	**629,010**	-	240,640
Financial investments at amortised cost	**-**	**551,966**	-	540,186
Other assets	**9**	**5,597**	3	4,005
Derivative assets	**2**	**-**	-	-
	14,354	**1,568,951**	15,169	922,440
Amounts due to				
Deposits from customers	**49,074**	**650,999**	50,005	706,053
Clients' and brokers' balances	**568**	**16,528**	128	-
Other liabilities	**40**	**53,233**	37	946
	49,682	**720,760**	50,170	706,999

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

52 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant related party balances and transactions (continued)

Bank	2019 Key management personnel RM'000	2019 EPF and EPF Group of companies RM'000	2019 Subsidiaries RM'000	2018 Key management personnel RM'000	2018 EPF and EPF Group of companies RM'000	2018 Subsidiaries RM'000
Income						
Interest on deposits and placements with other financial institutions	-	-	112,592	-	-	96,523
Interest on investment account due from designated financial institutions	-	-	339,436	-	-	357,698
Interest on loans, advances and financing	406	-	2,361	485	-	2,315
Interest on financial assets at FVTPL	-	79	-	-	-	-
Interest on financial assets at FVOCI	-	19,606	-	-	13,072	-
Interest on financial investments at amortised cost	-	24,821	-	-	24,662	-
Fee income	21	-	-	27	-	-
Other income	-	-	136,625	-	-	1,935
	427	44,506	591,014	512	37,734	458,471
Expenses						
Interest on deposits and placements of banks and other financial institutions	-	-	45,726	-	-	50,417
Interest on deposits from customers	102	15	8,049	119	331	6,548
Interest on obligation on securities sold under repurchase agreements	-	-	50,891	-	-	17,894
Interest on Hybrid Tier-1 Capital Securities	-	-	309	-	-	338
Rental of premises	-	-	8,094	-	-	8,003
Management fee	-	-	8,788	-	-	9,004
Reimbursement of operating expenses from a subsidiary	-	-	(315,575)	-	-	(295,564)
Other expenses	-	-	103,049	-	-	102,769
	102	15	(90,669)	119	331	(100,591)

52 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Significant related party balances and transactions (continued)

Bank	2019 Key management personnel RM'000	2019 EPF and EPF Group of companies RM'000	2019 Subsidiaries RM'000	2018 Key management personnel RM'000	2018 EPF and EPF Group of companies RM'000	2018 Subsidiaries RM'000
Amounts due from						
Money at call and deposit placements	-	-	860,175	-	-	1,596,817
Deposits and placements with banks and other financial institutions	-	-	5,029,634	-	-	2,868,707
Investment account due from designated financial institutions	-	-	8,229,334	-	-	7,898,611
Derivative assets	-	-	60,086	-	-	106,866
Loans, advances and financing	9,662	-	209,141	11,922	-	204,426
Financial assets at FVTPL	-	50,229	-	-	-	-
Financial assets at FVOCI	-	545,022	-	-	230,580	-
Financial investments at amortised cost	-	536,489	-	-	540,186	-
Other assets	-	-	467,698	-	-	246,754
	9,662	1,131,740	14,856,068	11,922	770,766	12,922,181
Amounts due to						
Deposits and placements with banks and other financial institutions	-	-	709,563	-	-	2,754,419
Deposits from customers	27,871	251,776	480,308	26,983	334,432	684,031
Derivative liabilities	-	-	122,037	-	-	114,214
Other liabilities	-	-	25,791	-	-	21,684
Hybrid Tier-1 Capital Securities	-	-	-	-	-	5,014
Obligations on securities sold under repurchase agreements	-	-	1,724,107	-	-	926,125
	27,871	251,776	3,061,806	26,983	334,432	4,505,487

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

52 RELATED PARTY TRANSACTIONS (CONTINUED)

(c) Key management personnel

The remuneration of Directors and other members of key management are as follows:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Short term employee benefits:				
- Fees	**2,692**	2,434	**1,451**	1,266
- Salary and other remuneration (Note (i))	**40,478**	41,491	**29,500**	26,031
- Contribution to EPF (Note (i))	**4,370**	4,478	**3,851**	3,476
- Benefits-in-kind	**154**	172	**79**	71
	47,694	48,575	**34,881**	30,844

(i) 2019 is inclusive of the Group's Cash Retention Scheme and Special Recognition Award and the related employer's EPF contribution totalling RM7,590,000 and RM7,143,000 (2018: RM14,394,000 and RM7,688,000) for the Group and the Bank respectively. The payout under this retention scheme was based on the achievement of the Group's short and long term business objestives.

The above includes Directors' remuneration as disclosed in Note 42.

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Approved limit on loans, advances and financing for key management personnel	**28,477**	31,228	**18,915**	20,047

(d) Credit exposures arising from transactions with connected parties

Credit exposures with connected parties as per BNM's revised Guidelines on Credit Transactions and Exposures with Connected Parties are as follows:

	Group		Bank	
	2019	2018	2019	2018
Outstanding credit exposures with connected parties (RM'000)	**14,117,329**	15,268,526	**10,712,232**	11,807,408
Percentage of outstanding credit exposures with connected parties as proportion of total credit exposures (%)	**6.44**	7.41	**7.45**	8.43
Percentage of outstanding credit exposures with connected parties which is non-performing or in default (%)	**0.09**	0.08	**0.0002**	0.0002

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

52 RELATED PARTY TRANSACTIONS (CONTINUED)

(e) Intercompany charges

Breakdown of intercompany charges by type of services received and geographical distribution as per BNM's Guidelines on Financial Reporting issued on 2 February 2018 are as follows:

Bank 2019	Interest on deposits and placements of banks and other financial institutions RM'000	Interest on deposits from customers RM'000	Interest on obligations on securities sold under repurchase agreements RM'000	Interest on Hybrid Tier-1 Capital Securities RM'000	Rental of premises RM'000	Management fee RM'000	Reimbursement of operating expenses from a subsidiary RM'000	Other expenses RM'000
Malaysia	**45,726**	**7,875**	**50,891**	**309**	**1,901**	**8,788**	**(315,575)**	**102,871**
Singapore	**-**	**110**	**-**	**-**	**6,193**	**-**	**-**	**-**
Thailand	**-**	**64**	**-**	**-**	**-**	**-**	**-**	**178**
	45,726	**8,049**	**50,891**	**309**	**8,094**	**8,788**	**(315,575)**	**103,049**
2018								
Malaysia	50,417	6,317	17,894	338	694	8,878	(295,564)	102,616
Singapore	-	160	-	-	7,309	126	-	-
Thailand	-	71	-	-	-	-	-	153
	50,417	6,548	17,894	338	8,003	9,004	(295,564)	102,769

53 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 its Management Committee as its chief operating decision-maker.

Pursuant to the Group's internal management reporting framework, the Group's Asset Management business is now streamlined under "Group Retail Banking". Previously, the Asset Management business was part of "Group Corporate Banking and Group Investment Banking". Accordingly, the Group has restated the related corresponding segment information.

The Group's business segments can be organised into the following main segments reflecting the Group's internal reporting structure:

(a) Group Retail Banking

Group Retail Banking focuses on providing products and services to individual customers. The products and services offered to customers include credit facilities (mortgages, non-residential mortgages, hire purchase, purchase of securities, credit cards and other personal loans and financing), remittances, deposits collection, investment related products, and bancassurance/bancatakaful products.

This segment also covers the asset management business that focuses on providing investment management services, unit trust fund management services, Islamic funds management services, wills and trustee services.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

53 SEGMENT REPORTING (CONTINUED)

The Group's business segments can be organised into the following main segments reflecting the Group's internal reporting structure: (continued)

(b) Group Business Banking

Group Business Banking caters for funding needs as well as deposit collection from small and medium sized enterprises and wholesale clients.

(c) Group Wholesale Banking

(i) Group Corporate Banking and Group Investment Banking

Group Corporate Banking caters to funding or lending needs of corporate customers including public listed corporations and its related entities, multinational corporations (including Japanese), financial institutions and Government and state owned enterprises. Included under Group Corporate Banking are offshore banking activities carried out by RHB Bank (L) Ltd whose borrowings and lending facilities are offered in major currencies mainly to corporate customers.

Group 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 and 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 and custodian and nominee services.

This segment also offers stockbroking and investment banking products and services to the Group's regional customers in Singapore, Hong Kong, Indonesia, Thailand and Vietnam.

(ii) Group Treasury and Global Markets

Group Treasury and Global Markets operations are involved in proprietary and non-proprietary trading in fixed income securities and foreign exchange, derivatives trading and structuring, managing customer-based foreign exchange and money market transactions, funding and investments in ringgit and foreign currencies for the Group, as well as funding center.

(d) Group International Business

Group International Business primarily focuses on providing commercial banking related products and services tailored to the specific needs of the customers in foreign countries in which the Group has operations. The Group currently has foreign presences in Singapore, Thailand, Brunei, Cambodia and Lao.

(e) Support Center and Others

Support Center and Others comprise results from other business segments in the Group (general insurance business, nominee services, property investment and rental of premises and other related financial services). The results of these other businesses are not material to the Group and therefore do not render a separate disclosure and are reported in aggregate in the financial statements.

The business segment results are prepared based on the Group's internal management reporting, which reflects the organisation's management reporting structure. Internal allocation of costs, for example, back office support, centralised cost, funding center and the application of transfer pricing, where appropriate, has been used in preparing the segmental reporting.

Foreign exchange income that was generated from the customers of Group Business Banking ('GBB') and Group Corporate Banking ('GCB') is now allocated fully to Group Treasury and Global Markets. The comparatives which were previously partially accounted for under GBB and GCB have now been restated accordingly.

During the financial year, no one group of related customers accounted for more than 10% of the Group's revenue.

53 SEGMENT REPORTING (CONTINUED)

(a) Business segment analysis

2019	Group Retail Banking RM'000	Group Business Banking RM'000	Group CBIB RM'000 (GWB)	Group Treasury and Global Markets RM'000 (GWB)	Group International Business RM'000	Support Center and Others RM'000	Inter-Segment Elimination RM'000	Total RM'000
External revenue	2,680,136	1,126,376	1,311,207	1,477,143	579,952	(74,044)	-	7,100,770
Inter-segment revenue	20,940	-	70,455	(76,634)	6,114	38,456	(59,331)	-
Segment revenue	2,701,076	1,126,376	1,381,662	1,400,509	586,066	(35,588)	(59,331)	7,100,770
Other operating expenses	(1,376,480)	(645,067)	(745,756)	(162,726)	(449,584)	(151,477)	59,331	(3,471,759)
Including:								
Depreciation of property, plant and equipment	(59,937)	(20,064)	(23,163)	(3,216)	(19,180)	(2,871)	-	(128,431)
Depreciation of right of use assets	(19,517)	(13,885)	(23,389)	(326)	(17,482)	(1,211)	-	(75,810)
Amortisation of intangible assets	(49,463)	(30,396)	(20,319)	(3,779)	(13,242)	(4,058)	-	(121,257)
Allowance for credit losses on financial assets	(267,973)	(3,577)	(61,028)	17,684	34,709	1,648	-	(278,537)
Segment profit/(loss)	1,056,623	477,732	574,878	1,255,467	171,191	(185,417)	-	3,350,474
Share of results of joint ventures								(30)
Profit before taxation and zakat								3,350,444
Taxation and zakat								(862,635)
Net profit for the financial year								2,487,809

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

53 SEGMENT REPORTING (CONTINUED)

(a) Business segment analysis (continued)

2019	Group Retail Banking RM'000	Group Business Banking RM'000	Group CBIB RM'000	Group Treasury and Global Markets RM'000	Group International Business RM'000	Support Center and Others RM'000	Total RM'000
		←	GWB	→			
Segment assets	91,298,174	25,945,544	50,791,190	56,309,901	28,517,801	3,179,893	256,042,503
Investments in associates and joint ventures							9,512
Tax recoverable							467,103
Deferred tax assets							22,989
Unallocated assets							1,050,389
Total assets							257,592,496
Segment liabilities	58,197,219	28,844,637	54,527,434	58,994,460	22,115,796	1,442,592	224,122,138
Provision for taxation and zakat							60,172
Deferred tax liabilities							169,763
Borrowings							1,182,527
Senior debt securities							3,296,763
Subordinated obligations							2,724,224
Unallocated liabilities							226,100
Total liabilities							231,781,687
Other segment items:							
Capital expenditure	144,663	79,150	68,730	11,855	31,950	8,521	344,869

53 SEGMENT REPORTING (CONTINUED)

(a) Business segment analysis (continued)

2018	Group Retail Banking RM'000	Group Business Banking RM'000	Group CBIB RM'000	Group Treasury and Global Markets RM'000	Group International Business RM'000	Support Center and Others RM'000	Inter-Segment Elimination RM'000	Total RM'000
		←	GWB	→				
External revenue	2,545,506	1,066,020	1,424,481	1,387,656	536,002	(154,052)	-	6,805,613
Inter-segment revenue	18,556	-	34,019	(10,289)	6,419	8,878	(57,583)	-
Segment revenue	2,564,062	1,066,020	1,458,500	1,377,367	542,421	(145,174)	(57,583)	6,805,613
Other operating expenses	(1,317,364)	(597,736)	(788,293)	(152,262)	(416,318)	(143,265)	57,583	(3,357,655)
Including:								
Depreciation of property, plant and equipment	(58,368)	(17,534)	(21,698)	(2,615)	(16,610)	(2,896)	-	(119,721)
Amortisation of intangible assets	(41,674)	(23,631)	(17,610)	(4,563)	(10,135)	(3,101)	-	(100,714)
Allowance for credit losses on financial assets	(212,851)	(88,678)	(94,460)	(8,364)	88,691	9,660	-	(306,002)
Impairment losses made on other non-financial assets	-	-	(23,000)	-	-	-	-	(23,000)
Segment profit/(loss)	1,033,847	379,606	552,747	1,216,741	214,794	(278,779)	-	3,118,956
Share of results of joint ventures								99
Profit before taxation and zakat								3,119,055
Taxation and zakat								(810,143)
Net profit for the financial year								2,308,912

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for the financial year ended 31 December 2019 (continued)

53 SEGMENT REPORTING (CONTINUED)

(a) Business segment analysis (continued)

2018	Group Retail Banking RM'000	Group Business Banking RM'000	Group CBIB RM'000 (GWB)	Group Treasury and Global Markets RM'000 (GWB)	Group International Business RM'000	Support Center and Others RM'000	Total RM'000
Segment assets	86,009,991	25,354,862	52,315,389	50,642,438	25,049,775	2,409,184	241,781,639
Investments in associates and joint ventures							25,352
Tax recoverable							389,172
Deferred tax assets							79,191
Unallocated assets							890,325
Total assets							243,165,679
Segment liabilities	52,770,950	25,901,243	53,835,540	56,427,360	20,089,033	1,313,292	210,337,418
Provision for taxation and zakat							24,578
Deferred tax liabilities							2,308
Borrowings							1,182,885
Senior debt securities							3,323,664
Hybrid Tier-1 Capital Securities							603,221
Subordinated obligations							3,748,655
Unallocated liabilities							547,002
Total liabilities							219,769,731
Other segment items:							
Capital expenditure	134,423	89,754	41,325	12,154	34,301	8,823	320,780

b) Geographical segment analysis:

2019	Revenue RM'000	Segment assets RM'000	Capital expenditure RM'000
Malaysia	6,302,565	227,257,020	271,172
Outside Malaysia	798,205	30,335,476	73,697
	7,100,770	257,592,496	344,869
2018			
Malaysia	6,056,491	216,435,433	277,987
Outside Malaysia	749,122	26,730,246	42,793
	6,805,613	243,165,679	320,780

54 CAPITAL ADEQUACY RATIO

BNM Guidelines on capital adequacy requires the Group, the Bank and the banking subsidiaries 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.

RHB Bank Cambodia, a wholly owned subsidiary of the Bank is subject to National Bank of Cambodia's capital adequacy requirements.

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

	Group 2019 RM'000	Group 2018 RM'000	Bank@ 2019 RM'000	Bank@ 2018 RM'000
Common Equity Tier I ('CET I')/Tier I Capital				
Share capital	**6,994,103**	6,994,103	**6,994,103**	6,994,103
Retained profits	**15,614,585**	14,791,837	**12,606,320**	12,116,174
Other reserves	**727,132**	722,541	**490,905**	499,913
FVOCI reserves	**1,283,816**	319,844	**1,123,748**	299,322
	24,619,636	22,828,325	**21,215,076**	19,909,512
Less:				
Goodwill	**(2,638,198)**	(2,633,383)	**(1,651,542)**	(1,651,542)
Intangible assets (include associated deferred tax liabilities)	**(535,880)**	(563,693)	**(478,305)**	(504,752)
Deferred tax assets	**(175,214)**	(100,192)	**(141,690)**	(55,305)
55% of cumulative gains arising from change in value of FVOCI instruments	**(706,099)**	(175,914)	**(618,061)**	(164,627)
Investments in subsidiaries	**(102,425)**	(102,427)	**(4,713,568)**	(4,711,343)
Investments in associates and joint ventures	**(9,512)**	(25,352)	**-**	-
Other deductions#	**(16,144)**	(39,524)	**(14,189)**	(34,675)
Total CET I Capital	**20,436,164**	19,187,840	**13,597,721**	12,787,268
Hybrid Tier-1 Capital Securities*	**-**	240,000	**-**	240,000
Qualifying non-controlling interests recognised as Tier I Capital	**220**	10,606	**-**	-
Total Tier I Capital	**20,436,384**	19,438,446	**13,597,721**	13,027,268
Tier II Capital				
Subordinated obligations subject to gradual phase out treatment**	**300,000**	300,000	**300,000**	300,000
Subordinated obligations meeting all relevant criteria	**1,249,527**	2,249,272	**1,249,527**	2,249,272
Qualifying capital instruments of a subsidiary issued to third parties+	**490,764**	501,504	**-**	-
Surplus eligible provisions over expected losses	**478,626**	473,875	**363,909**	379,954
General provisions^	**293,276**	192,590	**183,354**	144,014
Investment in capital instrument of financial and insurance/takaful entities	**-**	-	**(134,187)**	-
Total Tier II Capital	**2,812,193**	3,717,241	**1,962,603**	3,073,240
Total Capital	**23,248,577**	23,155,687	**15,560,324**	16,100,508

Notes to the Financial Statements
for the financial year ended 31 December 2019 (continued)

54 CAPITAL ADEQUACY RATIO (CONTINUED)

(a) The capital adequacy ratios of the Group and the Bank are as follows (continued):

	Group		Bank[@]	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Capital ratios				
Before proposed dividends:				
CET I Capital Ratio	**16.883%**	15.920%	**15.145%**	13.818%
Tier I Capital Ratio	**16.884%**	16.128%	**15.145%**	14.077%
Total Capital Ratio	**19.207%**	19.213%	**17.331%**	17.398%
After proposed dividends:				
CET I Capital Ratio	**16.271%**	15.488%	**14.319%**	13.254%
Tier I Capital Ratio	**16.271%**	15.696%	**14.319%**	13.514%
Total Capital Ratio	**18.594%**	18.780%	**16.505%**	16.835%

@ The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and its wholly-owned offshore banking subsidiary, RHB Bank (L) Ltd.

Pursuant to Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments, the Capital Adequacy Framework (Basel II - RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.

* Hybrid Tier-1 Capital Securities that are recognised as Tier I capital instruments are subject to gradual phase out treatment effective from 1 January 2013 as prescribed under paragraph 37.7 of the BNM's Guideline on Capital Adequacy Framework (Capital Components).

** Subordinated obligations that are recognised as Tier II capital instruments are subject to gradual phase out treatment effective from 1 January 2013 as prescribed under paragraph 37.7 of the BNM's Guideline on Capital Adequacy Framework (Capital Components).

+ Qualifying subordinated sukuk that are recognised as Tier II capital instruments held by third parties as prescribed under paragraph 17.6 of the BNM's Guideline on Capital Adequacy Framework (Capital Components) which are issued by a fully consolidated subsidiary of the Bank.

^ Pursuant to BNM's policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions, 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 of the Group and the Bank of RM202,449,000 (2018: RM61,723,000) and RM101,096,000 (2018: RM27,796,000) respectively.

54 CAPITAL ADEQUACY RATIO (CONTINUED)

(b) The capital adequacy ratios of RHB Islamic Bank and RHB Investment Bank are as follows:

	RHB Islamic Bank		RHB Investment Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
CET I/Tier I Capital				
Share capital	**1,673,424**	1,673,424	**1,487,773**	1,487,773
Retained profits	**2,530,491**	2,013,893	**567,193**	558,690
FVOCI reserves	**117,635**	(3,499)	**39,360**	20,853
	4,321,550	3,683,818	**2,094,326**	2,067,316
Less:				
Goodwill	**-**	-	**(372,395)**	(372,395)
Investments in subsidiaries, associates and joint ventures	**-**	-	**(1,098,725)**	(1,203,286)
Intangible assets (include associated deferred tax liabilities)	**(3,295)**	(4,271)	**(25,905)**	(27,055)
Deferred tax assets	**(12,068)**	(23,499)	**(10,106)**	(5,832)
55% of cumulative gains arising from change in value of FVOCI instruments	**(64,699)**	-	**(21,648)**	(11,469)
Other deductions#	**(1,955)**	(4,849)	**-**	-
Total CET I Capital/Total Tier I Capital	**4,239,533**	3,651,199	**565,547**	447,279
Tier II Capital				
Subordinated sukuk	**750,000**	750,000	**-**	-
Subordinated obligations meeting all relevant criteria	**-**	-	**400,000**	400,000
Surplus eligible provisions over expected losses	**114,957**	94,333	**-**	-
General provisions^	**53,940**	54,330	**9,932**	7,657
	918,897	898,663	**409,932**	407,657
Total Capital	**5,158,430**	4,549,862	**975,479**	854,936
Capital ratios				
Before proposed dividends:				
CET I Capital Ratio	**13.922%**	13.222%	**33.144%**	21.323%
Tier I Capital Ratio	**13.922%**	13.222%	**33.144%**	21.323%
Total Capital Ratio	**16.939%**	16.476%	**57.169%**	40.757%
After proposed dividends:				
CET I Capital Ratio	**13.627%**	13.222%	**24.764%**	21.323%
Tier I Capital Ratio	**13.627%**	13.222%	**24.764%**	21.323%
Total Capital Ratio	**16.644%**	16.476%	**48.788%**	40.757%

Pursuant to Basel II Market Risk para 5.19 & 5.20 - Valuation Adjustments, the Capital Adequacy Framework (Basel II - RWA) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.

^ Pursuant to BNM's policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions, 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 RHB Islamic Bank and RHB Investment Bank of RM44,447,000 (2018: RM42,756,000) and RM9,917,000 (2018: RM7,501,000) respectively.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

54 CAPITAL ADEQUACY RATIO (CONTINUED)

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

2019	Group RM'000	Bank[@] RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
Credit risk	**105,139,766**	**77,851,675**	**23,474,740**	**794,533**
Market risk	**3,844,722**	**3,394,037**	**293,518**	**127,778**
Operational risk	**12,058,426**	**8,535,951**	**1,937,774**	**784,006**
Additional risk-weighted assets due to capital floor	**-**	**-**	**4,746,219**	**-**
Total risk-weighted assets	**121,042,914**	**89,781,663**	**30,452,251**	**1,706,317**
2018				
Credit risk	104,908,738	81,202,389	20,068,530	612,585
Market risk	3,852,444	2,945,831	268,130	678,014
Operational risk	11,762,542	8,394,333	1,679,551	807,022
Additional risk-weighted assets due to capital floor	-	-	5,599,323	-
Total risk-weighted assets	120,523,724	92,542,553	27,615,534	2,097,621

[@] The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and its wholly-owned offshore banking subsidiary, RHB Bank (L) Ltd.

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

The total risk-weighted assets of RHB Islamic Bank are computed based on BNM's Capital Adequacy Framework for Islamic Banks ('CAFIB'): Internal Ratings Based Approach for Credit and Standardised Approach for Market Risk and Basic Indicator Approach for Operational Risk (Basel II).

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

(d) The capital adequacy ratios of RHB Bank Cambodia are as follows:

	2019	2018
Before proposed dividends:		
Solvency ratio	**15.477%**	19.438%
After proposed dividends:		
Solvency ratio	**15.477%**	19.438%

The Solvency Ratio of RHB Bank Cambodia is the nearest equivalent regulatory compliance ratio in Cambodia computed in accordance with Prakas B7-00-46, B7-04-206 and B7-07-135 issued by the National Bank of Cambodia. This ratio is derived as RHB Bank Cambodia's net worth divided by its risk-weighted assets and off-balance sheet items. The minimum regulatory solvency ratio requirement in Cambodia is 15%.

55 FINANCIAL RISK MANAGEMENT

(a) Financial Risk Management Objectives and Policies

Risk is inherent in the Group's activities and is managed through a process of on-going identification, measurement and monitoring, subject to limits and other controls. Besides credit risk, the Group is exposed to a range of other risk types such as market, liquidity, operational, legal, Shariah, strategic and cross-border, as well as other forms of risk inherent to its strategy, product range and geographical coverage.

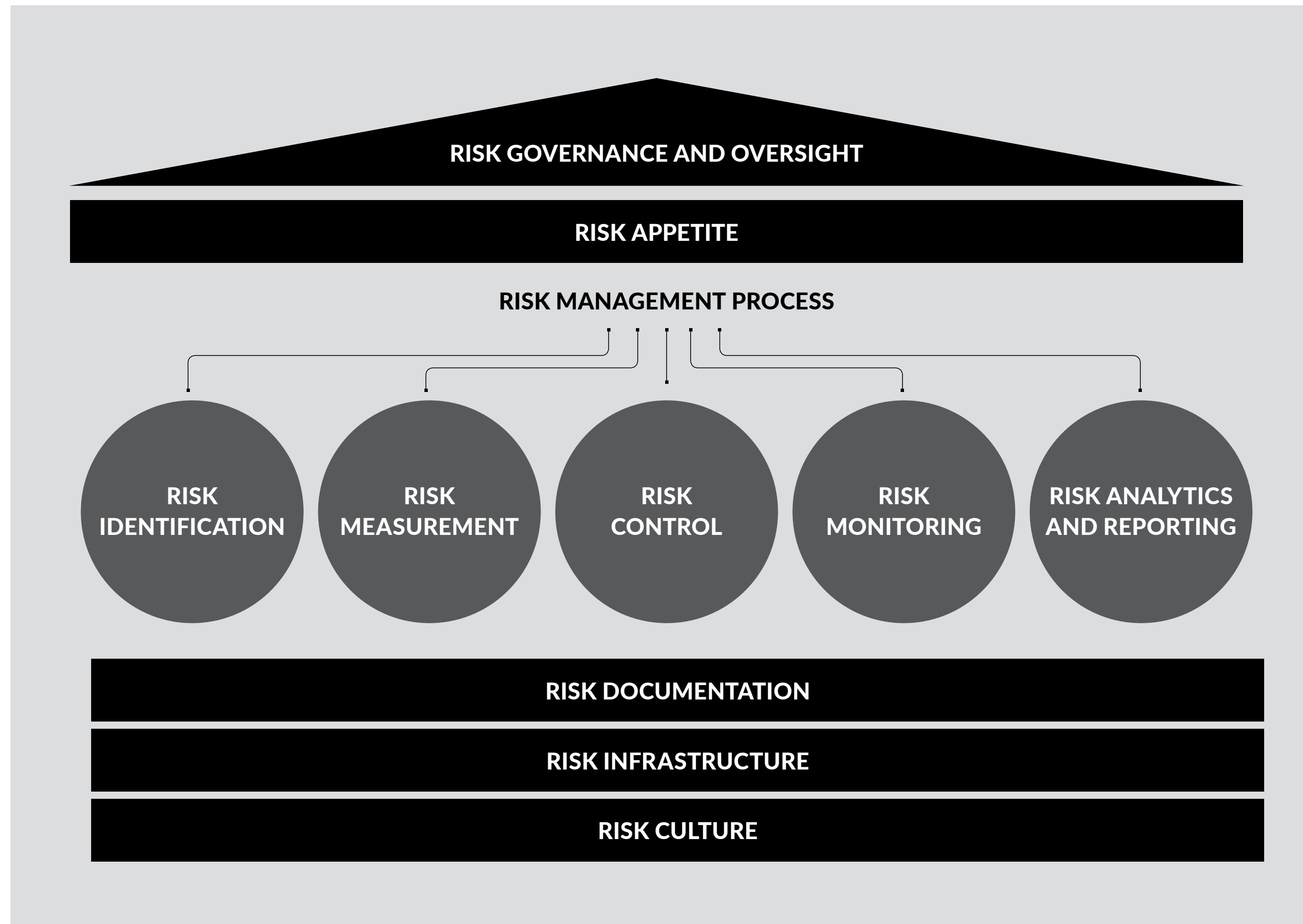
Effective risk management is fundamental to being able to drive sustainable growth and shareholders' value, while maintaining competitive advantage, and is thus a central part of the proactive risk management of the Group's operating environment.

The Group Risk Management Framework governs the management of risks in the Group, as follows:

1. It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and controls in the organisation.

2. It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk adjusted returns.

The Group Risk Management Framework is represented in the following diagram:



Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

The Risk Management Framework contains five fundamental principles that drive the philosophy of risk management in the Group. They are:

1. Risk governance from the Boards of Directors of various operating entities within the Group

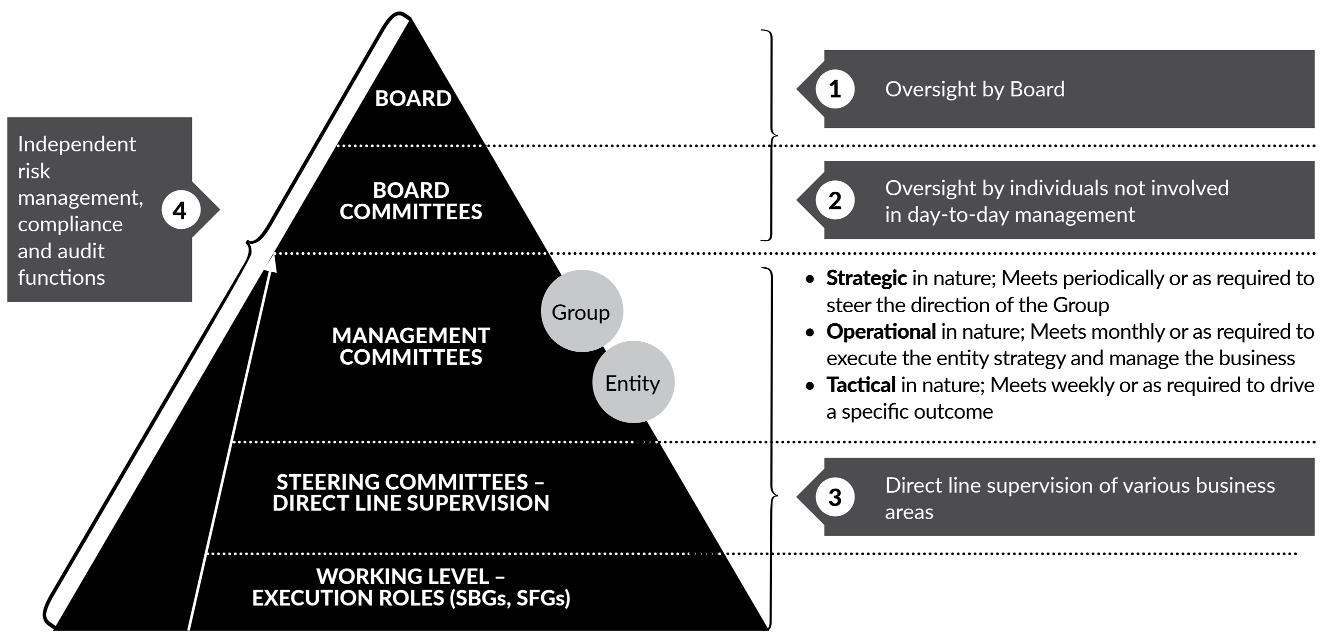
The ultimate responsibility of the Boards of Directors in the Group is to ensure that an effective risk management strategy is in place and uniformly understood across the Group. The Group has a structured framework to support the Board's oversight responsibilities.

Risk Governance and Organisation

The Board Risk Committee ('BRC') is the principal Board committee that provides oversight over risk management for the Group to ensure that the Group's risk management process is in place and functional. The BRC assists the Board to review the Group's overall risk management philosophy, framework, policies and models. The Islamic Risk Management Committee and the Investment Bank Board Risk Committee assist the respective Boards of Directors of RHB Islamic Bank and RHB Investment Bank on risk issues relevant and unique to its business.

The responsibility for the supervision of the day-to-day management of enterprise risk and capital matters is delegated to the Group Capital and Risk Committee ('GCRC') comprising senior management of the Group and which reports to the relevant board committees and the Group Management Committee ('GMC'). The Investment Bank Risk Management Committee ('IBRMC') is responsible for oversight of risk management matters relating to RHB Investment Bank Group's business whilst the Group Asset and Liability Committee ('Group ALCO') oversees market risk, liquidity risk and balance sheet management.

An overview of this governance framework at Group level is as below:



55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

The Risk Management Framework contains five fundamental principles that drive the philosophy of risk management in the Group. They are (continued):

Risk Culture

2. Clear understanding of risk management ownership

Proactive risk ownership is important for effective management of risk. This promotes a risk awareness culture throughout the Group. The Group adopts the principle that 'Risk and Compliance is Everyone's Responsibility'.

The Strategic Business Groups ('SBGs') and Strategic Functional Groups ('SFGs') of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risks. The business units manage certain defined risks supported by the services provided by the functional units, including the risk management function. The approach is based on the 'three lines of defence' model as depicted below:

FIRST LINE **Business/Functional Level**	• Responsible for managing day-to-day operational risks and compliance issues • Business Risk and Compliance Officer is to assist business/functional unit in day-to-day risks and compliance matters
SECOND LINE **Group Risk and Credit Management & Group Compliance**	• Responsible for oversight, establishing governance and providing support to business/functional unit on risk and compliance matters
THIRD LINE **Group Internal Audit**	• Provide independent assurance to the Board that risk and compliance management functions effectively as designed

Risk Environment and Infrastructure

3. Institutionalisation of a risk-focused organisation

In addition to risk ownership, a risk-focused culture is promoted throughout the Group through strengthening of the central risk management functions and continuous reinforcement of a risk and control environment within the Group.

Group Risk and Credit Management, headed by the Group Chief Risk Officer is independent of the business function to ensure that the necessary balance in risk/return decisions is not compromised by short term pressures to generate revenues.

The business and functional heads are accountable for risk management in their businesses and functions, and for overseas operations where they have governance responsibilities. The business and functional units have clear segregation of duties to ensure that business processes are functioning effectively. There is accountability delegated to the appropriate authority to enable them to execute their respective authorities in meeting the business strategies without compromising the risk management process.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

The Risk Management Framework contains five fundamental principles that drive the philosophy of risk management in the Group. They are (continued):

3. Institutionalisation of a risk-focused organisation (continued)

The primary responsibility for managing risks, therefore, rests with the business managers who are best equipped to ensure that risk management and control are continuously focused on the way business is conducted. Business activities and processes are continuously reviewed for areas of significant risks and for implementation of appropriate control procedures to ensure they operate within established corporate policies and limits.

The risk management process within the Group seeks to identify, measure, monitor and control risk so that risk exposures are adequately managed and the expected returns adequately compensate the risks.

- Identification: The identification and analysis of the existing and potential risks is a continuing process, in order to facilitate and ensure that the risks can be managed and controlled within the risk appetite of the Group and specific entity, where necessary.

- Measurement: Risks are measured, assessed and aggregated using comprehensive qualitative and quantitative risk measurement methodologies, and the process also serves as an important tool as it provides an assessment of capital adequacy and solvency.

- Controlling and Monitoring: Controls, triggers and limits are used to manage risk exposures and to facilitate early identification of potential problem on a timely basis.

- Analytics and Reporting: Risk analysis and reports prepared at the respective entities and consolidated level as well as business level are regularly escalated to the senior management and relevant Boards of the Group's entities to ensure that the risks identified remain within the established appetite and to support an informed decision-making process.

The Group recognises that effective implementation of the risk management system and process must be supported by a robust set of documentation and infrastructure. Towards this end, the Group has established frameworks, policies and other relevant control documents to ensure clearly defined practices and processes are effected consistently across the Group.

In terms of risk infrastructure, the Group has organised its resources and talents into dedicated risk management functions, and invested into the technology, including data management to support the Group's risk management activities.

<u>Risk Appetite</u>

4. Alignment of risk management to business strategies

The Group Risk Management Framework serves to align the Group's business strategy with its risk strategy, and vice-versa. This is articulated through the risk appetite setting and the Group's annual business and financial budgetary plan, which is facilitated by the integration of risk measures in capital management.

Risk appetite describes the types and level of risks the Group is prepared to accept in delivering its business strategies. It is a key component of risk management and is set by the Board, and reported through various metrics that enable the Group to manage capital resources and shareholders' expectations.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

The Risk Management Framework contains five fundamental principles that drive the philosophy of risk management in the Group. They are (continued):

5. Optimisation of risk-adjusted return

One of the objectives of capital management is to reflect a risk-adjusted return assumed by the businesses throughout the Group. By linking risk to capital, the risk-adjusted return measure contributes to the creation of shareholder value by facilitating the allocation of capital to the businesses.

The medium to long-term strategy and principle of risk management of the Group is to intensify the integration of capital management within the Group. The Group is progressively implementing a risk-adjusted return based framework for allocation of capital to business units and for performance measurement and management.

Major Areas of Risk

As a banking institution with key activities covering retail, business banking, corporate banking and advisory services, treasury products and services, and securities and futures related business, the Group is subject to business risks which are inherent in the financial services industry. Generally, these business risks can be broadly classified as follows:

(i) Market risk – the risk of losses arising from adverse movements in market drivers, such as interest/profit rates, credit spreads, equity prices, currency exchange rates and commodity prices. Under this definition, market risk will constitute:
- the interest/profit rate and equity risks pertaining to financial instruments in the trading book; and
- foreign exchange risk and commodities risk in the trading and banking books.

(ii) Liquidity risk – the risk of the Group and the Bank being unable to maintain sufficient liquidity to meet its financial commitments and obligations when they fall due and transact at a reasonable cost. Liquidity risk also arises from the inability to manage unplanned decreases or changes in funding sources.

(iii) Credit risk – the risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the Group's and the Bank's lending/financing, trade finance and its funding, underwritings, investment and trading activities from both on and off-balance sheet transactions.

(iv) Operational risk – the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT, legal and Shariah non-compliance risk but excludes strategic and reputational risk.

To mitigate the various business risks of the Group and the Bank, the following has been put in place:

Market Risk

- A framework of risk policies, measurement methodologies and limits, as approved by the Board, which controls the Group's and the Bank's financial market activities as well as to identify potential risk areas early in order to mitigate against any adverse effects arising from market volatility.

- The senior management committees; namely Group Asset and Liability Committee ('Group ALCO'), the GCRC and IBRMC performs a critical role in the oversight of the management of market risk and supports the board risk committees in the overall market risk management.

- The Group Risk Management function forms a centralised function to support senior management to operationalise the processes and methods, to ensure adequate risk control and oversight are in place.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

Major Areas of Risk (continued)

Market Risk (continued)

- The Group and the Bank apply risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk ('VaR'), sensitivity analysis and stress testing.
- Market risk is primarily monitored and controlled via a structure of limits and triggers i.e. cut loss, VaR, trading and notional limit set in accordance with the size of positions and risk tolerance appetites.
- Periodic stress testing are applied to ascertain market risk under abnormal market conditions.

Liquidity Risk

- The Group ALCO plays a fundamental role in the asset and liability management of the Group and the Bank, and establishes strategies to assist in controlling and reducing any potential exposures to liquidity risk.
- The liquidity risk management process involves establishing liquidity risk management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions.
- Limits on the minimum portion of maturing funds available to meet obligations and the minimum level of interbank and other borrowing facilities are set to ensure adequate cover for withdrawals arising from unexpected levels of demand.
- Defined liquidity management ratios are maintained and monitored.
- The Group and the Bank have established a Liquidity Incident Management Procedure to manage any potential adverse liquidity incidences, and which can be implemented on a timely basis so that appropriate actions can be taken to mitigate against any unexpected market developments.

Credit Risk

- The Group and the Bank abide to the Board approved credit policy which supports the development of a strong credit culture and with the objective of maintaining a well-diversified portfolio that addresses credit risk, and mitigates concern for unexpected losses.
- Industry best practices are incorporated into this policy.
- Group Credit Committee ('GCC') is responsible for ensuring adherence to the Board approved credit risk appetite as well as the effectiveness of credit risk management. GCC is the senior management committee empowered to approve or reject all financial investments, counterparty credit and lending/financing up to the defined threshold limits.
- Group Investment Underwriting Committee ('GIUC') deliberates, approves and rejects stockbroking/equities/futures business related proposals such as equity underwriting, equity derivatives and structured products, and share margin financing.
- GCC and GIUC submit to the Board Credit Committee ('BCC') for affirmation or veto if the financing facilities exceed a pre-defined threshold.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(a) Financial Risk Management Objectives and Policies (continued)

Major Areas of Risk (continued)

Credit Risk (continued)

- The Group and the Bank also ensure that internal processes and credit underwriting standards are adhered to before credit proposals are approved. All credit proposals are first evaluated by the originating business units before being evaluated prior to submission to the relevant committees for approval. With the exception of credit applications for consumer and approved products under program lending/financing which can be approved by business units' supervisors, all other credit facilities are subject to independent assessment by a team of dedicated and experienced credit evaluators in Head Office. For proper checks and controls, joint approval is required for all discretionary lending between business and independent credit underwriters. Loans/financing which are beyond the delegated lending authority limits will be escalated to the relevant committees for approval.
- Internal credit rating models are an integral part of the Group's and the Bank's credit risk management, decision-making process, and regulatory capital calculations.
- Clients' accounts are reviewed at regular intervals and weakening credits are transferred to Loan Recovery for more effective management.
- Counterparty, industry and product exposure limits/directions are set and risk reward relationships are mapped with the aim of maintaining a diverse credit profile and track the changing risk concentrations in response to market changes and external events.
- The Bank applies the Internal Ratings-Based ('IRB') approach for credit risk, whereby more advanced Basel II approaches and key program components are implemented, which includes (i) enhancing the returns of the Bank using established credit risk framework and methodologies, (ii) implementing and using empirical credit scoring models for consumer financing and credit rating models for business loans/financing, and (iii) designing and implementing modelling of expected and unexpected losses.

Operational Risk

- The Group Operational Risk Management function is responsible for the development of group-wide operational risk policies, framework and methodologies, and providing guidance and information to the business units on operational risk areas. The respective business units are primarily responsible for managing operational risk on a day-to-day basis. Some of the operational risk tools used include Risk and Control Self-Assessment, Key Risk Indicators, Key Control Testing, Incident and Loss Management and Scenario Analysis.
- The Group's and the Bank's operational risk management system has integrated applications to support the operational risk management process. This system facilitates the Group's and the Bank's capabilities for the Advanced Measurement Approach of the Basel II Framework in the future.
- The Group and the Bank have Business Continuity Management ('BCM') programme for the major critical business operations and activities at the Head Office, data centre, and branches' locations. The BCM programme is subject to regular testing to ensure efficacy, reliability and functionality.
- There is continuous refinement of existing policies, procedures and internal control measures; and regular internal review, compliance monitoring, and audits are performed to prevent and/or minimise unexpected losses.
- Regular operational risk reporting is made to senior management, relevant committees and board to facilitate the identification of adverse operational lapses, taking of prompt corrective actions, and ensuring appropriate risk mitigation decision making and action plans.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category

Group 2019	At amortised cost RM'000	At fair value through profit and loss RM'000	At fair value through other comprehensive income RM'000	Total RM'000
ASSETS				
Cash and short term funds	11,627,992	-	-	11,627,992
Deposits and placements with banks and other financial institutions	1,095,567	-	-	1,095,567
Financial assets at FVTPL	-	4,623,447	-	4,623,447
Financial assets at FVOCI	-	-	39,805,304	39,805,304
- Debt instruments	-	-	39,109,505	39,109,505
- Equity instruments	-	-	695,799	695,799
Financial investments at amortised cost	14,249,409	-	-	14,249,409
Loans, advances and financing	173,236,672	-	-	173,236,672
Clients' and brokers' balances	893,448	-	-	893,448
Other financial assets	1,158,266	-	-	1,158,266
Derivative assets	-	855,256	-	855,256
	202,261,354	5,478,703	39,805,304	247,545,361
LIABILITIES				
Deposits from customers	190,555,225	-	-	190,555,225
Deposits and placements of banks and other financial institutions	21,539,329	-	-	21,539,329
Obligations on securities sold under repurchase agreements	2,048,516	-	-	2,048,516
Bills and acceptances payables	254,945	-	-	254,945
Clients' and brokers' balances	824,166	-	-	824,166
Other financial liabilities	2,844,118	-	-	2,844,118
Derivative liabilities	-	1,160,927	-	1,160,927
Recourse obligation on loans sold to Cagamas	3,535,996	-	-	3,535,996
Lease liabilities	111,769	-	-	111,769
Borrowings	1,182,527	-	-	1,182,527
Senior debt securities	3,296,763	-	-	3,296,763
Subordinated obligations	2,724,224	-	-	2,724,224
	228,917,578	1,160,927	-	230,078,505

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category (continued)

Group 2018	At amortised cost RM'000	At fair value through profit and loss RM'000	At fair value through other comprehensive income RM'000	Total RM'000
ASSETS				
Cash and short term funds	12,553,188	-	-	12,553,188
Deposits and placements with banks and other financial institutions	898,120	-	-	898,120
Financial assets at FVTPL	-	3,800,649	-	3,800,649
Financial assets at FVOCI	-	-	32,577,833	32,577,833
- Debt instruments	-	-	31,900,621	31,900,621
- Equity instruments	-	-	677,212	677,212
Financial investments at amortised cost	14,090,275	-	-	14,090,275
Loans, advances and financing	165,629,774	-	-	165,629,774
Clients' and brokers' balances	943,056	-	-	943,056
Other financial assets	956,588	-	-	956,588
Derivative liabilities	-	1,131,057	-	1,131,057
	195,071,001	4,931,706	32,577,833	232,580,540
LIABILITIES				
Deposits from customers	178,856,330	-	-	178,856,330
Deposits and placements of banks and other financial institutions	18,290,894	-	-	18,290,894
Obligations on securities sold under repurchase agreements	2,194,324	-	-	2,194,324
Bills and acceptances payables	301,603	-	-	301,603
Clients' and brokers' balances	841,782	-	-	841,782
Other financial liabilities	2,583,306	-	-	2,583,306
Derivative liabilities	-	1,116,701	-	1,116,701
Recourse obligation on loans sold to Cagamas	5,266,116	-	-	5,266,116
Borrowings	1,182,885	-	-	1,182,885
Senior debt securities	3,323,664	-	-	3,323,664
Hybrid Tier-1 Capital Securities	603,221	-	-	603,221
Subordinated obligations	3,748,655	-	-	3,748,655
	217,192,780	1,116,701	-	218,309,481

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category (continued)

Bank 2019	At amortised cost RM'000	At fair value through profit and loss RM'000	At fair value through other comprehensive income RM'000	Total RM'000
ASSETS				
Cash and short term funds	5,502,893	-	-	5,502,893
Deposits and placements with banks and other financial institutions	5,349,632	-	-	5,349,632
Investment account due from designated financial institutions	8,229,334	-	-	8,229,334
Financial assets at FVTPL	-	2,530,288	-	2,530,288
Financial assets at FVOCI	-	-	33,934,272	33,934,272
- Debt instruments	-	-	33,279,961	33,279,961
- Equity instruments	-	-	654,311	654,311
Financial investments at amortised cost	9,702,802	-	-	9,702,802
Loans, advances and financing	107,345,665	-	-	107,345,665
Other financial assets	751,508	-	-	751,508
Derivative assets	-	903,584	-	903,584
	136,881,834	3,433,872	33,934,272	174,249,978
LIABILITIES				
Deposits from customers	131,571,124	-	-	131,571,124
Deposits and placements of banks and other financial institutions	19,173,832	-	-	19,173,832
Obligations on securities sold under repurchase agreements	3,772,623	-	-	3,772,623
Bills and acceptances payables	205,528	-	-	205,528
Other financial liabilities	1,630,879	-	-	1,630,879
Derivative liabilities	-	1,155,074	-	1,155,074
Recourse obligation on loans sold to Cagamas	1,265,757	-	-	1,265,757
Lease liabilities	85,267	-	-	85,267
Borrowings	840,177	-	-	840,177
Senior debt securities	3,296,763	-	-	3,296,763
Subordinated obligations	1,565,396	-	-	1,565,396
	163,407,346	1,155,074	-	164,562,420

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(b) Financial Instruments by Category (continued)

Bank 2018	At amortised cost RM'000	At fair value through profit and loss RM'000	At fair value through other comprehensive income RM'000	Total RM'000
ASSETS				
Cash and short term funds	8,855,326	-	-	8,855,326
Deposits and placements with banks and other financial institutions	3,092,186	-	-	3,092,186
Investment account due from designated financial institutions	7,898,611	-	-	7,898,611
Financial assets at FVTPL	-	1,891,771	-	1,891,771
Financial assets at FVOCI	-	-	27,584,376	27,584,376
- Debt instruments	-	-	26,946,919	26,946,919
- Equity instruments	-	-	637,457	637,457
Financial investments at amortised cost	10,228,651	-	-	10,228,651
Loans, advances and financing	108,216,146	-	-	108,216,146
Other financial assets	602,692	-	-	602,692
Derivative assets	-	1,147,494	-	1,147,494
	138,893,612	3,039,265	27,584,376	169,517,253
LIABILITIES				
Deposits from customers	127,145,222	-	-	127,145,222
Deposits and placements of banks and other financial institutions	17,526,185	-	-	17,526,185
Obligations on securities sold under repurchase agreements	3,120,449	-	-	3,120,449
Bills and acceptances payables	247,552	-	-	247,552
Other financial liabilities	1,932,128	-	-	1,932,128
Derivative liabilities	-	1,120,287	-	1,120,287
Recourse obligation on loans sold to Cagamas	2,995,877	-	-	2,995,877
Borrowings	981,849	-	-	981,849
Senior debt securities	3,323,664	-	-	3,323,664
Hybrid Tier-1 Capital Securities	608,235	-	-	608,235
Subordinated obligations	2,589,066	-	-	2,589,066
	160,470,227	1,120,287	-	161,590,514

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk

Market risk sensitivity assessment is based on the changes in key variables, such as interest/profit rates and foreign currency rates, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the assets and liabilities position of the Group and the Bank.

The scenarios used are based on the assumption that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables. The Group and the Bank seek to ensure that the interest/profit rate risk profile is managed to minimise losses and optimise net revenues.

(i) Interest/Profit rate sensitivity analysis

The interest/profit rate sensitivity results below shows the impact on profit after tax and equity of financial assets and financial liabilities bearing floating interest/profit rates and fixed rate financial assets and financial liabilities:

	Group		Bank	
Increase/(Decrease)	Impact on profit after tax RM'000	Impact on reserves RM'000	Impact on profit after tax RM'000	Impact on reserves RM'000
2019				
+100 bps	117,681	(1,503,003)	20,804	(1,251,522)
-100 bps	(98,371)	1,645,289	(3,346)	1,364,559
2018				
+100 bps	120,789	(1,101,111)	79,444	(930,795)
-100 bps	(109,937)	1,192,661	(70,218)	1,007,497

The results above represent financial assets and liabilities that have been prepared on the following basis:

(a) Impact on the profit after tax is the sum of valuation changes on fixed income instruments held in the trading portfolio and earnings movement for all short term interest/profit rate sensitive assets and liabilities (with maturity or re-pricing tenure of up to one year) that is not held in the trading portfolio. Earnings movement for the short term interest/profit rate sensitive assets and liabilities uses a set of risk weights with its respective time band to simulate the 100 bps (2018: 100 bps) interest/profit rate change impact. For assets and liabilities with non-fixed maturity e.g. current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of these interest/profit bearing assets and liabilities.

(b) Impact on reserves represent the changes in fair values of fixed income instruments held in the FVOCI portfolio arising from the shift in the interest/profit rate.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

(ii) Foreign currency sensitivity analysis

The foreign currency sensitivity represents the effect of the appreciation or depreciation of the foreign currency rates (mainly consists of USD and SGD) on the consolidated currency position, while other variables remain constant.

	Group	Bank
Increase/(Decrease)	Impact on profit after tax RM'000	Impact on profit after tax RM'000
2019		
+10%	40,136	34,131
-10%	(40,136)	(34,131)
2018		
+10%	53,963	28,829
-10%	(53,963)	(28,829)

Impact on the profit after tax is estimated on the assumption that foreign exchange move by the same amount and all other variables are held constant and are based on a constant reporting date position.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk

The table below summarises the Group and the Bank's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates:

Group 2019	Non-trading book								
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS									
Cash and short term funds	8,702,710	-	-	-	-	-	2,925,282	-	11,627,992
Deposits and placements with banks and other financial institutions	-	637,919	152,069	90,492	203,981	-	11,106	-	1,095,567
Financial assets at FVTPL	-	-	-	-	-	-	-	4,623,447	4,623,447
Financial assets at FVOCI	747,115	1,208,919	1,693,902	1,312,419	6,146,139	27,658,832	1,037,978	-	39,805,304
Financial investments at amortised cost	340,582	249,599	795,739	844,565	6,220,515	5,694,765	103,644	-	14,249,409
Loans, advances and financing	137,963,037	9,187,447	3,408,976	3,361,560	3,040,195	16,085,971	189,486	-	173,236,672
Clients' and brokers' balances	17,206	-	-	-	-	-	876,242	-	893,448
Reinsurance assets	-	-	-	-	-	-	510,176	-	510,176
Other assets	-	-	-	4	-	6,856	1,251,319	-	1,258,179
Derivative assets	-	-	-	-	-	1,402	-	853,854	855,256
Statutory deposits	-	-	-	-	-	-	4,549,296	-	4,549,296
Tax recoverable	-	-	-	-	-	-	467,103	-	467,103
Deferred tax assets	-	-	-	-	-	-	22,989	-	22,989
Investments in associates and joint ventures	-	-	-	-	-	-	9,512	-	9,512
Right of use assets	-	-	-	-	-	-	112,807	-	112,807
Property, plant and equipment	-	-	-	-	-	-	991,305	-	991,305
Goodwill	-	-	-	-	-	-	2,654,122	-	2,654,122
Intangible assets	-	-	-	-	-	-	629,912	-	629,912
TOTAL ASSETS	147,770,650	11,283,884	6,050,686	5,609,040	15,610,830	49,447,826	16,342,279	5,477,301	257,592,496

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates (continued):

Group 2019	Non-trading book								
	Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	56,478,372	31,908,413	24,548,744	41,683,837	3,922,162	590,613	31,423,084	-	190,555,225
Deposits and placements of banks and other financial institutions	6,327,015	7,942,115	6,685,996	61,243	155,867	270,595	96,498	-	21,539,329
Obligations on securities sold under repurchase agreements	1,120,721	718,219	-	-	-	203,547	6,029	-	2,048,516
Bills and acceptances payable	23,814	36,957	-	-	-	-	194,174	-	254,945
Clients' and brokers' balances	-	-	-	-	-	-	824,166	-	824,166
General insurance contract liabilities	-	-	-	-	-	-	1,106,886	-	1,106,886
Other liabilities	58,449	4,332	68,729	6,601	53,214	-	3,019,154	-	3,210,479
Derivative liabilities	-	-	-	-	-	4,352	-	1,156,575	1,160,927
Recourse obligation on loans sold to Cagamas	-	1,250,000	-	-	2,250,000	-	35,996	-	3,535,996
Provision for taxation and zakat	-	-	-	-	-	-	60,172	-	60,172
Deferred tax liabilities	-	-	-	-	-	-	169,763	-	169,763
Lease liabilities	-	-	-	-	-	-	111,769	-	111,769
Borrowings	215,785	61,917	64,283	633,579	204,501	-	2,462	-	1,182,527
Senior debt securities	-	-	-	-	2,043,152	1,224,944	28,667	-	3,296,763
Subordinated obligations	-	-	999,960	-	1,199,567	500,000	24,697	-	2,724,224
TOTAL LIABILITIES	64,224,156	41,921,953	32,367,712	42,385,260	9,828,463	2,794,051	37,103,517	1,156,575	231,781,687
Shareholders' funds	-	-	-	-	-	-	25,775,394	-	25,775,394
NCI	-	-	-	-	-	-	35,415	-	35,415
TOTAL LIABILITIES AND EQUITY	64,224,156	41,921,953	32,367,712	42,385,260	9,828,463	2,794,051	62,914,326	1,156,575	257,592,496
On-balance sheet interest sensitivity gap	83,546,494	(30,638,069)	(26,317,026)	(36,776,220)	5,782,367	46,653,775			
Off-balance sheet interest sensitivity gap	1,420,543	581,343	1,075,905	2,086,266	5,260,736	447,545			
TOTAL INTEREST SENSITIVITY GAP	84,967,037	(30,056,726)	(25,241,121)	(34,689,954)	11,043,103	47,101,320			

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates (continued):

Group 2018	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS									
Cash and short term funds	9,916,148	-	-	-	-	-	2,637,040	-	12,553,188
Deposits and placements with banks and other financial institutions	-	488,697	115,376	286,534	-	-	7,513	-	898,120
Financial assets at FVTPL	-	-	-	-	-	-	-	3,800,649	3,800,649
Financial assets at FVOCI	1,055,897	762,010	775,427	1,070,840	4,719,355	23,224,603	969,701	-	32,577,833
Financial investments at amortised cost	472,781	407,057	538,140	1,349,167	4,366,125	6,927,339	29,666	-	14,090,275
Loans, advances and financing	125,853,456	10,241,490	3,108,080	1,896,768	3,881,149	20,536,837	111,994	-	165,629,774
Clients' and brokers' balances	24,041	-	-	-	-	-	919,015	-	943,056
Reinsurance assets	-	-	-	-	-	-	511,236	-	511,236
Other assets	-	-	-	-	-	3,329	1,486,510	-	1,489,839
Derivative assets	-	-	-	-	-	-	-	1,131,057	1,131,057
Statutory deposits	-	-	-	-	-	-	4,795,230	-	4,795,230
Tax recoverable	-	-	-	-	-	-	389,172	-	389,172
Deferred tax assets	-	-	-	-	-	-	79,191	-	79,191
Investments in associates and joint ventures	-	-	-	-	-	-	25,352	-	25,352
Property, plant and equipment	-	-	-	-	-	-	999,962	-	999,962
Goodwill	-	-	-	-	-	-	2,649,307	-	2,649,307
Intangible assets	-	-	-	-	-	-	602,438	-	602,438
TOTAL ASSETS	137,322,323	11,899,254	4,537,023	4,603,309	12,966,629	50,692,108	16,213,327	4,931,706	243,165,679

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest/profit rate risk. The carrying amount of assets and liabilities (include non-financial instruments) are categorised by the earlier of contractual re-pricing or maturity dates (continued):

Group 2018	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	53,250,313	31,065,053	28,242,051	33,753,531	1,296,097	898,794	30,350,491	-	178,856,330
Deposits and placements of banks and other financial institutions	8,143,457	6,652,932	2,853,268	230,144	193,304	110,763	107,026	-	18,290,894
Obligations on securities sold under repurchase agreements	831,313	957,616	194,085	-	-	205,992	5,318	-	2,194,324
Bills and acceptances payable	20,803	31,790	-	-	-	-	249,010	-	301,603
Clients' and brokers' balances	-	-	-	-	-	-	841,782	-	841,782
General insurance contract liabilities	-	-	-	-	-	-	1,094,114	-	1,094,114
Other liabilities	87,499	1,343	12,786	23,741	78,579	1,300	2,717,308	-	2,922,556
Derivative liabilities	-	-	-	621	-	3,146	-	1,112,934	1,116,701
Recourse obligation on loans sold to Cagamas	-	-	-	1,725,000	3,500,000	-	41,116	-	5,266,116
Provision for taxation and zakat	-	-	-	-	-	-	24,578	-	24,578
Deferred tax liabilities	-	-	-	-	-	-	2,308	-	2,308
Borrowings	143,314	142,916	25,827	20,662	847,129	-	3,037	-	1,182,885
Senior debt securities	-	-	-	1,238,957	2,063,245	-	21,462	-	3,323,664
Hybrid Tier-1 Capital Securities	-	369,893	-	225,000	-	-	8,328	-	603,221
Subordinated obligations	-	-	500,000	1,000,000	999,849	1,199,424	49,382	-	3,748,655
TOTAL LIABILITIES	62,476,699	39,221,543	31,828,017	38,217,656	8,978,203	2,419,419	35,515,260	1,112,934	219,769,731
Shareholders' funds	-	-	-	-	-	-	23,357,987	-	23,357,987
NCI	-	-	-	-	-	-	37,961	-	37,961
TOTAL LIABILITIES AND EQUITY	62,476,699	39,221,543	31,828,017	38,217,656	8,978,203	2,419,419	58,911,208	1,112,934	243,165,679
On-balance sheet interest sensitivity gap	74,845,624	(27,322,289)	(27,290,994)	(33,614,347)	3,988,426	48,272,689			
Off-balance sheet interest sensitivity gap	1,420,543	581,343	1,040,905	1,876,266	5,170,736	762,545			
TOTAL INTEREST SENSITIVITY GAP	76,266,167	(26,740,946)	(26,250,089)	(31,738,081)	9,159,162	49,035,234			

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued):

Bank 2019	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS									
Cash and short term funds	4,546,666	-	-	-	-	-	956,227	-	5,502,893
Deposits and placements with banks and other financial institutions	-	4,058,344	231,861	22,010	1,022,503	-	14,914	-	5,349,632
Investment account due from designated financial institutions	-	-	250,000	739,331	1,071,832	6,070,913	97,258	-	8,229,334
Financial assets at FVTPL	-	-	-	-	-	-	-	2,530,288	2,530,288
Financial assets at FVOCI	647,379	1,094,027	1,443,060	1,252,061	5,000,349	23,555,891	941,505	-	33,934,272
Financial investments at amortised cost	110,631	229,399	780,659	517,057	4,511,208	3,479,453	74,395	-	9,702,802
Loans, advances and financing	86,840,970	7,143,325	2,840,511	3,162,785	2,206,326	4,899,994	251,754	-	107,345,665
Other assets	-	-	-	-	-	-	1,104,726	-	1,104,726
Derivative assets	-	-	-	-	-	1,402	-	902,182	903,584
Statutory deposits	-	-	-	-	-	-	2,608,316	-	2,608,316
Tax recoverable	-	-	-	-	-	-	433,364	-	433,364
Investment in subsidiaries	-	-	-	-	-	-	4,913,885	-	4,913,885
Right of use assets	-	-	-	-	-	-	85,960	-	85,960
Property, plant and equipment	-	-	-	-	-	-	753,638	-	753,638
Goodwill	-	-	-	-	-	-	1,651,542	-	1,651,542
Intangible assets	-	-	-	-	-	-	548,434	-	548,434
TOTAL ASSETS	92,145,646	12,525,095	5,546,091	5,693,244	13,812,218	38,007,653	14,435,918	3,432,470	185,598,335

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued):

Bank 2019	Non-trading book: Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	42,433,095	22,289,184	14,392,460	25,827,669	2,936,737	116,861	23,575,118	-	131,571,124
Deposits and placements of banks and other financial institutions	5,796,917	6,700,235	6,176,460	42,573	136,630	230,822	90,195	-	19,173,832
Obligations on securities sold under repurchase agreements	2,279,834	1,277,183	-	-	-	203,547	12,059	-	3,772,623
Bills and acceptances payable	23,814	-	-	-	-	-	181,714	-	205,528
Other liabilities	58,449	4,332	68,729	6,501	53,214	-	1,589,635	-	1,780,860
Derivative liabilities	-	-	-	-	-	4,352	-	1,150,722	1,155,074
Recourse obligation on loans sold to Cagamas	-	1,250,000	-	-	-	-	15,757	-	1,265,757
Deferred tax liabilities	-	-	-	-	-	-	136,711	-	136,711
Lease liabilities	-	-	-	-	-	-	85,267	-	85,267
Borrowings	-	20,450	-	613,502	204,501	-	1,724	-	840,177
Senior debt securities	-	-	-	-	2,043,152	1,224,944	28,667	-	3,296,763
Subordinated obligations	-	-	799,960	-	749,567	-	15,869	-	1,565,396
TOTAL LIABILITIES	50,592,109	31,541,384	21,437,609	26,490,245	6,123,801	1,780,526	25,732,716	1,150,722	164,849,112
Total equity	-	-	-	-	-	-	20,749,223	-	20,749,223
TOTAL LIABILITIES AND EQUITY	50,592,109	31,541,384	21,437,609	26,490,245	6,123,801	1,780,526	46,481,939	1,150,722	185,598,335
On-balance sheet interest sensitivity gap	41,553,537	(19,016,289)	(15,891,518)	(20,797,001)	7,688,417	36,227,127			
Off-balance sheet interest sensitivity gap	1,420,543	581,343	1,165,905	2,086,266	5,260,736	1,947,545			
TOTAL INTEREST SENSITIVITY GAP	42,974,080	(18,434,946)	(14,725,613)	(18,710,735)	12,949,153	38,174,672			

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued):

Bank 2018	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
ASSETS									
Cash and short term funds	7,860,706	-	-	-	-	-	994,620	-	8,855,326
Deposits and placements with banks and other financial institutions	-	1,491,004	445,579	249,681	888,621	-	17,301	-	3,092,186
Investment account due from designated financial institutions	-	-	87,500	-	1,652,189	6,077,013	81,909	-	7,898,611
Financial assets at FVTPL	-	-	-	-	-	-	-	1,891,771	1,891,771
Financial assets at FVOCI	964,986	563,176	745,384	942,413	3,972,026	19,512,407	883,984	-	27,584,376
Financial investments at amortised cost	336,414	347,041	438,140	1,193,527	3,499,435	4,412,661	1,433	-	10,228,651
Loans, advances and financing	85,413,311	8,284,523	2,718,036	1,780,004	3,628,991	5,954,210	437,071	-	108,216,146
Other assets	-	-	-	-	-	-	921,813	-	921,813
Derivative assets	-	-	-	-	-	-	-	1,147,494	1,147,494
Statutory deposits	-	-	-	-	-	-	2,978,677	-	2,978,677
Tax recoverable	-	-	-	-	-	-	351,451	-	351,451
Deferred tax assets	-	-	-	-	-	-	32,490	-	32,490
Investment in subsidiaries	-	-	-	-	-	-	4,911,660	-	4,911,660
Property, plant and equipment	-	-	-	-	-	-	753,531	-	753,531
Goodwill	-	-	-	-	-	-	1,651,542	-	1,651,542
Intangible assets	-	-	-	-	-	-	527,562	-	527,562
TOTAL ASSETS	94,575,417	10,685,744	4,434,639	4,165,625	13,641,262	35,956,291	14,545,044	3,039,265	181,043,287

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(c) Market Risk (continued)

Interest/Profit rate risk (continued)

The table below summarises the Group and the Bank's exposure to interest rate risk. The carrying amount of assets and liabilities (includes non-financial instruments) are categorised by the earlier of contractual repricing or maturity dates (continued):

Bank 2018	Non-trading book Up to 1 month RM'000	>1-3 months RM'000	>3-6 months RM'000	>6-12 months RM'000	>1-3 years RM'000	Over 3 years RM'000	Non-interest sensitive RM'000	Trading book RM'000	Total RM'000
LIABILITIES									
Deposits from customers	40,053,794	20,524,628	18,184,544	23,149,265	1,113,157	809,278	23,310,556	-	127,145,222
Deposits and placements of banks and other financial institutions	7,984,058	6,607,584	2,374,142	181,368	190,045	73,575	115,413	-	17,526,185
Obligations on securities sold under repurchase agreements	1,429,471	1,280,908	194,085	-	-	205,992	9,993	-	3,120,449
Bills and acceptances payable	8,056	-	-	-	-	-	239,496	-	247,552
Other liabilities	87,499	1,343	12,786	23,741	78,579	1,300	1,876,875	-	2,082,123
Derivative liabilities	-	-	-	621	-	3,146	-	1,116,520	1,120,287
Recourse obligation on loans sold to Cagamas	-	-	-	1,725,000	1,250,000	-	20,877	-	2,995,877
Borrowings	-	85,436	25,827	20,662	847,129	-	2,795	-	981,849
Senior debt securities	-	-	-	1,238,957	2,063,245	-	21,462	-	3,323,664
Hybrid Tier-1 Capital Securities	-	369,893	-	230,000	-	-	8,342	-	608,235
Subordinated obligations	-	-	-	1,000,000	799,849	749,424	39,793	-	2,589,066
TOTAL LIABILITIES	49,562,878	28,869,792	20,791,384	27,569,614	6,342,004	1,842,715	25,645,602	1,116,520	161,740,509
Total equity	-	-	-	-	-	-	19,302,778	-	19,302,778
TOTAL LIABILITIES AND EQUITY	49,562,878	28,869,792	20,791,384	27,569,614	6,342,004	1,842,715	44,948,380	1,116,520	181,043,287
On-balance sheet interest sensitivity gap	45,012,539	(18,184,048)	(16,356,745)	(23,403,989)	7,299,258	34,113,576			
Off-balance sheet interest sensitivity gap	1,420,543	581,343	1,165,905	2,086,266	5,260,736	1,947,545			
TOTAL INTEREST SENSITIVITY GAP	46,433,082	(17,602,705)	(15,190,840)	(21,317,723)	12,559,994	36,061,121			

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk

Liquidity obligations arise from withdrawals of deposits, repayments of purchased funds upon maturity, extensions of credit and working capital needs.

The Group and the Bank have adopted the BNM's liquidity standard on Liquidity Coverage Ratio, to ensure maintenance of adequate stock of unencumbered high-quality liquid assets to survive the liquidity needs for 30 calendar day under liquidity stress condition. In July 2019, BNM has issued the final Net Stable Funding Ratio (NSFR) policy document, which will be effective from 1 July 2020 and banking institutions are expected to maintain a minimal NSFR of 100% at the consolidated level i.e. at RHB Banking Group level.

The Group and the Bank seek to project, monitor and manage its liquidity needs under normal as well as adverse circumstances.

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity:

Group 2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short term funds	10,102,953	1,525,039	-	-	-	-	-	11,627,992
Deposits and placements with banks and other financial institutions	2,830	85,904	518,355	138,091	140,902	209,485	-	1,095,567
Financial assets at FVTPL	183,030	119,946	687	4,328	-	3,464,035	851,421	4,623,447
Financial assets at FVOCI	2,933	306,345	809,404	1,754,415	1,349,281	34,887,127	695,799	39,805,304
Financial investments at amortised cost	34,067	86,144	249,855	798,842	846,555	12,233,946	-	14,249,409
Loans, advances and financing	5,321,806	21,306,638	6,497,694	3,432,208	4,271,444	132,403,186	3,696	173,236,672
Clients' and brokers' balances	888,847	2,311	-	-	-	-	2,290	893,448
Reinsurance assets	-	-	-	-	510,176	-	-	510,176
Other assets	451,142	113,269	127,547	23,542	26,251	204,141	312,287	1,258,179
Derivative assets	42,817	88,276	140,412	81,419	59,441	442,891	-	855,256
Statutory deposits	-	-	-	-	-	-	4,549,296	4,549,296
Tax recoverable	-	-	-	-	-	-	467,103	467,103
Deferred tax assets	-	-	-	-	-	-	22,989	22,989
Investments in associates and joint ventures	-	-	-	-	-	-	9,512	9,512
Right of use assets	-	-	-	-	-	-	112,807	112,807
Property, plant and equipment	-	-	-	-	-	-	991,305	991,305
Goodwill	-	-	-	-	-	-	2,654,122	2,654,122
Intangible assets	-	-	-	-	-	-	629,912	629,912
TOTAL ASSETS	17,030,425	23,633,872	8,343,954	6,232,845	7,204,050	183,844,811	11,302,539	257,592,496

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Group 2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	58,844,959	27,858,933	32,405,185	24,872,174	42,011,558	4,562,416	-	190,555,225
Deposits and placements of banks and other financial institutions	1,826,748	4,848,351	7,653,556	6,722,291	61,382	427,001	-	21,539,329
Obligations on securities sold under repurchase agreements	-	1,123,452	720,861	-	-	204,203	-	2,048,516
Bills and acceptances payable	217,892	96	36,957	-	-	-	-	254,945
Clients' and brokers' balances	679,079	145,087	-	-	-	-	-	824,166
General insurance contract liabilities	-	-	-	-	1,106,886	-	-	1,106,886
Other liabilities	1,270,218	740,635	252,544	109,876	207,250	263,595	366,361	3,210,479
Derivative liabilities	54,493	141,962	261,478	154,660	58,318	490,016	-	1,160,927
Recourse obligation on loans sold to Cagamas	-	-	1,265,757	-	-	2,270,239	-	3,535,996
Provision for taxation and zakat	-	-	-	-	-	-	60,172	60,172
Deferred tax liabilities	-	-	-	-	-	6,164	163,599	169,763
Lease liabilities	493	6,731	10,904	15,577	31,437	46,627	-	111,769
Borrowings	131,036	84,980	41,848	64,402	655,760	204,501	-	1,182,527
Senior debt securities	-	-	16,687	11,980	-	3,268,096	-	3,296,763
Subordinated obligations	-	-	9,409	1,010,683	4,565	1,699,567	-	2,724,224
TOTAL LIABILITIES	63,024,918	34,950,227	42,675,186	32,961,643	44,137,156	13,442,425	590,132	231,781,687
Shareholders' funds	-	-	-	-	-	-	25,775,394	25,775,394
NCI	-	-	-	-	-	-	35,415	35,415
TOTAL LIABILITIES AND EQUITY	63,024,918	34,950,227	42,675,186	32,961,643	44,137,156	13,442,425	26,400,941	257,592,496

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Group 2018	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short term funds	8,788,657	3,764,531	-	-	-	-	-	12,553,188
Deposits and placements with banks and other financial institutions	-	-	491,152	115,868	80,765	210,335	-	898,120
Financial assets at FVTPL	899,268	-	26,091	19,846	24,411	2,087,812	743,221	3,800,649
Financial assets at FVOCI	155,996	822,933	778,276	786,192	1,076,243	28,280,981	677,212	32,577,833
Financial investments at amortised cost	26,103	252,367	407,881	539,095	1,357,313	11,507,516	-	14,090,275
Loans, advances and financing	7,056,737	19,310,173	7,189,792	2,767,108	2,046,564	127,259,400	-	165,629,774
Clients' and brokers' balances	813,052	126,985	-	-	-	-	3,019	943,056
Reinsurance assets	-	-	-	-	511,236	-	-	511,236
Other assets	538,872	58,537	41,965	103,955	160,191	240,046	346,273	1,489,839
Derivative assets	16,609	84,378	192,984	158,936	306,523	371,627	-	1,131,057
Statutory deposits	-	-	-	-	-	-	4,795,230	4,795,230
Tax recoverable	-	-	-	-	-	-	389,172	389,172
Deferred tax assets	-	-	-	-	-	-	79,191	79,191
Investments in associates and joint ventures	-	-	-	-	-	-	25,352	25,352
Property, plant and equipment	-	-	-	-	-	-	999,962	999,962
Goodwill	-	-	-	-	-	-	2,649,307	2,649,307
Intangible assets	-	-	-	-	-	-	602,438	602,438
TOTAL ASSETS	18,295,294	24,419,904	9,128,141	4,491,000	5,563,246	169,957,717	11,310,377	243,165,679

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Group 2018	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	58,276,158	24,081,177	31,484,938	28,683,625	34,115,443	2,214,989	-	178,856,330
Deposits and placements of banks and other financial institutions	1,991,901	6,243,680	6,647,975	2,866,284	236,438	304,616	-	18,290,894
Obligations on securities sold under repurchase agreements	-	832,668	960,378	194,422	-	206,856	-	2,194,324
Bills and acceptances payable	269,332	481	31,790	-	-	-	-	301,603
Clients' and brokers' balances	592,134	249,648	-	-	-	-	-	841,782
General insurance contract liabilities	-	-	-	-	1,094,114	-	-	1,094,114
Other liabilities	859,865	682,789	299,415	126,246	310,777	304,214	339,250	2,922,556
Derivative liabilities	19,243	117,660	186,545	138,240	324,476	330,537	-	1,116,701
Recourse obligation on loans sold to Cagamas	-	-	-	-	1,729,826	3,536,290	-	5,266,116
Provision for taxation and zakat	-	-	-	-	-	-	24,578	24,578
Deferred tax liabilities	-	-	-	-	-	196	2,112	2,308
Borrowings	143,331	-	145,937	25,827	20,661	847,129	-	1,182,885
Senior debt securities	-	-	-	21,462	1,238,957	2,063,245	-	3,323,664
Hybrid Tier-1 Capital Securities	-	-	369,893	8,328	225,000	-	-	603,221
Subordinated obligations	-	23,925	9,409	1,016,048	1,000,000	1,699,273	-	3,748,655
TOTAL LIABILITIES	62,151,964	32,232,028	40,136,280	33,080,482	40,295,692	11,507,345	365,940	219,769,731
Shareholders' funds	-	-	-	-	-	-	23,357,987	23,357,987
NCI	-	-	-	-	-	-	37,961	37,961
TOTAL LIABILITIES AND EQUITY	62,151,964	32,232,028	40,136,280	33,080,482	40,295,692	11,507,345	23,761,888	243,165,679

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Bank 2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short term funds	4,359,009	1,143,884	-	-	-	-	-	5,502,893
Deposits and placements with banks and other financial institutions	-	-	4,038,014	230,647	49,567	1,031,404	-	5,349,632
Investment account due from designated financial institutions	-	-	-	250,373	741,397	7,237,564	-	8,229,334
Financial assets at FVTPL	13,097	119,946	687	346	-	2,392,875	3,337	2,530,288
Financial assets at FVOCI	2,933	206,609	693,485	1,502,174	1,288,316	29,586,444	654,311	33,934,272
Financial investments at amortised cost	30,789	81,049	229,494	783,724	520,896	8,056,850	-	9,702,802
Loans, advances and financing	2,640,268	16,995,772	5,069,077	2,489,848	2,248,015	77,902,685	-	107,345,665
Other assets	534,129	71,949	29,150	73,313	18,506	149,038	228,641	1,104,726
Derivative assets	39,981	88,078	153,113	79,587	59,964	482,861	-	903,584
Statutory deposits	-	-	-	-	-	-	2,608,316	2,608,316
Tax recoverable	-	-	-	-	-	-	433,364	433,364
Investments in subsidiaries	-	-	-	-	-	-	4,913,885	4,913,885
Right of use assets	-	-	-	-	-	-	85,960	85,960
Property, plant and equipment	-	-	-	-	-	-	753,638	753,638
Goodwill	-	-	-	-	-	-	1,651,542	1,651,542
Intangible assets	-	-	-	-	-	-	548,434	548,434
TOTAL ASSETS	7,620,206	18,707,287	10,213,020	5,410,012	4,926,661	126,839,721	11,881,428	185,598,335

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Bank 2019	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	47,258,664	18,038,997	22,616,740	14,592,035	25,982,054	3,082,634	-	131,571,124
Deposits and placements of banks and other financial institutions	1,944,237	4,199,029	6,407,568	6,212,311	42,712	367,975	-	19,173,832
Obligations on securities sold under repurchase agreements	609,937	1,676,080	1,282,403	-	-	204,203	-	3,772,623
Bills and acceptances payable	205,432	96	-	-	-	-	-	205,528
Other liabilities	506,914	444,648	151,220	92,772	181,423	253,902	149,981	1,780,860
Derivative liabilities	54,720	143,259	259,620	152,258	56,674	488,543	-	1,155,074
Recourse obligation on loans sold to Cagamas	-	-	1,265,757	-	-	-	-	1,265,757
Deferred tax liabilities	-	-	-	-	-	-	136,711	136,711
Lease liabilities	493	5,263	7,408	10,081	19,825	42,197	-	85,267
Borrowings	-	-	-	-	635,676	204,501	-	840,177
Senior debt securities	-	-	16,687	11,980	-	3,268,096	-	3,296,763
Subordinated obligations	-	-	9,409	806,420	-	749,567	-	1,565,396
TOTAL LIABILITIES	50,580,397	24,507,372	32,016,812	21,877,857	26,918,364	8,661,618	286,692	164,849,112
Total equity	-	-	-	-	-	-	20,749,223	20,749,223
TOTAL LIABILITIES AND EQUITY	50,580,397	24,507,372	32,016,812	21,877,857	26,918,364	8,661,618	21,035,915	185,598,335

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Bank 2018	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
ASSETS								
Cash and short term funds	5,272,510	3,582,816	-	-	-	-	-	8,855,326
Deposits and placements with banks and other financial institutions	-	-	1,497,173	447,776	253,056	894,181	-	3,092,186
Investment account due from designated financial institutions	-	-	-	88,347	-	7,810,264	-	7,898,611
Financial assets at FVTPL	12,145	-	26,091	15,538	24,411	1,808,292	5,294	1,891,771
Financial assets at FVOCI	154,617	822,933	579,442	755,996	946,253	23,687,678	637,457	27,584,376
Financial investments at amortised cost	24,035	252,367	347,386	439,028	1,198,809	7,967,026	-	10,228,651
Loans, advances and financing	4,430,880	15,381,968	5,579,795	2,182,200	1,225,205	79,416,098	-	108,216,146
Other assets	152,887	31,732	37,301	95,509	163,220	166,878	274,286	921,813
Derivative assets	23,385	89,452	197,988	158,765	306,650	371,254	-	1,147,494
Statutory deposits	-	-	-	-	-	-	2,978,677	2,978,677
Tax recoverable	-	-	-	-	-	-	351,451	351,451
Deferred tax assets	-	-	-	-	-	-	32,490	32,490
Investments in subsidiaries	-	-	-	-	-	-	4,911,660	4,911,660
Property, plant and equipment	-	-	-	-	-	-	753,531	753,531
Goodwill	-	-	-	-	-	-	1,651,542	1,651,542
Intangible assets	-	-	-	-	-	-	527,562	527,562
TOTAL ASSETS	10,070,459	20,161,268	8,265,176	4,183,159	4,117,604	122,121,671	12,123,950	181,043,287

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The table below analyses the carrying amount of assets and liabilities (includes non-financial instruments) based on the remaining contractual maturity (continued):

Bank 2018	Up to 1 week RM'000	1 week to 1 month RM'000	1 to 3 months RM'000	3 to 6 months RM'000	6 to 12 months RM'000	Over 1 year RM'000	No specific maturity RM'000	Total RM'000
LIABILITIES								
Deposits from customers	46,736,621	15,863,905	20,805,867	18,457,843	23,341,561	1,939,425	-	127,145,222
Deposits and placements of banks and other financial institutions	1,943,670	6,157,592	6,591,083	2,386,315	183,365	264,160	-	17,526,185
Obligations on securities sold under repurchase agreements	-	1,435,379	1,283,792	194,422	-	206,856	-	3,120,449
Bills and acceptances payable	247,071	481	-	-	-	-	-	247,552
Other liabilities	686,765	418,938	196,759	70,235	271,902	287,529	149,995	2,082,123
Derivative liabilities	23,617	122,635	185,561	133,467	324,349	330,658	-	1,120,287
Recourse obligation on loans sold to Cagamas	-	-	-	-	1,729,826	1,266,051	-	2,995,877
Borrowings	-	-	88,231	25,827	20,662	847,129	-	981,849
Senior debt securities	-	-	-	21,462	1,238,957	2,063,245	-	3,323,664
Hybrid Tier-1 Capital Securities	-	-	369,893	8,342	230,000	-	-	608,235
Subordinated obligations	-	23,925	9,409	506,459	1,000,000	1,049,273	-	2,589,066
TOTAL LIABILITIES	49,637,744	24,022,855	29,530,595	21,804,372	28,340,622	8,254,326	149,995	161,740,509
Total equity	-	-	-	-	-	-	19,302,778	19,302,778
TOTAL LIABILITIES AND EQUITY	49,637,744	24,022,855	29,530,595	21,804,372	28,340,622	8,254,326	19,452,773	181,043,287

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for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Group's and the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments:

Group 2019	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	86,625,661	57,348,950	43,633,978	4,135,657	596,931	101,407	192,442,584
Deposits and placements of banks and other financial institutions	5,148,884	12,536,031	3,555,718	160,040	70,380	202,005	21,673,058
Obligations on securities sold under repurchase agreements	1,134,380	736,028	-	-	-	231,785	2,102,193
Bills and acceptances payable	219,995	37,026	-	-	-	-	257,021
Clients' and brokers' balances	824,166	-	-	-	-	-	824,166
General insurance contract liabilities	-	-	1,106,886	-	-	-	1,106,886
Other financial liabilities	1,947,455	348,212	198,463	90,348	36,235	101,890	2,722,603
Derivative liabilities:							
- Gross settled derivatives:							
- Inflow	(19,523,709)	(24,591,152)	(1,637,929)	(1,224,159)	(228,480)	(620,889)	(47,826,318)
- Outflow	19,568,735	24,791,216	1,687,021	1,316,117	310,552	745,046	48,418,687
- Net settled derivatives	926	18,568	11,486	5,305	5,773	90,901	132,959
Recourse obligation on loans sold to Cagamas	48,646	1,325,447	48,646	2,129,759	-	-	3,552,498
Lease liabilities	7,224	26,481	31,437	41,262	5,365	-	111,769
Borrowings	216,036	130,259	643,594	207,197	-	-	1,197,086
Senior debt securities	-	44,096	44,096	2,179,409	1,296,318	-	3,563,919
Subordinated obligations	-	1,065,181	39,862	1,353,373	532,400	-	2,990,816
TOTAL FINANCIAL LIABILITIES	96,218,399	73,816,343	49,363,258	10,394,308	2,625,474	852,145	233,269,927

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Group's and the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments (continued):

Group 2018	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	80,199,097	61,793,384	35,627,706	1,364,333	835,968	97,405	179,917,893
Deposits and placements of banks and other financial institutions	7,073,307	6,803,476	4,752,386	451,028	112,147	-	19,192,344
Obligations on securities sold under repurchase agreements	839,373	1,183,549	-	-	-	243,754	2,266,676
Bills and acceptances payable	271,454	31,856	-	-	-	-	303,310
Clients' and brokers' balances	841,782	-	-	-	-	-	841,782
General insurance contract liabilities	-	-	1,094,114	-	-	-	1,094,114
Other financial liabilities	1,456,071	508,208	306,893	138,374	21,433	79,477	2,510,456
Derivative liabilities:							
- Gross settled derivatives:							
- Inflow	(11,870,625)	(23,455,329)	(3,516,555)	(952,430)	(604,937)	(665,885)	(41,065,761)
- Outflow	11,983,153	23,820,223	3,830,175	1,074,041	749,196	807,724	42,264,512
- Net settled derivatives	1,018	19,365	15,245	93,618	62,712	152,589	344,547
Recourse obligation on loans sold to Cagamas	54,362	54,362	1,859,420	3,573,740	-	-	5,541,884
Borrowings	143,331	179,625	30,107	865,569	-	-	1,218,632
Senior debt securities	-	21,209	1,280,040	2,150,986	-	-	3,452,235
Hybrid Tier-1 Capital Securities	-	392,394	232,594	-	-	-	624,988
Subordinated obligations	24,950	1,066,648	1,061,302	629,690	1,264,250	-	4,046,840
TOTAL FINANCIAL LIABILITIES	91,017,273	72,418,970	46,573,427	9,388,949	2,440,769	715,064	222,554,452

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for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Group's and the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments (continued):

Bank 2019	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	65,209,203	37,528,173	26,615,288	3,080,287	18,381	101,407	132,552,739
Deposits and placements of banks and other financial institutions	4,681,255	10,787,031	3,452,661	139,203	29,979	202,005	19,292,134
Obligations on securities sold under repurchase agreements	2,307,216	1,311,194	-	-	-	231,785	3,850,195
Bills and acceptances payable	207,535	-	-	-	-	-	207,535
Other financial liabilities	892,206	233,302	174,942	86,645	36,235	78,803	1,502,133
Derivative liabilities:							
- Gross settled derivatives:							
- Inflow	(19,629,757)	(27,544,169)	(1,630,836)	(1,235,914)	(245,942)	(649,934)	(50,936,552)
- Outflow	19,676,339	27,766,595	1,668,130	1,273,516	293,187	716,087	51,393,854
- Net settled derivatives	535	25,428	24,214	65,572	56,729	99,363	271,841
Recourse obligation on loans sold to Cagamas	-	1,276,801	-	-	-	-	1,276,801
Lease liabilities	5,756	17,489	19,825	41,487	710	-	85,267
Borrowings	-	23,367	623,046	207,197	-	-	853,610
Senior debt securities	-	44,096	44,096	2,179,409	1,296,318	-	3,563,919
Subordinated obligations	-	838,350	18,075	822,300	-	-	1,678,725
TOTAL FINANCIAL LIABILITIES	73,350,288	52,307,657	31,009,441	6,659,702	1,485,597	779,516	165,592,201

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the cash outflows for the Group's and the Bank's financial liabilities by remaining contractual maturities on an undiscounted basis. The balances in the table below will not agree to the balances reported in the statements of financial position as the table incorporates all contractual cash flows, on an undiscounted basis, relating to both principal and interest payments (continued):

Bank 2018	Up to 1 month RM'000	1 to 6 months RM'000	6 to 12 months RM'000	1 to 3 years RM'000	3 to 5 years RM'000	Over 5 years RM'000	Total RM'000
Deposits from customers	62,075,982	39,544,769	23,955,306	1,188,826	728,053	97,405	127,590,341
Deposits and placements of banks and other financial institutions	6,991,462	6,252,102	4,728,698	446,589	74,376	-	18,493,227
Obligations on securities sold under repurchase agreements	1,454,883	1,514,682	-	-	-	243,754	3,213,319
Bills and acceptances payable	249,176	-	-	-	-	-	249,176
Other financial liabilities	1,019,744	352,589	269,779	129,712	21,433	66,374	1,859,631
Derivative liabilities:							
- Gross settled derivatives:							
- Inflow	(12,927,310)	(23,301,051)	(3,518,422)	(962,268)	(642,264)	(698,997)	(42,050,312)
- Outflow	13,049,628	23,601,389	3,818,954	1,027,299	703,364	775,960	42,976,594
- Net settled derivatives	777	17,112	17,738	92,533	62,712	150,216	341,088
Recourse obligation on loans sold to Cagamas	-	-	1,805,058	1,330,846	-	-	3,135,904
Borrowings	-	121,919	30,107	865,569	-	-	1,017,595
Senior debt securities	-	21,209	1,280,040	2,150,986	-	-	3,452,235
Hybrid Tier-1 Capital Securities	-	392,563	237,763	-	-	-	630,326
Subordinated obligations	24,950	538,350	1,051,425	380,700	786,150	-	2,781,575
TOTAL FINANCIAL LIABILITIES	71,939,292	49,055,633	33,676,446	6,650,792	1,733,824	634,712	163,690,699

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the contractual expiry by maturity of the Group's and the Bank's commitments and contingencies:

	Group		
2019	**Less than 1 year RM'000**	**Over 1 year RM'000**	**Total RM'000**
Direct credit substitutes	186,018	1,199,986	1,386,004
Transaction-related contingent items	949,655	3,308,738	4,258,393
Short term self-liquidating trade-related contingencies	1,039,034	272,552	1,311,586
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	1,961,763	2,157,439	4,119,202
Irrevocable commitments to extend credit	1,861,774	27,701,607	29,563,381
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	728,304	15,575,536	16,303,840
TOTAL COMMITMENTS AND CONTINGENCIES	6,726,548	50,215,858	56,942,406
2018			
Direct credit substitutes	295,825	1,290,638	1,586,463
Transaction-related contingent items	1,178,067	4,011,556	5,189,623
Short term self-liquidating trade-related contingencies	764,248	332,714	1,096,962
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	2,179,881	1,120,151	3,300,032
Irrevocable commitments to extend credit	1,903,660	27,844,792	29,748,452
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	-	20,361	20,361
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	368,888	14,689,248	15,058,136
TOTAL COMMITMENTS AND CONTINGENCIES	6,690,569	49,309,460	56,000,029

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(d) Liquidity Risk (continued)

The following table presents the contractual expiry by maturity of the Group's and the Bank's commitments and contingencies (continued):

	Bank		
2019	**Less than 1 year RM'000**	**Over 1 year RM'000**	**Total RM'000**
Direct credit substitutes	184,206	1,197,553	1,381,759
Transaction-related contingent items	916,606	3,067,750	3,984,356
Short term self-liquidating trade-related contingencies	983,106	257,191	1,240,297
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	1,961,763	2,157,439	4,119,202
Irrevocable commitments to extend credit	670,237	19,424,618	20,094,855
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	615,867	13,112,458	13,728,325
TOTAL COMMITMENTS AND CONTINGENCIES	5,331,785	39,217,009	44,548,794
2018			
Direct credit substitutes	281,677	1,284,051	1,565,728
Transaction-related contingent items	1,138,780	3,722,503	4,861,283
Short term self-liquidating trade-related contingencies	758,136	297,573	1,055,709
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo-style transactions, and commitment to buy-back Islamic securities under Sell and Buy Back Agreement transactions	2,179,881	1,120,151	3,300,032
Irrevocable commitments to extend credit	516,646	20,302,395	20,819,041
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	-	20,361	20,361
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's creditworthiness	349,741	12,395,200	12,744,941
TOTAL COMMITMENTS AND CONTINGENCIES	5,224,861	39,142,234	44,367,095

Undrawn loans/financing commitments are recognised at activation stage and include commitments which are unconditionally cancellable by the Group and the Bank. The Group and the Bank expect that not all of the contingent liabilities and undrawn loan/financing commitments will be drawn before expiry.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk

(i) Maximum exposure to credit risk

The maximum exposure to credit risk at the statements of financial position is the amounts on the statements of financial position as well as off-balance sheet financial instruments, without taking into account of any collateral held or other credit enhancements. For contingent liabilities, the maximum exposure to credit risk is the maximum amount that the Group and the Bank would have to pay if the obligations of the instruments issued are called upon. For credit commitments, the maximum exposure to credit risk is the full amount of the undrawn credit facilities granted to customers.

The table below shows the credit exposure of the Group and the Bank that are subject to impairment:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Credit risk exposure relating to on-balance sheet assets:				
Short term funds (exclude cash in hand)	**10,556,567**	11,464,332	**4,509,417**	7,839,388
Deposits and placements with banks and other financial institutions	**1,095,567**	898,120	**5,349,632**	3,092,186
Investment account due from designated financial institutions	**-**	-	**8,229,334**	7,898,611
Financial assets at FVOCI^	**39,109,505**	31,900,621	**33,279,961**	26,946,919
Financial investments at amortised cost	**14,249,409**	14,090,275	**9,702,802**	10,228,651
Loans, advances and financing	**173,236,672**	165,629,774	**107,345,665**	108,216,146
Clients' and brokers' balances	**893,448**	943,056	**-**	-
Reinsurance assets	**410,763**	411,881	**-**	-
Other financial assets	**1,158,266**	956,588	**751,508**	602,692
	240,710,197	226,294,647	**169,168,319**	164,824,593
Credit risk exposure relating to off-balance sheet items:				
- Commitments and contingencies	**56,942,406**	56,000,029	**44,548,794**	44,367,095
Total maximum credit risk exposure that are subject to impairment	**297,652,603**	282,294,676	**213,717,113**	209,191,688

The table below shows the credit exposure of the Group and the Bank that are not subject to impairment:

	Group		Bank	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Financial assets at FVTPL	**4,623,447**	3,800,649	**2,530,288**	1,891,771
Financial assets at FVOCI	**695,799**	677,212	**654,311**	637,457
Derivative assets	**855,256**	1,131,057	**903,584**	1,147,494
	6,174,502	5,608,918	**4,088,183**	3,676,722

^ Exclude shares and unit trust.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(ii) Collaterals

The tangible securities acceptable by the Group and the Bank are as follows:

(a) Fixed deposits/Commodity Murabahah Deposit-i, negotiable/Islamic negotiable instrument of deposits, foreign currency deposits and cash deposits/margins
(b) Land and/or buildings
(c) Vessels and automobiles
(d) Equities, Collective Investment Scheme and Debt securities
(e) Other tangible business assets, such as inventory and equipment

The Group and the Bank also accept non-tangible securities as support, such as guarantees from individuals, corporates and institutions, bank guarantees, debentures, assignment of contract proceeds, Endowment Life Policies with Cash Surrender Value, which are subject to internal guidelines on eligibility.

The outstanding balance for loans, advances and financing for which no allowances is recognised because of collateral as at 31 December 2019 amounted to RM913.6 million and RM829.8 million (2018: RM1,804.9 million and RM1,721.4 million) respectively for the Group and the Bank.

The financial effect of collateral (quantification to the extent to which collateral and other credit enhancements mitigate credit risk) held for loans, advances and financing and clients' and brokers' balances as at 31 December 2019 for the Group and the Bank are 79.1% (2018: 75.7%) and 82.0% (2018: 76.2%) respectively. The financial effect of collateral held for the remaining on-balance sheet assets are insignificant.

The following table shows the loans, advances and financing that are credit-impaired and related collateral held:

	Gross impaired outstanding RM'000	Credit losses RM'000	Net carrying amount RM'000	Collateral value over gross outstanding %
Group				
2019				
Loans, advances and financing	**3,479,175**	**(1,548,936)**	**1,930,239**	**62.9**
2018				
Loans, advances and financing	3,483,554	(1,665,078)	1,818,476	69.6
Bank				
2019				
Loans, advances and financing	**2,623,781**	**(1,179,090)**	**1,444,691**	**59.1**
2018				
Loans, advances and financing	2,555,206	(1,193,133)	1,362,073	63.5

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iii) Credit exposure by stage

Financial assets of the Group and Bank are classified into three stages as below:

Stages	Description
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.
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.
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 cash flows of that asset have occurred. For financial assets that have become credit impaired, a lifetime ECL will be recognised.

For further details on the stages, refer to accounting policy Note 20.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality

The Group and the Bank assess credit quality of loans, advances and financing using internal rating techniques tailored to the various categories of products and counterparties. These techniques have been developed internally and combine statistical analysis with credit officers' judgement.

Credit quality description is summarised as follows:

Credit Quality	Description
- Good	Exposures exhibit strong capacity to meet financial commitments with no cause of concern to the Group and the Bank
- Fair	Exposures exhibit fairly acceptable capacity to meet financial commitments and may require varying degrees of concern to the Group and the Bank
- No Rating	Counterparties which do not satisfy the criteria to be rated based on internal credit rating system
- Credit impaired	When one or more objective evidence of defaults that have a detrimental impact on the estimated future cash flows have occurred

The credit quality of financial assets other than loans, advances and financing are determined based on the ratings of counterparties as defined by Moody's or equivalent ratings of other international rating agencies as defined below:

Credit Quality	Ratings
- Good	Aaa to A3
- Fair	Baa1 to Baa3
- No Rating	Unrated
- Credit impaired	Default

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for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision:

Group 2019	Gross Carrying Amount Good RM'000	Fair RM'000	No rating RM'000	Credit-impaired RM'000	Total RM'000	Provision for credit loss RM'000
General Approach						
Short term funds (exclude cash in hand)	4,289,836	127,901	6,141,913	-	10,559,650	(3,083)
Stage 1	4,289,836	127,901	6,141,913	-	10,559,650	(3,083)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	724,881	9,448	361,646	-	1,095,975	(408)
Stage 1	724,881	9,448	361,646	-	1,095,975	(408)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Financial assets at FVOCI	13,345,530	-	25,762,955	1,020	39,109,505	(44,264)
Stage 1	13,345,530	-	25,762,955	-	39,108,485	(44,264)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	1,020	1,020	-
Financial investments at amortised cost	1,896,594	-	12,524,619	140,425	14,561,638	(312,229)
Stage 1	1,871,584	-	11,896,968	-	13,768,552	(23,081)
Stage 2	25,010	-	627,651	-	652,661	(149,285)
Stage 3	-	-	-	140,425	140,425	(139,863)
Loans, advances and financing	100,489,389	36,883,459	35,322,825	3,479,175	176,174,848	(2,980,082)
Stage 1	97,461,799	30,925,338	31,221,226	-	159,608,363	(567,095)
Stage 2	3,027,590	5,958,121	4,101,599	-	13,087,310	(864,051)
Stage 3	-	-	-	3,479,175	3,479,175	(1,548,936)
Reinsurance assets	410,763	-	-	-	410,763	-
Stage 1	410,763	-	-	-	410,763	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
	121,156,993	37,020,808	80,113,958	3,620,620	241,912,379	(3,340,066)

	Current RM'000	Current to less than 90 days past due RM'000	More than 90 days past due RM'000	Total RM'000	Provision for credit loss RM'000
Simplified Approach					
Gross carrying amount:					
- Clients' and brokers' balances	893,054	1,401	19,765	914,220	(20,772)
- Other financial assets	200,822	18,475	16,667	235,964	(28,764)
	1,093,876	19,876	36,432	1,150,184	(49,536)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision (continued):

Group 2018	Gross Carrying Amount Good RM'000	Fair RM'000	No rating RM'000	Credit-impaired RM'000	Total RM'000	Provision for credit loss RM'000
General Approach						
Short term funds (exclude cash in hand)	5,487,729	182,737	5,797,902	-	11,468,368	(4,036)
Stage 1	5,487,729	182,737	5,797,902	-	11,468,368	(4,036)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	602,604	-	295,791	-	898,395	(275)
Stage 1	602,604	-	295,791	-	898,395	(275)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Financial assets at FVOCI	15,015,963	70,251	16,809,155	5,252	31,900,621	(56,283)
Stage 1	15,005,849	70,251	16,809,155	-	31,885,255	(55,977)
Stage 2	10,114	-	-	-	10,114	(306)
Stage 3	-	-	-	5,252	5,252	-
Financial investments at amortised cost	2,703,160	-	11,587,057	141,405	14,431,622	(341,347)
Stage 1	2,703,160	-	10,943,925	-	13,647,085	(23,820)
Stage 2	-	-	643,132	-	643,132	(176,683)
Stage 3	-	-	-	141,405	141,405	(140,844)
Loans, advances and financing	95,879,738	34,314,527	35,200,708	3,483,554	168,878,527	(3,251,593)
Stage 1	92,109,762	26,877,097	31,808,405	-	150,795,264	(591,911)
Stage 2	3,769,976	7,437,430	3,392,303	-	14,599,709	(994,604)
Stage 3	-	-	-	3,483,554	3,483,554	(1,665,078)
Reinsurance assets	411,881	-	-	-	411,881	-
Stage 1	411,881	-	-	-	411,881	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
	120,101,075	34,567,515	69,690,613	3,630,211	227,989,414	(3,653,534)

Other financial assets for the Group of RM951,066,000 (2018: RM753,401,000) are non-rated and short-term in nature, of which no provision for credit loss is provided.

	Current RM'000	Current to less than 90 days past due RM'000	More than 90 days past due RM'000	Total RM'000	Provision for credit loss RM'000
Simplified Approach					
Gross carrying amount:					
- Clients' and brokers' balances	813,052	127,238	22,330	962,620	(19,564)
- Other financial assets	107,438	48,392	78,520	234,350	(31,163)
	920,490	175,630	100,850	1,196,970	(50,727)

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision (continued):

Bank 2019	Gross Carrying Amount Good RM'000	Fair RM'000	No rating RM'000	Credit-impaired RM'000	Total RM'000	Provision for credit loss RM'000
General Approach						
Short term funds (exclude cash in hand)	3,006,708	23,942	1,481,500	-	4,512,150	(2,733)
Stage 1	3,006,708	23,942	1,481,500	-	4,512,150	(2,733)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	5,267,908	-	82,064	-	5,349,972	(340)
Stage 1	5,267,908	-	82,064	-	5,349,972	(340)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Investment account due from designated financial institutions	8,229,334	-	-	-	8,229,334	-
Stage 1	8,229,334	-	-	-	8,229,334	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Financial assets at FVOCI	12,453,840	-	20,825,101	1,020	33,279,961	(41,865)
Stage 1	12,453,840	-	20,825,101	-	33,278,941	(41,865)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	1,020	1,020	-
Financial investments at amortised cost	1,433,118	-	8,435,187	62,978	9,931,283	(228,481)
Stage 1	1,408,108	-	8,435,187	-	9,843,295	(16,970)
Stage 2	25,010	-	-	-	25,010	(149,096)
Stage 3	-	-	-	62,978	62,978	(62,415)
Loans, advances and financing	62,803,940	21,288,530	22,931,968	2,623,781	109,648,219	(2,305,896)
Stage 1	60,755,094	16,858,676	19,619,530	-	97,233,300	(324,042)
Stage 2	2,048,846	4,429,854	3,312,438	-	9,791,138	(802,764)
Stage 3	-	-	-	2,623,781	2,623,781	(1,179,090)
	93,194,848	21,312,472	53,755,820	2,687,779	170,950,919	(2,579,315)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

The following table shows an analysis of the credit exposure by stages, together with the ECL allowance provision (continued):

Bank 2018	Gross Carrying Amount Good RM'000	Fair RM'000	No rating RM'000	Credit-impaired RM'000	Total RM'000	Provision for credit loss RM'000
General Approach						
Short term funds (exclude cash in hand)	5,726,970	53,852	2,061,700	-	7,842,522	(3,134)
Stage 1	5,726,970	53,852	2,061,700	-	7,842,522	(3,134)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Deposits and placements with banks and other financial institutions	3,009,711	-	82,736	-	3,092,447	(261)
Stage 1	3,009,711	-	82,736	-	3,092,447	(261)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Investment account due from designated financial institutions	7,898,611	-	-	-	7,898,611	-
Stage 1	7,898,611	-	-	-	7,898,611	-
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	-	-	-
Financial assets at FVOCI	13,853,318	70,251	13,018,098	5,252	26,946,919	(50,278)
Stage 1	13,853,318	70,251	13,018,098	-	26,941,667	(50,278)
Stage 2	-	-	-	-	-	-
Stage 3	-	-	-	5,252	5,252	-
Financial investments at amortised cost	2,195,797	-	8,225,739	63,341	10,484,877	(256,226)
Stage 1	2,195,797	-	8,225,739	-	10,421,536	(19,017)
Stage 2	-	-	-	-	-	(174,430)
Stage 3	-	-	-	63,341	63,341	(62,779)
Loans, advances and financing	63,958,313	21,476,636	22,681,250	2,555,206	110,671,405	(2,457,132)
Stage 1	61,049,889	16,376,603	19,778,796	-	97,205,288	(489,408)
Stage 2	2,908,424	5,100,033	2,902,454	-	10,910,911	(774,591)
Stage 3	-	-	-	2,555,206	2,555,206	(1,193,133)
	96,642,720	21,600,739	46,069,523	2,623,799	166,936,781	(2,767,031)

Other financial assets for the Bank of RM751,508,000 (2018: RM602,692,000) are non-rated and short-term in nature, of which no provision for credit loss is provided.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitments and contingencies, are set out below:

Group 2019	Short term funds and deposits and placements with banks and other financial institutions[ˇ] RM'000	Financial assets at FVTPL[~] RM'000	Financial assets at FVOCI[@] RM'000	Financial investments at amortised cost[¥] RM'000	Loans, advances and financing[#] RM'000	Clients' and brokers' balances[^] RM'000	Reinsurance assets RM'000	Other financial assets[*] RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture, hunting, forestry and fishing	-	-	112,119	107,991	3,608,651	-	-	283	817,934	4,646,978
Mining and quarrying	-	-	-	-	559,223	-	-	12	630,954	1,190,189
Manufacturing	-	4,136	5,532	560	9,219,965	-	-	5,805	7,149,174	16,385,172
Electricity, gas and water	-	70,152	1,167,552	135,883	2,121,777	-	-	12,175	811,229	4,318,768
Construction	-	-	1,106,488	602,423	12,208,157	-	-	3,753	7,476,456	21,397,277
Wholesale & retail trade and restaurant & hotel	-	-	57,236	150,247	14,197,804	-	-	2,613	6,852,628	21,260,528
Transport, storage and communication	-	43,445	3,450,322	1,126,804	6,912,781	-	-	32,397	1,021,432	12,587,181
Finance, insurance, real estate and business services	6,657,446	471,506	18,249,924	7,415,213	20,408,676	-	-	922,651	11,710,410	65,835,826
Government and government agencies	4,998,179	2,144,857	14,632,005	4,874,182	5,495,679	-	-	7,399	-	32,152,301
Others	-	-	328,327	8,472	99,893,199	893,555	410,763	1,026,434	20,472,189	123,032,939
	11,655,625	2,734,096	39,109,505	14,421,775	174,625,912	893,555	410,763	2,013,522	56,942,406	302,807,159

ˇ Excludes stage 1 expected credit losses amounting to RM3,491,000.
~ Excludes equity instruments, unit trusts and private equity funds amounting to RM1,889,351,000.
@ Excludes equity instruments amounting to RM695,799,000.
¥ Excludes stage 1 and stage 2 expected credit losses amounting to RM172,366,000.
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,431,146,000 and positive fair value changes amounting to RM41,906,000.
^ Excludes allowance for credit losses for non-credit impaired amounting to RM107,000.
* Other financial assets include other assets amounting to RM1,158,266,000 and derivative assets amounting to RM855,256,000.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Group's financial assets, including commitments and contingencies, are set out below (continued):

Group 2018	Short term funds and deposits and placements with banks and other financial institutions[ˇ] RM'000	Financial assets at FVTPL[~] RM'000	Financial assets at FVOCI[@] RM'000	Financial investments at amortised cost[¥] RM'000	Loans, advances and financing[#] RM'000	Clients' and brokers' balances[^] RM'000	Reinsurance assets RM'000	Other financial assets[*] RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture, hunting, forestry and fishing	-	-	112,176	105,486	3,699,545	-	-	119	842,452	4,759,778
Mining and quarrying	-	-	101,658	15,134	1,114,646	-	-	5	663,232	1,894,675
Manufacturing	-	-	75,759	560	8,128,792	-	-	5,011	6,889,380	15,099,502
Electricity, gas and water	-	199,446	1,676,267	166,275	2,173,847	-	-	25,854	643,030	4,884,719
Construction	-	-	1,071,397	459,830	12,012,313	-	-	1,518	7,634,210	21,179,268
Wholesale & retail trade and restaurant & hotel	-	-	45,922	132,230	12,695,131	-	-	3,838	6,061,119	18,938,240
Transport, storage and communication	-	12,145	2,406,898	950,796	7,533,612	-	-	72,104	790,532	11,766,087
Finance, insurance, real estate and business services	7,547,259	400,683	14,653,792	7,492,374	20,072,969	-	-	1,348,966	11,965,789	63,481,832
Government and government agencies	4,819,504	1,558,954	11,756,752	4,959,467	5,449,188	-	-	-	-	28,543,865
Others	-	-	-	8,626	94,333,406	943,309	411,881	630,230	20,510,285	116,837,737
	12,366,763	2,171,228	31,900,621	14,290,778	167,213,449	943,309	411,881	2,087,645	56,000,029	287,385,703

ˇ Excludes stage 1 expected credit losses amounting to RM4,311,000.
~ Excludes equity instruments, unit trusts and private equity funds amounting to RM1,629,421,000.
@ Excludes equity instruments amounting to RM677,212,000.
¥ Excludes stage 1 and stage 2 expected credit losses amounting to RM200,503,000.
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,586,515,000 and positive fair value changes amounting to RM2,840,000.
^ Excludes allowance for credit losses for non-credit impaired amounting to RM253,000.
* Other financial assets include other assets amounting to RM956,588,000 and derivative assets amounting to RM1,131,057,000.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitments and contingencies, are set out below:

Bank 2019	Short term funds, deposits and placements with banks and other financial institutions and investment account due from designated financial institutionsˇ RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised cost¥ RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture, hunting, forestry and fishing	-	-	76,072	-	2,066,980	283	545,784	2,689,119
Mining and quarrying	-	-	-	-	347,650	12	603,816	951,478
Manufacturing	-	4,136	5,532	560	6,874,492	4,882	6,059,987	12,949,589
Electricity, gas and water	-	70,152	1,056,536	90,426	1,727,919	9,364	679,862	3,634,259
Construction	-	-	801,705	376,863	7,208,004	2,253	5,726,451	14,115,276
Wholesale & retail trade and restaurant & hotel	-	-	57,236	150,247	11,605,209	1,809	6,187,163	18,001,664
Transport, storage and communication	-	43,445	2,704,514	969,631	1,767,863	32,080	737,337	6,254,870
Finance, insurance, real estate and business services	17,302,721	471,506	16,955,984	4,809,696	13,249,998	1,007,961	10,199,549	63,997,415
Government and government agencies	788,735	1,937,712	11,622,382	3,471,445	1,911,967	7,399	-	19,739,640
Others	-	-	-	-	61,709,047	589,049	13,808,845	76,106,941
	18,091,456	2,526,951	33,279,961	9,868,868	108,469,129	1,655,092	44,548,794	218,440,251

ˇ Excludes stage 1 expected credit losses amounting to RM3,073,000.
~ Excludes equity instruments amounting to RM3,337,000.
@ Excludes equity instruments amounting to RM654,311,000.
¥ Excludes stage 1 and stage 2 expected credit losses amounting to RM166,066,000.
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,126,806,000 and positive fair value changes amounting to RM3,342,000.
* Other financial assets include other assets amounting to RM751,508,000 and derivative assets amounting to RM903,584,000.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by industry in respect of the Bank's financial assets, including commitments and contingencies, are set out below (continued):

Bank 2018	Short term funds, deposits and placements with banks and other financial institutions and investment account due from designated financial institutionsˇ RM'000	Financial assets at FVTPL~ RM'000	Financial assets at FVOCI@ RM'000	Financial investments at amortised cost¥ RM'000	Loans, advances and financing# RM'000	Other financial assets* RM'000	Commitments and contingencies RM'000	Total RM'000
Agriculture, hunting, forestry and fishing	-	-	72,125	-	2,445,209	119	591,330	3,108,783
Mining and quarrying	-	-	101,658	15,134	326,317	5	659,100	1,102,214
Manufacturing	-	-	75,759	560	6,410,465	4,441	6,097,807	12,589,032
Electricity, gas and water	-	199,446	1,480,435	130,835	1,794,861	24,584	574,156	4,204,317
Construction	-	-	792,083	352,266	7,720,929	18	6,030,771	14,896,067
Wholesale & retail trade and restaurant & hotel	-	-	45,922	132,230	10,503,674	3,800	5,580,250	16,265,876
Transport, storage and communication	-	12,145	1,865,226	905,198	2,679,965	70,856	641,838	6,175,228
Finance, insurance, real estate and business services	17,396,177	390,158	13,376,636	5,388,247	13,560,705	1,504,602	9,449,436	61,065,961
Government and government agencies	1,437,403	1,284,728	9,137,075	3,497,628	1,941,949	-	-	17,298,783
Others	-	-	-	-	62,094,198	141,761	14,742,407	76,978,366
	18,833,580	1,886,477	26,946,919	10,422,098	109,478,272	1,750,186	44,367,095	213,684,627

ˇ Excludes stage 1 expected credit losses amounting to RM3,395,000.
~ Excludes equity instruments amounting to RM5,294,000.
@ Excludes equity instruments amounting to RM637,457,000.
¥ Excludes stage 1 and stage 2 expected credit losses amounting to RM193,447,000.
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,263,999,000 and positive fair value changes amounting to RM1,873,000.
* Other financial assets include other assets amounting to RM602,692,000 and derivative assets amounting to RM1,147,494,000.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by geographical in respect of the Group's financial assets, including commitments and contingencies, are set out below:

Group 2019	Short term funds and deposits and placements with banks and other financial institutions ˇ RM'000	Financial assets at FVTPL ~ RM'000	Financial assets at FVOCI @ RM'000	Financial investments at amortised cost ¥ RM'000	Loans, advances and financial # RM'000	Clients' and brokers' balances ^ RM'000	Reinsurance assets RM'000	Other financial assets * RM'000	Commitments and contingencies RM'000	Total RM'000
Southeast Asia	9,847,378	2,528,374	36,209,979	14,421,775	170,657,336	847,126	373,031	1,734,633	53,786,047	290,405,679
- Malaysia	6,585,763	2,475,497	30,788,655	14,118,881	154,763,720	479,187	371,998	1,533,645	47,734,692	258,852,038
- Singapore	1,287,509	52,877	3,895,357	272,494	10,580,169	78,588	1,033	145,456	3,936,345	20,249,828
- Thailand	81,880	-	1,272,384	-	417,789	151,614	-	28,138	1,052,230	3,004,035
- Brunei	73,332	-	-	30,400	1,826,322	-	-	-	189,633	2,119,687
- Indonesia	166,521	-	253,583	-	460,166	137,737	-	10,881	208,185	1,237,073
- Cambodia	1,391,618	-	-	-	2,135,152	-	-	15,019	567,228	4,109,017
- Lao	228,075	-	-	-	195,137	-	-	1,196	54,702	479,110
- Vietnam	32,281	-	-	-	239,174	-	-	298	41,805	313,558
- Philippines	399	-	-	-	20,611	-	-	-	1,124	22,134
- Myanmar	-	-	-	-	19,096	-	-	-	103	19,199
South Asia	151,353	184,601	346,137	-	1,061,221	538	110	20,331	723,281	2,487,572
East Asia	702,541	14,359	716,988	-	1,349,197	41,968	28,464	175,764	1,496,913	4,526,194
Central Asia	-	-	-	-	1,130	-	-	-	-	1,130
Middle East	4,520	-	218,636	-	90,725	-	18	-	25,766	339,665
Europe	207,743	-	1,101,518	-	230,008	-	8,717	77,790	744,242	2,370,018
North America	741,044	6,762	516,247	-	1,182,376	3,923	423	5,004	163,951	2,619,730
Others	1,046	-	-	-	53,919	-	-	-	2,206	57,171
	11,655,625	2,734,096	39,109,505	14,421,775	174,625,912	893,555	410,763	2,013,522	56,942,406	302,807,159

ˇ Excludes stage 1 expected credit losses amounting to RM3,491,000.
~ Excludes equity instruments, unit trusts and private equity funds amounting to RM1,889,351,000.
@ Excludes equity instruments amounting to RM695,799,000.
¥ Excludes stage 1 and stage 2 expected credit losses amounting to RM172,366,000.
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,431,146,000 and positive fair value changes amounting to RM41,906,000.
^ Excludes allowance for credit losses for non-credit impaired amounting to RM107,000.
* Other financial assets include other assets amounting to RM1,158,266,000 and derivative assets amounting to RM855,256,000.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by geographical in respect of the Group's financial assets, including commitments and contingencies, are set out below (continued):

Group 2018	Short term funds and deposits and placements with banks and other financial institutions ˇ RM'000	Financial assets at FVTPL ~ RM'000	Financial assets at FVOCI @ RM'000	Financial investments at amortised cost ¥ RM'000	Loans, advances and financial # RM'000	Clients' and brokers' balances ^ RM'000	Reinsurance assets RM'000	Other financial assets * RM'000	Commitments and contingencies RM'000	Total RM'000
Southeast Asia	9,430,215	1,981,840	28,793,207	14,290,778	163,832,477	899,752	349,127	1,840,736	52,121,134	273,539,266
- Malaysia	6,277,242	1,899,402	24,536,394	14,038,717	148,694,180	535,362	347,265	1,664,374	46,902,514	244,895,450
- Singapore	1,209,188	82,438	2,970,775	212,636	10,453,961	146,073	1,862	126,905	3,404,846	18,608,684
- Thailand	93,139	-	1,180,374	-	278,602	123,796	-	28,968	832,867	2,537,746
- Brunei	128,361	-	-	39,425	1,616,660	-	-	-	202,201	1,986,647
- Indonesia	148,134	-	105,664	-	618,004	94,521	-	10,391	196,314	1,173,028
- Cambodia	976,904	-	-	-	1,826,466	-	-	8,481	542,135	3,353,986
- Lao	448,871	-	-	-	223,183	-	-	1,617	38,189	711,860
- Vietnam	22,399	-	-	-	76,689	-	-	-	985	100,073
- Philippines	125,977	-	-	-	22,503	-	-	-	904	149,384
- Myanmar	-	-	-	-	22,229	-	-	-	179	22,408
South Asia	492,597	118,358	548,949	-	501,328	29	-	1,622	329,005	1,991,888
East Asia	1,696,452	37,859	883,155	-	741,602	43,528	-	128,512	2,437,582	5,968,690
Central Asia	-	-	-	-	1,540	-	-	-	-	1,540
Middle East	5,188	-	119,240	-	86,855	-	-	-	103	211,386
Europe	84,826	33,171	1,090,867	-	163,020	-	-	110,232	830,430	2,312,546
North America	652,132	-	465,203	-	1,508,854	-	-	6,543	280,309	2,913,041
Others	5,353	-	-	-	377,773	-	62,754	-	1,466	447,346
	12,366,763	2,171,228	31,900,621	14,290,778	167,213,449	943,309	411,881	2,087,645	56,000,029	287,385,703

ˇ Excludes stage 1 expected credit losses amounting to RM4,311,000.
~ Excludes equity instruments, unit trusts and private equity funds amounting to RM1,629,421,000.
@ Excludes equity instruments amounting to RM677,212,000.
¥ Excludes stage 1 and stage 2 expected credit losses amounting to RM200,503,000.
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,586,515,000 and positive fair value changes amounting to RM2,840,000.
^ Excludes allowance for credit losses for non-credit impaired amounting to RM253,000.
* Other financial assets include other assets amounting to RM956,588,000 and derivative assets amounting to RM1,131,057,000.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by geographical in respect of the Bank's financial assets, including commitments and contingencies, are set out below:

Bank 2019	Short term funds, deposits and placements with banks and other financial institutions and investment account due from designated financial institutions ˇ RM'000	Financial assets at FVTPL ~ RM'000	Financial assets at FVOCI @ RM'000	Financial investments at amortised cost ¥ RM'000	Loans, advances and financial # RM'000	Other financial assets * RM'000	Commitments and contingencies RM'000	Total RM'000
Southeast Asia	16,369,651	2,321,229	30,406,013	9,868,868	106,203,532	1,381,193	41,999,580	208,550,066
- Malaysia	14,636,950	2,268,352	24,984,691	9,565,974	93,257,641	1,277,229	37,070,280	183,061,117
- Singapore	1,211,072	52,877	3,895,355	272,494	10,345,340	102,618	3,771,563	19,651,319
- Thailand	24,897	-	1,272,384	-	188,632	1,341	864,954	2,352,208
- Brunei	71,622	-	-	30,400	1,824,721	-	189,633	2,116,376
- Indonesia	6,721	-	253,583	-	324,825	5	61,023	646,157
- Cambodia	209,685	-	-	-	34,984	-	-	244,669
- Lao	208,283	-	-	-	1,054	-	-	209,337
- Vietnam	140	-	-	-	189,671	-	40,900	230,711
- Philippines	281	-	-	-	18,278	-	1,124	19,683
- Myanmar	-	-	-	-	18,386	-	103	18,489
South Asia	146,336	184,601	346,139	-	963,636	20,331	682,425	2,343,468
East Asia	636,061	14,359	716,988	-	427,254	170,774	1,412,999	3,378,435
Middle East	3,819	-	193,056	-	22,715	-	25,766	245,356
Europe	203,254	-	1,101,518	-	86,432	77,790	354,269	1,823,263
North America	731,289	6,762	516,247	-	757,157	5,004	73,755	2,090,214
Others	1,046	-	-	-	8,403	-	-	9,449
	18,091,456	2,526,951	33,279,961	9,868,868	108,469,129	1,655,092	44,548,794	218,440,251

ˇ Excludes stage 1 expected credit losses amounting to RM3,073,000.
~ Excludes equity instruments amounting to RM3,337,000.
@ Excludes equity instruments amounting to RM654,311,000.
¥ Excludes stage 1 and stage 2 expected credit losses amounting to RM166,066,000.
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,126,806,000 and positive fair value changes amounting to RM3,342,000.
* Other financial assets include other assets amounting to RM751,508,000 and derivative assets amounting to RM903,584,000.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(iv) Credit quality (continued)

Credit risk exposure analysed by geographical in respect of the Bank's financial assets, including commitments and contingencies, are set out below (continued):

Bank 2018	Short term funds, deposits and placements with banks and other financial institutions and investment account due from designated financial institutions ˇ RM'000	Financial assets at FVTPL ~ RM'000	Financial assets at FVOCI @ RM'000	Financial investments at amortised cost ¥ RM'000	Loans, advances and financial # RM'000	Other financial assets * RM'000	Commitments and contingencies RM'000	Total RM'000
Southeast Asia	16,467,250	1,697,089	23,864,985	10,422,098	108,042,849	1,509,797	41,576,641	203,580,709
- Malaysia	14,865,529	1,614,651	19,608,172	10,170,037	95,738,422	1,418,694	37,564,406	180,979,911
- Singapore	1,197,699	82,438	2,970,775	212,636	10,208,848	86,802	3,168,495	17,927,693
- Thailand	31,604	-	1,180,374	-	5,877	4,301	607,507	1,829,663
- Brunei	24,055	-	-	39,425	1,615,284	-	202,201	1,880,965
- Indonesia	5,152	-	105,664	-	390,992	-	32,861	534,669
- Cambodia	2,918	-	-	-	22,649	-	-	25,567
- Lao	214,375	-	-	-	1,075	-	-	215,450
- Vietnam	101	-	-	-	17,594	-	88	17,783
- Philippines	125,817	-	-	-	20,712	-	904	147,433
- Myanmar	-	-	-	-	21,396	-	179	21,575
South Asia	29,675	118,358	548,951	-	454,381	1,622	323,193	1,476,180
East Asia	1,622,193	37,859	883,155	-	451,344	121,992	2,101,303	5,217,846
Middle East	4,188	-	93,758	-	7,135	-	103	105,184
Europe	77,848	33,171	1,090,867	-	85,809	110,232	365,752	1,763,679
North America	632,226	-	465,203	-	429,498	6,543	103	1,533,573
Others	200	-	-	-	7,256	-	-	7,456
	18,833,580	1,886,477	26,946,919	10,422,098	109,478,272	1,750,186	44,367,095	213,684,627

ˇ Excludes stage 1 expected credit losses amounting to RM3,395,000.
~ Excludes equity instruments amounting to RM5,294,000.
@ Excludes equity instruments amounting to RM637,457,000.
¥ Excludes stage 1 and stage 2 expected credit losses amounting to RM193,447,000.
Excludes stage 1 and stage 2 expected credit losses amounting to RM1,263,999,000 and positive fair value changes amounting to RM1,873,000.
* Other financial assets include other assets amounting to RM602,692,000 and derivative assets amounting to RM1,147,494,000.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(v) Write-off policy

The Group and the Bank write off financial assets, in whole or in part, when it has exhausted all practical recovery efforts and has concluded there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include (i) ceasing enforcement activity and (ii) where the Group's and the Bank's recovery method is foreclosing on collateral and the value of the collateral is such that there is no reasonable expectation of recovering in full.

A write-off constitutes a derecognition event. The Group and the Bank may apply enforcement activities to financial assets written off. Recoveries resulting from the Group's and the Bank's enforcement activities will be written back as bad debts recovered in the income statements.

The contractual amount outstanding on loans, advances and financing and securities portfolio that were written off during the financial year ended 31 December 2019, and are still subject to enforcement activities was RM60.6 million and RM54.6 million (2018: RM234.7 million and RM151.4 million) for the Group and the Bank respectively.

(vi) Modification of contractual cash flows

Where the original contractual terms of a financial asset have been modified for credit reasons and the instrument has not been derecognised, the resulting modification loss is recognised within impairment in the income statements with a corresponding decrease in the gross carrying value of the asset. If the modification involved a concession that the Group and the Bank would not otherwise consider, the instrument is considered to be credit impaired and is considered forborne.

ECL for modified financial assets that have not been derecognised and are not considered to be credit-impaired will be recognised on a 12-month basis, or a lifetime basis, if there is a significant increase in credit risk. These assets are assessed to determine whether there has been a significant increase in credit risk subsequent to the modification.

Although loans and financing may be modified for non-credit reasons, a significant increase in credit risk may occur. The Group and the Bank may determine that the credit risk has significantly improved after restructuring, so that the assets are moved from stage 3 or stage 2 to stage 1. This is only the case for assets which have been monitored for consecutive six months observation period or more.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(e) Credit Risk (continued)

(vii) Sensitivity analysis

The Group and the Bank have performed ECL sensitivity assessment on loans, advances and financing based on the changes in key variables, such as private consumption, unemployment rates, inflation and KLIBOR-3M, while all other variables remain unchanged. The sensitivity factors used are assumptions based on parallel shifts in the key variables to project the impact on the ECL of the Group and the Bank.

The table below outlines the effect of ECL on the changes in key variables used while other variables remain constant:

		Increase/(Decrease) in ECL			
		Group		Bank	
2019	**Changes**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
(a) Retail					
Private consumption	+/- 50bps	**(6,743)**	**9,951**	**(5,689)**	**8,527**
Unemployment rates	+/- 10bps	**14,043**	**(13,607)**	**12,402**	**(12,016)**
Inflation	+/- 5bps	**905**	**(912)**	**825**	**(826)**
(b) Non-retail					
Private consumption	+/- 50bps	**(5,388)**	**4,570**	**(3,632)**	**3,025**
KLIBOR-3M	+/- 25bps	**17,283**	**(17,307)**	**10,782**	**(10,728)**

		Increase/(Decrease) in ECL			
		Group		Bank	
2018	**Changes**	**RM'000**	**RM'000**	**RM'000**	**RM'000**
(a) Retail					
Private consumption	+/- 50bps	(9,256)	9,325	(8,195)	8,296
Unemployment rates	+/- 10bps	14,995	(14,695)	13,138	(12,892)
Inflation	+/- 5bps	987	(1,146)	919	(1,049)
(b) Non-retail					
Private consumption	+/- 50bps	(6,846)	5,917	(4,504)	3,884
KLIBOR-3M	+/- 25bps	20,468	(20,876)	12,863	(13,049)

Retail comprises substantially household sector as disclosed in Note 8(e) under loans, advances and financing by economic sector.

Non-retail comprises other than household sector as disclosed in Note 8(e) under loans, advances and financing by economic sector.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting Financial Assets and Financial Liabilities

The Group and the Bank report financial assets and financial liabilities on a net basis on the balance sheet only if there is a legally enforceable right to set off the recognised amounts and there is intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

The following table shows the impact of netting arrangement on:

(i) all financial assets and liabilities that are reported on the balance sheet; and
(ii) all derivative financial instruments and reverse repurchase agreement and borrowing arrangements (offsetting arrangement and financial collateral) but do not qualify for netting.

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements:

	Gross amounts of recognised financial assets/ financial liabilities	Related amounts not set off in the statements of financial position		
Group 2019	**RM'000**	**Financial instruments RM'000**	**Financial collateral RM'000**	**Net amount RM'000**
Financial assets				
Derivative assets	**855,256**	**(379,414)**	**(177,444)**	**298,398**
Financial liabilities				
Derivative liabilities	**1,160,927**	**(379,414)**	**(38,410)**	**743,103**
Group 2018				
Financial assets				
Derivative assets	1,131,057	(223,579)	(315,171)	592,307
Financial liabilities				
Derivative liabilities	1,116,701	(223,579)	(90,569)	802,553

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(f) Offsetting Financial Assets and Financial Liabilities (continued)

The following financial assets and liabilities are subject to offsetting, enforceable master netting arrangements and similar agreements (continued):

	Gross amounts of recognised financial assets/ financial liabilities	Related amounts not set off in the statements of financial position		
Bank 2019	**RM'000**	**Financial instruments RM'000**	**Financial collateral RM'000**	**Net amount RM'000**
Financial assets				
Derivative assets	**903,584**	**(379,414)**	**(177,444)**	**346,726**
Financial liabilities				
Derivative liabilities	**1,155,074**	**(379,414)**	**(38,410)**	**737,250**
Bank 2018				
Financial assets				
Derivative assets	1,147,494	(223,579)	(315,171)	608,744
Financial liabilities				
Derivative liabilities	1,120,287	(223,579)	(90,569)	806,139

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair Value of Financial Instruments

The Group and the Bank analyses its 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 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at FVTPL:	372,066	3,742,448	508,933	4,623,447
- Money market instruments	-	2,144,858	-	2,144,858
- Quoted securities	372,066	-	3,337	375,403
- Unquoted securities	-	1,597,590	505,596	2,103,186
Financial assets at FVOCI:	2,418	39,108,486	694,400	39,805,304
- Money market instruments	-	13,875,143	-	13,875,143
- Quoted securities	2,418	-	-	2,418
- Unquoted securities	-	25,233,343	694,400	25,927,743
Derivative assets	3,000	852,256	-	855,256
	377,484	43,703,190	1,203,333	45,284,007
Financial liabilities				
Derivative liabilities	4,277	1,156,650	-	1,160,927

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair Value of Financial Instruments (continued)

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

Group 2018	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at FVTPL:	415,344	2,932,295	453,010	3,800,649
- Money market instruments	-	1,608,238	-	1,608,238
- Quoted securities	415,344	1,704	3,590	420,638
- Unquoted securities	-	1,322,353	449,420	1,771,773
Financial assets at FVOCI:	2,596	31,807,311	767,926	32,577,833
- Money market instruments	-	12,333,442	-	12,333,442
- Quoted securities	2,596	-	-	2,596
- Unquoted securities	-	19,473,869	767,926	20,241,795
Derivative assets	-	1,131,057	-	1,131,057
	417,940	35,870,663	1,220,936	37,509,539
Financial liabilities				
Derivative liabilities	4,246	1,112,455	-	1,116,701

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair Value of Financial Instruments (continued)

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

Bank 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Financial assets at FVTPL:	3,324	2,510,748	16,216	2,530,288
- Money market instruments	-	1,937,713	-	1,937,713
- Quoted securities	3,324	-	3,337	6,661
- Unquoted securities	-	573,035	12,879	585,914
Financial assets at FVOCI:	-	33,278,941	655,331	33,934,272
- Money market instruments	-	11,971,912	-	11,971,912
- Unquoted securities	-	21,307,029	655,331	21,962,360
Derivative assets	-	903,584	-	903,584
	3,324	36,693,273	671,547	37,368,144
Financial liabilities				
Derivative liabilities	-	1,155,074	-	1,155,074
2018				
Financial assets				
Financial assets at FVTPL:	3,179	1,872,857	15,735	1,891,771
- Money market instruments	-	1,334,012	-	1,334,012
- Quoted securities	3,179	1,704	3,590	8,473
- Unquoted securities	-	537,141	12,145	549,286
Financial assets at FVOCI:	-	26,945,899	638,477	27,584,376
- Money market instruments	-	10,791,263	-	10,791,263
- Unquoted securities	-	16,154,636	638,477	16,793,113
Derivative assets	-	1,147,494	-	1,147,494
	3,179	29,966,250	654,212	30,623,641
Financial liabilities				
Derivative liabilities	-	1,120,287	-	1,120,287

There were no transfers between Level 1 and 2 during the financial year.

55 FINANCIAL RISK MANAGEMENT (CONTINUED)

(g) Fair Value of Financial Instruments (continued)

(i) Valuation techniques

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 determine 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, unquoted private equity funds, non-transferable and non-tradable perpetual notes/sukuk, impaired securities 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. Fair values for unquoted private equity funds are based on enterprise valuation method where the main input include earnings before interest, taxes, depreciation and amortisation ('EBITDA'), comparable companies earning multiple and marketable discount. For unquoted corporate loan stocks, discounted cash flow analysis has been performed to determine the recoverability of the instruments.

(ii) Reconciliation of fair value measurements in Level 3

The following represents the changes in Level 3 instruments for the Group and the Bank:

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Financial assets at FVTPL				
Balance as at the beginning of financial year	453,010	375,384	15,735	15,525
Total gain/(loss) recognised in income statements	30,847	32,393	(2,970)	(1,654)
Purchases	30,908	46,359	3,424	1,851
Settlements	(792)	(10,660)	-	-
Exchange differences	(5,040)	9,534	27	13
Balance as at the end of the financial year	508,933	453,010	16,216	15,735

	Group 2019 RM'000	Group 2018 RM'000	Bank 2019 RM'000	Bank 2018 RM'000
Financial assets at FVOCI				
Balance as at the beginning of financial year	767,926	1,123,485	638,477	799,425
Total loss recognised in other comprehensive income	18,745	(42,161)	16,854	(55,589)
Transfer to level 2	-	(102,750)	-	(102,750)
Purchases	-	6,369	-	294
Settlements/disposal	(92,290)	(218,937)	-	(2,903)
Exchange differences	19	1,920	-	-
Balance as at the end of the financial year	694,400	767,926	655,331	638,477

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

56 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES

(a) The fair value of each financial assets and liabilities presented on the statements of financial position of the Group and the Bank approximates the carrying amount as at the reporting date, except for the following:

	Group		Bank	
2019	Carrying value RM'000	Fair value RM'000	Carrying value RM'000	Fair value RM'000
Financial assets				
Deposits and placements with banks and other financial institutions	**1,095,567**	**1,095,567**	**5,349,632**	**5,339,988**
Investment account due from designated financial institutions	**-**	**-**	**8,229,334**	**8,372,010**
Financial investments at amortised cost	**14,249,409**	**14,463,088**	**9,702,802**	**9,841,068**
Loans, advances and financing	**173,236,672**	**173,624,707**	**107,345,665**	**107,385,404**
Financial liabilities				
Deposits from customers	**190,555,225**	**190,787,914**	**131,571,124**	**131,695,782**
Deposits and placements of banks and other financial institutions	**21,539,329**	**21,391,935**	**19,173,832**	**19,030,056**
Recourse obligation on loans sold to Cagamas	**3,535,996**	**3,731,751**	**1,265,757**	**1,292,558**
Senior debt securities	**3,296,763**	**3,364,821**	**3,296,763**	**3,364,821**
Subordinated obligations	**2,724,224**	**2,766,242**	**1,565,396**	**1,589,627**
2018				
Financial assets				
Deposits and placements with banks and other financial institutions	898,120	898,120	3,092,186	3,246,651
Investment account due from designated financial institutions	-	-	7,898,611	7,754,917
Financial investments at amortised cost	14,090,275	14,112,695	10,228,651	10,241,083
Loans, advances and financing	165,629,774	165,800,768	108,216,146	108,385,579
Financial liabilities				
Deposits from customers	178,856,330	178,997,455	127,145,222	127,219,471
Deposits and placements of banks and other financial institutions	18,290,894	18,269,845	17,526,185	17,510,932
Recourse obligation on loans sold to Cagamas	5,266,116	5,198,325	2,995,877	2,840,705
Senior debt securities	3,323,664	3,258,030	3,323,664	3,258,030
Hybrid Tier-1 Capital Securities	603,221	611,370	608,235	616,384
Subordinated obligations	3,748,655	3,772,036	2,589,066	2,608,750

56 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) The following table analyses within the fair value hierarchy of the Group's assets and liabilities not measured at fair value but for which fair value is disclosed:

Group 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Deposits and placements with banks and other financial institutions	**-**	**1,095,567**	**-**	**1,095,567**
Financial investments at amortised cost	**-**	**10,008,143**	**4,454,945**	**14,463,088**
Loans, advances and financing	**-**	**173,624,707**	**-**	**173,624,707**
Financial liabilities				
Deposits from customers	**-**	**190,787,914**	**-**	**190,787,914**
Deposits and placements of banks and other financial institutions	**-**	**21,391,935**	**-**	**21,391,935**
Recourse obligation on loans sold to Cagamas	**-**	**3,731,751**	**-**	**3,731,751**
Senior debt securities	**-**	**3,364,821**	**-**	**3,364,821**
Subordinated obligations	**-**	**2,766,242**	**-**	**2,766,242**
2018				
Financial assets				
Deposits and placements with banks and other financial institutions	-	898,120	-	898,120
Financial investments at amortised cost	-	10,322,328	3,790,367	14,112,695
Loans, advances and financing	-	165,800,768	-	165,800,768
Financial liabilities				
Deposits from customers	-	178,997,455	-	178,997,455
Deposits and placements of banks and other financial institutions	-	18,269,845	-	18,269,845
Recourse obligation on loans sold to Cagamas	-	5,198,325	-	5,198,325
Senior debt securities	-	3,258,030	-	3,258,030
Hybrid Tier-1 Capital Securities	-	611,370	-	611,370
Subordinated obligations	-	3,772,036	-	3,772,036

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

56 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(b) The following table analyses within the fair value hierarchy of the Bank's assets and liabilities not measured at fair value but for which fair value is disclosed:

Bank 2019	Level 1 RM'000	Level 2 RM'000	Level 3 RM'000	Total RM'000
Financial assets				
Deposits and placements with banks and other financial institutions	-	**5,339,988**	-	**5,339,988**
Investment account due from designated financial institutions	-	**8,372,010**		**8,372,010**
Financial investments at amortised cost	-	**7,569,772**	**2,271,296**	**9,841,068**
Loans, advances and financing	-	**107,385,404**	-	**107,385,404**
Financial liabilities				
Deposits from customers	-	**131,695,782**	-	**131,695,782**
Deposits and placements of banks and other financial institutions	-	**19,030,056**	-	**19,030,056**
Recourse obligation on loans sold to Cagamas	-	**1,292,558**	-	**1,292,558**
Senior debt securities	-	**3,364,821**	-	**3,364,821**
Subordinated obligations	-	**1,589,627**	-	**1,589,627**
2018				
Financial assets				
Deposits and placements with banks and other financial institutions	-	3,246,651	-	3,246,651
Investment account due from designated financial institutions	-	7,754,917	-	7,754,917
Financial investments at amortised cost	-	8,087,276	2,153,807	10,241,083
Loans, advances and financing	-	108,385,579	-	108,385,579
Financial liabilities				
Deposits from customers	-	127,219,471	-	127,219,471
Deposits and placements of banks and other financial institutions	-	17,510,932	-	17,510,932
Recourse obligation on loans sold to Cagamas	-	2,840,705	-	2,840,705
Senior debt securities	-	3,258,030	-	3,258,030
Hybrid Tier-1 Capital Securities	-	616,384	-	616,384
Subordinated obligations	-	2,608,750	-	2,608,750

56 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) The fair values are based on the following methodologies and assumptions:

(i) Cash and short term funds, deposits and placements with financial institutions and investment account due from designated financial institutions

For cash and short term funds, deposits and placements with financial institutions and investment account due from designated financial institutions with maturities of less than six months, the carrying value is a reasonable estimate of fair value. For deposits and placements with maturities of six months and above, estimated fair value is based on discounted cash flows using prevailing money market interest rates at which similar deposits and placements would be made with financial institutions of similar credit risk and remaining period to maturity.

(ii) Securities purchased under resale agreements

The fair values of securities purchased under resale agreements with maturities of less than six months approximate the carrying values. For securities purchased under resale agreements with maturities of six months and above, the estimated fair values are based on discounted cash flows using prevailing market rates for the remaining term to maturity.

(iii) Financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost

The estimated fair value for financial assets at FVTPL, financial assets at FVOCI and financial investments at amortised cost is based on quoted and observable market prices. Where there is no ready market in certain securities, fair values have been assessed by reference to market indicative yield or net tangible asset backing of the investee. Where discounted cash flow technique is used, the estimated future cash flows are discounted using the prevailing market rates for a similar instrument at the date of statements of financial position.

(iv) Loans, advances and financing

For floating rate loans, the carrying value is generally a reasonable estimate of fair value.

For fixed rate loans, the fair value is estimated by discounting the estimated future cash flows using the prevailing market rates of loans with similar credit risk and maturities.

The fair values of impaired loans are represented by their carrying value, net of impairment allowance.

(v) Other assets and liabilities

The carrying value less any estimated impairment allowance for financial assets and liabilities included in 'other assets and liabilities' are assumed to approximate their fair values as these items are not materially sensitive to the shift in market interest rates.

(vi) Deposits from customers

For deposits from customers with maturities of less than six months, the carrying amounts are reasonable estimates of their fair values. For deposits with maturities of six months and above, fair values are estimated using discounted cash flows based on prevailing market rates for similar deposits from customers.

(vii) Deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements and bills and acceptances payable

The estimated fair values of deposits and placements of banks and other financial institutions, obligations on securities sold under repurchase agreements and bills and acceptances payable with maturities of less than six months approximate the carrying values. For the items with maturities of six months and above, the fair values are estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

56 FAIR VALUES OF FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(c) The fair values are based on the following methodologies and assumptions (continued):

(viii) Recourse obligation on loans sold to Cagamas

For amounts due to Cagamas with maturities of less than one year, the carrying amounts are a reasonable estimate of their fair values. For amounts due to Cagamas with maturities of more than one year, fair value is estimated based on discounted cash flows using prevailing money market interest rates with similar remaining period to maturity.

(ix) Lease liabilities

The estimated fair value of lease liabilities with maturities of less than six months approximate the carrying values. For other lease liabilities with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates of incremental borrowings.

(x) Borrowings

For floating rate borrowings, the carrying value is generally a reasonable estimate of fair value.

The estimated fair values of other borrowings with maturities of less than six months approximate the carrying values. For other borrowings with maturities of six months or more, the fair values are estimated based on discounted cash flows using prevailing market rates for borrowings with similar risk profile.

(xi) Senior debt securities

The estimated fair value of senior debt securities is generally based on quoted and observable market prices at the date of statements of financial position.

(xii) Hybrid Tier-1 Capital Securities

The estimated fair value of Hybrid Tier-1 Capital Securities is generally based on quoted and observable market prices at the date of statements of financial position.

(xiii) Subordinated obligations

The estimated fair value of subordinated obligations is generally based on quoted and observable market prices at the date of statements of financial position.

(xiv) Credit related commitments and contingencies

The net fair value of these items was not calculated as estimated fair values are not readily ascertainable. These financial instruments generally relate to credit risks and attract fees in line with market prices for similar arrangements. They are not presently sold nor traded. The fair value may be represented by the present value of fees expected to be received, less associated costs.

(xv) Foreign exchange and interest rate related contracts

The fair values of foreign exchange and interest rate related contracts are the estimated amounts the Group or the Bank would receive to sell or pay to transfer the contracts at the date of statements of financial position.

57 CHANGE IN ACCOUNTING POLICIES

The Group and the Bank have adopted MFRS 16 'Leases' issued by MASB with its mandatory adoption date of 1 January 2019. MFRS 16 supersedes MFRS 117 'Leases' and its related interpretations. As permitted by MFRS 16, the Group and the Bank have adopted the simplified transitional approach and will not restate comparative amounts for the financial year prior to first adoption.

Right of use assets for property leases will be measured on transition as if the new rules had always been applied. All other right of use assets will be measured at the amount of the lease liability on adoption (adjusted for any prepaid or accrued lease expenses).

On adoption of MFRS 16, the Group and the Bank recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of MFRS 117 'Leases'. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group and the Bank's borrowing rate as of 1 January 2019. The weighted average incremental borrowing rate applied to the lease liabilities on 1 January 2019 for the Group and the Bank were 4.78% and 4.05% respectively.

Summarised below are the effects upon adoption of MFRS 16 as at 1 January 2019:

	As previously reported RM'000	Effect of adoption of MFRS 16 RM'000	As restated RM'000
Group			
Net deferred tax assets	76,883	323	**77,206**
Right of use assets	-	115,123	**115,123**
Lease liabilities	-	118,511	**118,511**
Reserves	16,363,884	(3,058)	**16,360,826**
NCI	37,961	(7)	**37,954**
Bank			
Net deferred tax assets	32,490	250	**32,740**
Right of use assets	-	72,201	**72,201**
Lease liabilities	-	73,693	**73,693**
Reserves	12,308,675	(1,242)	**12,307,433**

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

57 CHANGE IN ACCOUNTING POLICIES (CONTINUED)

The reconciliation on the operating lease commitments disclosed under MFRS 117 to MFRS 16 are as follows:

	Group RM'000	Bank RM'000
Operating lease commitments as at 31 December 2018	168,632	85,197
Discounted using the incremental borrowing rate	(5,516)	(2,803)
Finance lease liabilities recognised under MFRS 117	163,116	82,394
Out-of-scope contracts	(44,588)	(8,684)
Low-value lease recognised on a straight-line basis as expenses	(17)	(17)
Lease liabilities recognised as at 1 January 2019	118,511	73,693
of which:		
Current lease liabilities	57,990	44,026
Non-current lease liabilities	60,520	29,667
	118,510	73,693

The recognised right of use assets relate to the following type of assets:

	Group RM'000	Bank RM'000
Properties	106,057	63,135
Information technology equipment	1,688	1,688
Office equipment	7,217	7,217
Motor vehicle	161	161
	115,123	72,201

58 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(1) Acquisition by RHB Investment Bank of the remaining 51% equity interest in RHB Securities Vietnam Company Limited ('RHB Securities Vietnam') ('Acquisition')

Prior to 19 February 2019, RHB Investment Bank, a wholly-owned subsidiary of the Bank, holds 49% equity interest in RHB Securities Vietnam (formerly known as Vietnam Securities Corporation ('VSEC')) and has accounted for this investment as a joint venture.

RHB Investment Bank has on 19 February 2019 completed the acquisition of the remaining 51% equity interest in RHB Securities Vietnam following the full payment of the purchase consideration of VND121,629,915,000 (equivalent to RM21,400,000) to Chu Thi Phuong Dung, Truong Lan Anh and Viet Quoc Insurance Broker Joint Stock Company.

RHB Securities Vietnam has since become a wholly-owned subsidiary of RHB Investment Bank effective 19 February 2019.

The State Securities Commission of Vietnam ('Vietnam SSC') had on 9 January 2019 granted its approval for the conversion of the legal form of RHB Securities Vietnam from a joint company to a single-member limited liability company. Subsequently, Vietnam SSC had on 29 January 2019 granted RHB Securities Vietnam a license for establishment and operation ('New License') to operate as a single-member limited liability company.

With the issuance of the New License, and to reflect the new status as a single-member limited liability company, the name of VSEC had been changed to RHB Securities Vietnam on 29 January 2019.

The Group has accounted for the Acquisition of RHB Securities Vietnam in accordance with MFRS 3 'Business Combination' and the following are the accounting effects:

(i) Equity interest previously held as joint venture at 49% in RHB Securities Vietnam is now deemed as disposed at fair value, giving rise to a gain on disposal of RM258,000 as disclosed in Note 39.

	RM'000
Fair value of previously held equity interest	15,934
Less: Equity attributable to net assets	(15,676)
Gain on remeasurement of previously held equity interest in a joint venture	258

(ii) The acquisition of assets and liabilities of RHB Securities Vietnam on acquisition date are as follows:

	RM'000
Cash and short term funds	1,765
Deposits and placements with banks and other financial institutions	30,345
Other assets	397
Property, plant and equipment	30
Other liabilities	(18)
Total identifiable net assets	32,519
Less: Fair value of previously held equity interest	(15,934)
Goodwill arising from acquisition	4,815
Cash consideration	21,400

Notes to the Financial Statements

for the financial year ended 31 December 2019 (continued)

58 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(1) Acquisition by RHB Investment Bank of the remaining 51% equity interest in RHB Securities Vietnam Company Limited ('RHB Securities Vietnam') ('Acquisition') (continued)

(iii) Effect of financial results

The financial results of the Acquisition in the period between the date of acquisition and the date of statements of financial position was not significant to the Group.

(iv) The net cash flows arising from the Acquisition is as follows:

	RM'000
Cash settlement	(21,400)
Cash and short term funds	1,765
Deposits and placements with banks and other financial institutions	30,345
Acquisition of a subsidiary, net of cash and cash equivalents acquired	10,710

(2) Reorganisation of the equity, economic and fixed income and currencies research operations of RHB Research Institute Sdn Bhd ('RHBRI') into RHB Investment Bank and the Bank

During the current financial year, RHB Investment Bank undertook a reorganisation of its equity and economic research operations, previously housed under RHBRI, a wholly-owned subsidiary of RHB Investment Bank, into a division within RHB Investment Bank, while their fixed income and currencies research function is absorbed by the Bank.

The Reorganisation was intended to streamline the research operations under RHB Investment Bank and the Bank, and to rationalise the costs of maintaining a separate licensed entity for research.

The Securities Commission Malaysia ('SC') has on 15 April 2019, granted approval for the Reorganisation, including the variation of RHB Investment Bank's Capital Market Services License ('CMSL') to include the regulated activity of Investment Advice.

Following SC's approval, the Reorganisation was completed on 2 May 2019 via an Asset Purchase Agreement ('APA') entered into between RHB Investment Bank and RHBRI and included a novation of contracts entered into by RHBRI and a transfer of employees. Similarly, the Bank and RHBRI entered into an APA in relation to the transfer of assets.

RHBRI has since surrendered its CMSL and will eventually be wound up.

The effects of the reorganisation to the financial results of the Bank for the current financial year is not material.

(3) Proposed disposal of equity interest in RHB Insurance Berhad ('RHB Insurance')

The Bank had on 31 July 2019, announced that BNM had via its letter dated 29 July 2019, stated that it has no objection for the Bank to commence negotiations with Tokio Marine Asia Pte Ltd ('TMA') for the proposed disposal of up to 94.7% of its equity interest held in RHB Insurance ('Proposed Disposal'). The approval is valid for six months from the date of BNM's letter.

Pursuant to the Financial Services Act 2013, the relevant parties will be required to obtain prior approval of the Minister of Finance, with the recommendation of BNM, before entering into any definitive agreement to effect the Proposed Disposal.

The Bank had on 12 December 2019, announced that after much negotiations and deliberations, both the Bank and TMA have not been able to reach an agreement on mutually acceptable terms and conditions for the Proposed Disposal. Accordingly, the Bank and TMA have mutually agreed to cease negotiations, and will not proceed with the Proposed Disposal.

58 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (CONTINUED)

(4) Proposed cessation of business operations of subsidiaries in Hong Kong

RHB Hong Kong Limited ('RHB Hong Kong') and its subsidiaries (collectively, 'RHB Hong Kong Group'), had on 4 December 2019 decided that they will commence to cease their business operations ('Proposed Cessation'). RHB Hong Kong is a wholly-owned subsidiary of RHB Investment Bank, which in turn is wholly-owned by the Bank.

Pursuant to the Proposed Cessation, RHB Hong Kong Group will gradually discontinue offering financial services to its existing and potential clients. RHB Investment Bank, being the shareholder of RHB Hong Kong Group will provide the requisite support to ensure an orderly winding down of their business operations.

The increasingly challenging operating broking environment in Hong Kong has resulted in losses being recorded for RHB Hong Kong Group. As a result, it is no longer viable for RHB Hong Kong Group to continue its business operations. The Proposed Cessation would allow RHB Investment Bank to refocus efforts and resources in driving long-term growth in other ASEAN markets in line with the larger RHB Banking Group's FIT22 strategy.

The Proposed Cessation is not subject to the approval of the shareholders of the Bank or any regulatory authorities. Barring any unforeseen circumstances, the Proposed Cessation is expected to be completed by the second quarter of 2020.

59 EVENT SUBSEQUENT TO THE BALANCE SHEET DATE

(1) Bancatakaful Service Arrangement between RHB Islamic Bank and Syarikat Takaful Malaysia Keluarga Berhad ('STMKB') (formerly known as Syarikat Takaful Malaysia Berhad)

On 15 January 2020, RHB Islamic Bank has notified STMKB, of its decision not to continue with the Bancatakaful Service Arrangement with STMKB ("Discontinuance") in accordance with the terms of the Bancatakaful Service Agreement entered into on 26 August 2015. With the Discontinuance, the Bancatakaful Service Arrangement will come to an end upon the expiry of the 5th anniversary of the Bancatakaful Service Arrangement on 31 July 2020.

RHB Islamic Bank will start the process to secure a new long term takaful partner and expects to complete this process before 31 July 2020.

Statement by Directors

pursuant to Section 251(2) of the Companies Act 2016

We, Tan Sri Azlan Zainol and Dato' Khairussaleh Ramli, being two of the Directors of RHB Bank Berhad state that, in the opinion of the Directors, the financial statements set out on pages 8 to 205 are drawn up so as to give a true and fair view of the financial position of the Group and the Bank as at 31 December 2019 and financial performance of the Group and of the Bank for the financial year ended on 31 December 2019 in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 February 2020.

TAN SRI AZLAN ZAINOL
CHAIRMAN

DATO' KHAIRUSSALEH RAMLI
GROUP MANAGING DIRECTOR

Kuala Lumpur

Statutory Declaration

pursuant to Section 251(1) of the Companies Act 2016

I, Syed Ahmad Taufik Albar, the Officer primarily responsible for the financial management of RHB Bank Berhad, do solemnly and sincerely declare that the accompanying financial statements set out on pages 8 to 205 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

SYED AHMAD TAUFIK ALBAR
(MIA Membership No: 29842)

Subscribed and solemnly declared by the abovenamed Syed Ahmad Taufik Albar at Kuala Lumpur in Malaysia on 25 February 2020.

COMMISSIONER FOR OATHS
Kuala Lumpur

Independent Auditors' Report

to the Members of RHB Bank Berhad

Report on the Audit of the Financial Statements

Our opinion

In our opinion, the financial statements of RHB Bank Berhad ('the Bank') and its subsidiaries ('the Group') give a true and fair view of the financial position of the Group and of the Bank as at 31 December 2019, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

What we have audited

We have audited the financial statements of the Group and of the Bank, which comprise the statements of financial position as at 31 December 2019 of the Group and of the Bank, and the income statements, statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Bank for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 8 to 205.

Basis for opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the 'Auditors' responsibilities for the audit of the financial statements' section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and other ethical responsibilities

We are independent of the Group and of the Bank in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ('By-Laws') and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Our audit approach

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and of the Bank. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Bank, the accounting processes and controls, and the industry in which the Group and the Bank operate.

Independent Auditors' Report

to the Members of RHB Bank Berhad

Report on the Audit of the Financial Statements (continued)

Key audit matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Bank for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Bank as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter

Allowances for credit losses of loans, advances and financing for the Group and the Bank
 	
Refer to:
- Accounting policy 20;
- Critical accounting estimate (2); and
- Notes 8, 43, 55(e)(vii) of the financial statements.
 	
MFRS 9 introduces an expected credit loss ('ECL') impairment model, which requires the use of complex models and significant assumptions about future economic conditions and credit behaviour.
 	
This is an area of focus as the Directors make significant judgements in applying the accounting requirements for measuring ECL, such as:
 	
- Choosing the appropriate collective assessment models used to calculate ECL. The models are inherently complex and judgement is applied in determining the appropriate construct of model;
- Identification of loans, advances and financing that have experienced a significant increase in credit risk;
- Assumptions used in the ECL models such as expected future cash flows, forward-looking macroeconomic factors and datasets to be used as input to the models.
	Individual assessment
	
	We evaluated the design and operating effectiveness of the controls over the process of identification of loans, advances and financing that have experienced significant increase in credit risk, process of identification of loss event and the process of forecasting future cash flows to determine the ECL amount.
	
	In addition, we tested a sample of loans, advances and financing selected based on risk, and formed our judgement whether the Directors' assessment on either the occurrence of loss event or significant increase in credit risk was appropriate. Where a loss event or significant increase in credit risk had been identified, we checked the ECL calculated for exposures assessed on an individual basis. We checked the forecasts of future cash flows prepared by the Directors to calculate the amount of ECL. We assessed the reasonableness of the assumptions underlying the forecasted cash flows. In addition, we compared the collateral values assumed in the cash flow forecasts to external valuation reports.
	
	Collective assessment
	
	To determine the appropriateness of the MFRS 9 collective assessment ECL models implemented by the Group and the Bank, we have:
	- Assessed the methodologies inherent within the collective assessment ECL models applied against the requirements of MFRS 9;
	- Tested the design and operating effectiveness of the controls relating to:
	  • Governance and model development, including model build, model approval and model validation;
	  • Data used to determine the allowances for credit losses; and
	  • Calculation, review and approval of the ECL calculation
	- Assessed and tested the significant modelling assumptions;
	- Assessed and considered reasonableness of forward-looking forecasts assumptions; and
	- Checked the accuracy of data and calculation of the ECL amount, on a sample basis;
	
	Based on the above procedures, the results of our evaluation of the allowances for credit losses for loans, advances and financing are consistent with the Directors' assessment.

Report on the Audit of the Financial Statements (continued)

Key audit matters (continued)

Key audit matter	How our audit addressed the key audit matter
Impairment testing of goodwill for the Group Refer to accounting policy 7, critical accounting estimate (3) and Note 19 of the financial statements. As required by MFRS 136, an annual impairment assessment is performed on the goodwill balance of RM2,654.1 million. The recoverable amount of each cash generating unit ('CGU') with allocated goodwill is determined based on the higher of value in use ('VIU') and fair value less cost of disposal. The Directors have determined VIU to be the recoverable amount of these CGU. We focused on this area due to the size of the carrying amount of the goodwill, which represented 1.03% of total assets and because the Directors' make significant estimates about the future cash flows of these CGU and the discount rate applied to each CGU.	 We tested the Directors' impairment assessment of goodwill by performing the following procedures: - Agreed the cash flow projection of each CGU to the approved budget by the Directors for the respective CGU. We also compared previous projection to actual result of each CGU to assess the reasonableness of assumptions used in the cash flow projections; - Assessed reasonableness of discount rates which reflects the specific risk relating to each CGU based on external information; - Evaluated the reasonableness of growth rates beyond three years ('Terminal Growth Rates') based on historical results, economic outlook and industry forecasts; - Performed sensitivity analysis over Terminal Growth Rates and discount rates used in the determination of the VIU cash flows to assess the potential impact of a reasonable possible change to any of these assumptions on the recoverable amount of each CGU. Based on the evidence obtained we found that the assumptions used by the Directors in the impairment assessment of goodwill were consistent with our understanding.

Information other than the financial statements and auditors' report thereon

The Directors of the Bank are responsible for the other information. The other information comprises the Directors' Report which we obtained prior to the date of this auditors' report, and the 2019 Annual Report, which is expected to be made available to us after that date. Other information does not include the financial statements of the Group and of the Bank and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Bank does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Bank, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Bank or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed on the other information that we obtained prior to the date of this auditors' report, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Independent Auditors' Report

to the Members of RHB Bank Berhad

Report on the Audit of the Financial Statements (continued)

Responsibilities of the Directors for the financial statements

The Directors of the Bank are responsible for the preparation of the financial statements of the Group and of the Bank that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Bank that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Bank, the Directors are responsible for assessing the Group's and the Bank's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Bank or to cease operations, or have no realistic alternative but to do so.

Auditors' responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Bank as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

(a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Bank, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

(b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and of the Bank's internal control.

(c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.

(d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or on the Bank's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Bank or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Bank to cease to continue as a going concern.

(e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Bank, including the disclosures, and whether the financial statements of the Group and of the Bank represent the underlying transactions and events in a manner that achieves fair presentation.

(f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Report on the Audit of the Financial Statements (continued)

Auditors' responsibilities for the audit of the financial statements (continued)

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Bank for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 15 to the financial statements.

OTHER MATTERS

This report is made solely to the members of the Bank, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS PLT
LLP0014401-LCA & AF 1146
Chartered Accountants

SOO HOO KHOON YEAN
02682/10/2021 J
Chartered Accountant

Kuala Lumpur
25 February 2020

BASEL II PILLAR 3 DISCLOSURES

AS AT 31 DECEMBER 2019

Click on the links to further information within the document.

List of Tables

Statement By Group Managing Director

In accordance with the requirements of Bank Negara Malaysia's Guideline on Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3), and on behalf of the Board of Directors and Senior Management of RHB Bank Berhad, I am pleased to provide an attestation that the Basel II Pillar 3 disclosures of RHB Bank Berhad for the year ended 31 December 2019 are accurate and complete.

DATO' KHAIRUSSALEH BIN RAMLI
Group Managing Director

Basel II Pillar 3 Disclosures

as at 31 December 2019

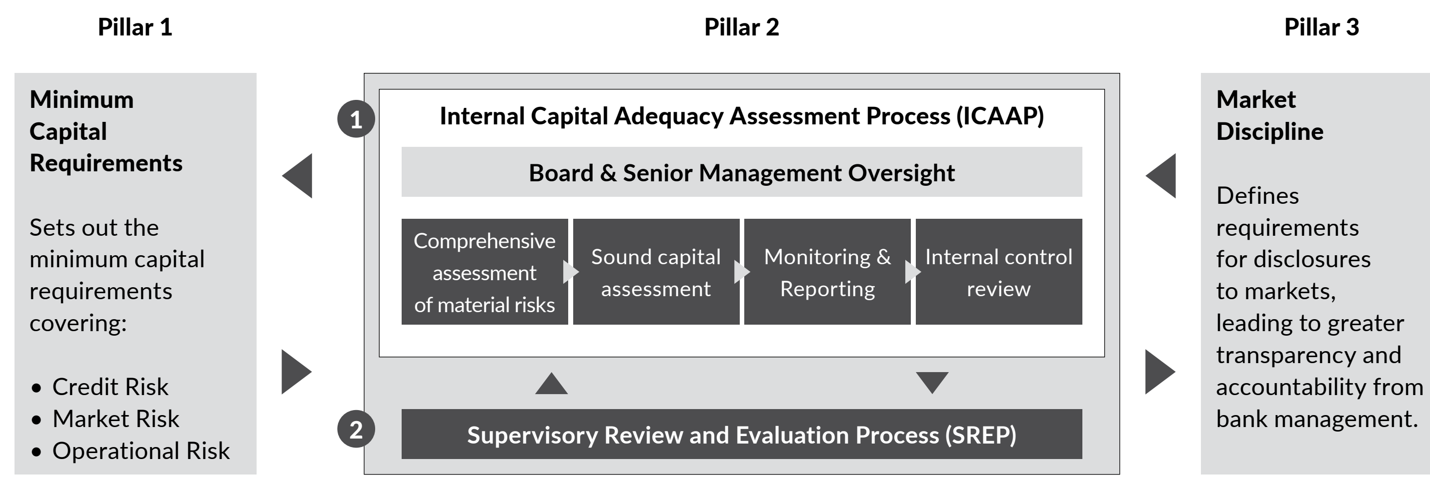
1.0 INTRODUCTION

This document describes RHB Bank Group's risk profile, risk management practices and capital adequacy position in accordance with the disclosure requirements as outlined in the Risk-Weighted Capital Adequacy Framework (Basel II) – Disclosure Requirements (Pillar 3) issued by Bank Negara Malaysia (BNM's Pillar 3 Guidelines).

BNM's guidelines on Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets) provide and specify the approaches for quantifying the risk-weighted assets for credit risk, market risk and operational risk.

Basel II introduces a more risk-based approach to regulatory capital with a distinct charge for operational risk in addition to the existing credit and market risk capital charges. It is designed to be a catalyst for more advanced risk management techniques, enterprise-wide culture of risk management and improved corporate governance, and public disclosure.

The Basel II approach based on the three pillars can be diagrammatically depicted as below:



Pillar 1 provides guidelines for calculation of risk-weighted assets for credit risk, market risk and operational risk, and the minimum amount of regulatory capital that banks must hold against the risks they assume.

For the purpose of complying with regulatory requirements under Basel II Pillar 1, the approaches adopted by the respective banking entities within the Group are as follows:

Entity	Credit Risk	Market Risk	Operational Risk
RHB Bank Berhad	Internal Ratings-Based Approach	Standardised Approach	Basic Indicator Approach
RHB Islamic Bank Berhad			
RHB Investment Bank Berhad	Standardised Approach		

Pillar 2 comprises two components as follows:

- Placing obligations on banks to develop an Internal Capital Adequacy Assessment Process, and setting capital targets that commensurate with the banking institution's risk profile and control environment; and
- Placing obligations on the supervisory authority to evaluate how well banking institutions are assessing their capital needs relative to their risks and to intervene, where appropriate.

Basel II Pillar 3 Disclosures

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1.0 INTRODUCTION (CONTINUED)

Pillar 3 covers external communication of risk and capital information by banks. The purpose of the Pillar 3 disclosures is to complement the minimum capital requirements under Pillar 1 and the supervisory review process under Pillar 2 by encouraging market efficiency through a set of disclosure requirements that will allow market participants to assess information on banking institutions' capital structures, risk exposures, risk management processes, and hence, their overall capital adequacy.

Basis of Disclosure

The annual Pillar 3 disclosure report is published in accordance with BNM's Pillar 3 Guidelines. This disclosure report has been verified and approved internally in line with the RHB Banking Group: Basel II Pillar 3 Disclosure Policy.

Comparative Information

This document covers the qualitative and quantitative information for financial year ended 31 December 2019 with comparative quantitative information of the preceding financial year ended 31 December 2018.

Frequency of Disclosure

The qualitative disclosures contained herein are updated on an annual basis and more frequently, if there are significant changes in the interim reporting period. The disclosures on capital adequacy and structure are made on a quarterly basis and all other quantitative disclosures are made on a semi-annual basis in accordance to the Group's reporting period.

Medium and Location of Disclosure

The Group's Pillar 3 disclosure report is made available under the Investor Relations section of the Group's website at www.rhbgroup.com as a separate report in the Group's Annual Report 2019, after the notes to the financial statements.

2.0 SCOPE OF APPLICATION

In this Pillar 3 document, RHB Bank Berhad's information is presented on a consolidated basis, ie RHB Bank Berhad with its overseas operations and its subsidiaries, and is referred to as "RHB Bank Group" or "the Group".

The Group's capital requirements are generally based on the principles of consolidation adopted in the preparation of its financial statements, except where the types of investment to be deducted from eligible capital as guided by BNM's Guideline on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components).

In accordance with the accounting standards for financial reporting, all subsidiaries of the RHB Bank Group are fully consolidated from the date it obtains control until the date such control ceases. Refer to Note 15 to the financial statements for list of consolidated entities.

RHB Bank Group offers Islamic banking financial services via its wholly-owned subsidiary company, RHB Islamic Bank Berhad (RHB Islamic Bank).

The transfer of funds or regulatory capital within RHB Bank Group is subject to shareholders' and regulatory approval.

During the financial year 2019, there were no capital deficiencies in RHB Bank Berhad or any of its subsidiaries.

3.0 CAPITAL MANAGEMENT

The overall capital management objective is to manage capital prudently and to maintain a strong capital position to drive sustainable business growth and seek strategic opportunities to enhance shareholders' value, and be in line with its risk appetite. Capital adequacy is the extent to which capital resources on the Group's balance sheet are sufficient to cover the business capital requirements now and in the foreseeable future. It also indicates the ability of the Group to provide financing across the business cycles and in meeting any contingency without compromising the interest of the depositors and investors. The Group aims to maintain a strong capital position to drive sustainable business growth through an optimal capital structure while meeting regulatory requirements.

With a comprehensive capital management, the Group aims to have a sound capital management practice that is aligned to BNM's ICAAP requirements. The capital management activities involve capital strategy, capital planning and capital allocation/structuring/optimisation.

- **Capital Strategy**
  Capital strategy includes the determination of target capital under both normal and stressed market conditions and considers the business risk and strategic objectives, external credit ratings, and regulatory capital adequacy requirements. A comprehensive capital adequacy assessment is conducted at least annually to ensure that the target capital level is appropriate.

- **Capital Planning**
  Based on strategic direction and regulatory requirements, the Group formulates a comprehensive and forward looking capital plan to:
  (i) support its overall risk profile and forecast the capital demand for material risks for which capital held is deemed appropriate and aligned with the Group's risk appetite;
  (ii) provide adequate capital for business growth, changes in asset mix or to cover unanticipated losses.

The capital plan describes the actions required to raise capital in a timely manner in both normal and stressed conditions as assumed in the stress scenarios. For capital planning purposes, capital adequacy is assessed in the multi-year financial projection under both normal and stressed scenarios, the objective of which is to ensure that the Group maintains adequate capital on a forward-looking basis. The Group also establishes a capital contingency funding plan that forms part of the capital plan. The capital plan, together with the analysis and proposed actions, are reviewed by the Group Chief Financial Officer and deliberated at the respective committees before submission to the relevant Boards for approval.

- **Capital Allocation/Structuring/Optimisation**
  The Group determines the amount of capital allocated to each entity and business line based on capital performance target and available funding. An efficient allocation of capital drives returns for the Group's shareholders.

  Capital structuring affects the Group through its impact on cash flow and cost of capital. The Group adopts capital structuring that maximises value and minimises overall cost of capital. In order to achieve optimum capital structure, the Group determines the levels, mix and structure of internal and regulatory capital in line with its current and planned levels of business activities, risk appetite and desired level of capital adequacy.

  The Group optimises its capital by integrating risk-based capital into strategy and aligning this with performance measurement.

  The Group also aims to achieve a balance between dividend pay-out and the need to retain earnings in order to be consistent with its capital strength and to support business expansion. The Board reviews the dividend pay-out recommendation on an annual basis.

Basel II Pillar 3 Disclosures

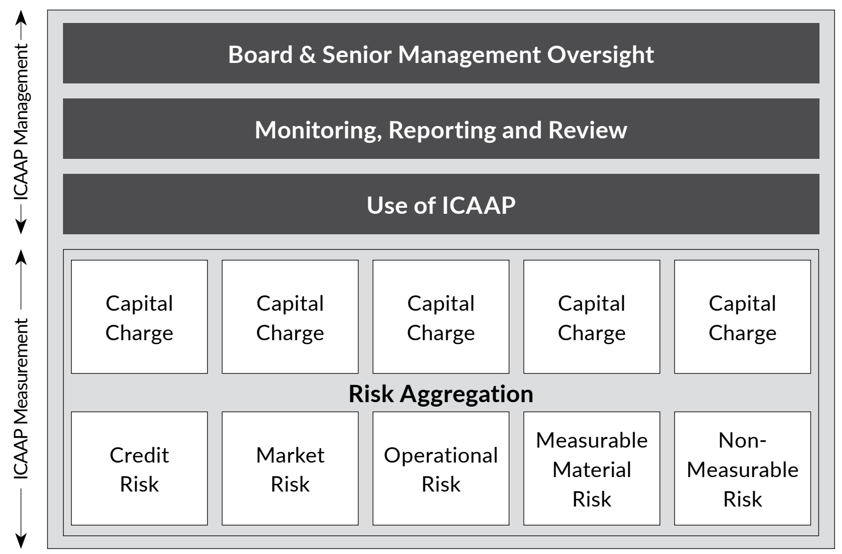
as at 31 December 2019

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.1 Internal Capital Adequacy Assessment Process (ICAAP)

In line with BNM's Guideline on ICAAP under the Risk-Weighted Capital Adequacy Framework (Basel II) – Internal Capital Adequacy Assessment Process (Pillar 2) and Capital Adequacy Framework for Islamic Banks (CAFIB) – Internal Capital Adequacy Assessment Process (Pillar 2), the Group has implemented ICAAP with the objective to forge a strong alignment between risk and capital. Capital adequacy is assessed in relation to the Group's risk profile, and strategies are in place to maintain appropriate capital levels.

The ICAAP Framework developed and adopted across the Group summarises the key ICAAP requirements into two functional categories, namely; ICAAP Measurement and ICAAP Management as depicted below:



Key Requirements

- Establish rigorous corporate governance and senior management oversight.
- Establish risk-based strategy including defining and setting the Bank's appetite and tolerance for risk.
- Access and measure all material risks inherent in the Group's business.
- Review, monitor, control and report on all material risks.
- Demonstrate that ICAAP forms an integral part of day-to-day management process and decision making culture of the Group.
- Relate capital to level of risk an ensure capital adequacy using scenario analysis and stress testing methods.

3.2 Basel III Implementation

The implementation of Basel III for capital components by BNM in Malaysia has commenced with effect from 1 January 2013. Under the Basel III rules, banking institutions are required to strengthen the quality of their capital by maintaining higher minimum capital requirements and holding capital buffers namely the capital conservation buffer and the countercyclical capital buffer. However, the requirements are subject to a series of transitional arrangements with a gradual phase-in commencing 2013.

The Group monitors and reports the Liquidity Coverage Ratio (LCR) based on BNM's liquidity standards and maintains the LCR above regulatory requirement. For Net Stable Funding Ratio (NSFR), banking institutions are required to report the NSFR under the observation period effective from June 2015. In July 2019, BNM has issued the final NSFR policy document, which will be effective from 1 July 2020 where banking institutions are expected to maintain a minimum NSFR of 100% at the consolidated level i.e. at RHB Banking Group level.

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.3 Capital Adequacy Ratios

BNM's Guideline on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components) sets out the general requirements concerning regulatory capital adequacy and the components of eligible regulatory capital. Banking institutions are required to maintain, at all times, the following minimum capital adequacy ratios:

Common Equity Tier I (CET I) Capital Ratio	4.5%
Tier I Capital Ratio	6.0%
Total Capital Ratio	8.0%

In addition, the Group is required to maintain additional capital buffers in the form of CET I capital above the minimum CET I, Tier I and total capital ratios set out above. The capital buffers shall comprise of capital conservation buffer (CCB) of 2.50% and countercyclical capital buffer (CCyB) ranging from 0% to 2.50%.

CCyB is determined based on the weighted average of the prevailing CCyB rates applied in the jurisdictions in which the Group has credit exposures. This buffer is intended to protect the banking sector as a whole from the build-up of systemic risk during an economic upswing when aggregate credit growth tends to be excessive. BNM will communicate any decision on the CCyB rate by up to 12 months before the date from which the rate applies.

The capital ratios of RHB Bank Berhad on consolidated basis (RHB Bank Group), RHB Bank Berhad on global basis (RHB Bank), RHB Islamic Bank and RHB Investment Bank as at 31 December 2019 and 31 December 2018 are:

Table 1: Capital Adequacy Ratios

	RHB Bank Group		RHB Bank		RHB Islamic Bank		RHB Investment Bank	
	2019	2018	2019	2018	2019	2018	2019	2018
Before proposed dividends								
Common Equity Tier I Capital Ratio	**16.883%**	15.920%	**15.145%**	13.818%	**13.922%**	13.222%	**33.144%**	21.323%
Tier I Capital Ratio	**16.884%**	16.128%	**15.145%**	14.077%	**13.922%**	13.222%	**33.144%**	21.323%
Total Capital Ratio	**19.207%**	19.213%	**17.331%**	17.398%	**16.939%**	16.476%	**57.169%**	40.757%
After proposed dividends								
Common Equity Tier I Capital Ratio	**16.271%**	15.488%	**14.319%**	13.254%	**13.627%**	13.222%	**24.764%**	21.323%
Tier I Capital Ratio	**16.271%**	15.696%	**14.319%**	13.514%	**13.627%**	13.222%	**24.764%**	21.323%
Total Capital Ratio	**18.594%**	18.780%	**16.505%**	16.835%	**16.644%**	16.476%	**48.788%**	40.757%

The capital ratios are above the minimum level required by BNM.

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3.0 CAPITAL MANAGEMENT (CONTINUED)

3.4 Minimum Capital Requirements and Risk-Weighted Assets (RWA)

The following table shows the breakdown of RWA by risk types as at 31 December 2019 and 31 December 2018:

Table 2: Risk-Weighted Assets (RWA) by Risk Types

Risk Types	RHB Bank Group 2019 RM'000	RHB Bank Group 2018 RM'000	RHB Bank 2019 RM'000	RHB Bank 2018 RM'000	RHB Islamic 2019 RM'000	RHB Islamic 2018 RM'000	RHB Investment Bank 2019 RM'000	RHB Investment Bank 2018 RM'000
Credit RWA	**105,139,766**	104,908,738	**77,851,675**	81,202,389	**29,308,355**	25,943,117	**794,533**	612,585
Credit RWA Absorbed by PSIA	**-**	-	**-**	-	**(5,833,615)**	(5,874,587)	**-**	-
Market RWA	**3,844,722**	3,852,444	**3,394,037**	2,945,831	**293,518**	268,130	**127,778**	678,014
Operational RWA	**12,058,426**	11,762,542	**8,535,951**	8,394,333	**1,937,774**	1,679,551	**784,006**	807,022
Additional RWA due to Capital Floor	**-**	-	**-**	-	**4,746,219**	5,599,323	**-**	-
Total RWA	**121,042,914**	120,523,724	**89,781,663**	92,542,553	**30,452,251**	27,615,534	**1,706,317**	2,097,621

The following tables show the breakdown of RWA by risk types and the corresponding capital requirement as at 31 December 2019 and 31 December 2018:

Table 3a: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2019

Risk Types	RWA: RHB Bank Group RM'000	RWA: RHB Bank RM'000	RWA: RHB Islamic Bank RM'000	RWA: RHB Investment Bank RM'000	Minimum Capital Requirements: RHB Bank Group RM'000	Minimum Capital Requirements: RHB Bank RM'000	Minimum Capital Requirements: RHB Islamic Bank RM'000	Minimum Capital Requirements: RHB Investment Bank RM'000
Credit Risk, of which	105,139,766	77,851,675	23,474,740	794,533	8,411,181	6,228,134	1,877,979	63,563
Under Foundation Internal Ratings-Based (F-IRB) Approach	50,545,923	39,589,504	15,768,181	-	4,043,674	3,167,160	1,261,454	-
Under Advanced Internal Ratings-Based (A-IRB) Approach	29,225,136	21,061,924	8,228,983	-	2,338,011	1,684,954	658,319	-
Under Standardised Approach	25,368,707	17,200,247	5,311,191	794,533	2,029,496	1,376,020	424,895	63,563
Absorbed by PSIA under F-IRB Approach	-	-	(4,837,663)	-	-	-	(387,013)	-
Absorbed by PSIA under Standardised Approach	-	-	(995,952)	-	-	-	(79,676)	-
Market Risk								
Under Standardised Approach	3,844,722	3,394,037	293,518	127,778	307,578	271,523	23,481	10,222
Operational Risk								
Under Basic Indicator Approach	12,058,426	8,535,951	1,937,774	784,006	964,674	682,876	155,022	62,720
Additional RWA due to Capital Floor	-	-	4,746,219	-	-	-	379,698	-
Total	121,042,914	89,781,663	30,452,251	1,706,317	9,683,433	7,182,533	2,436,180	136,505

3.0 CAPITAL MANAGEMENT (CONTINUED)

3.4 Minimum Capital Requirements and Risk-Weighted Assets (RWA) (continued)

Table 3b: Risk-Weighted Assets by Risk Types and Minimum Capital Requirements as at 31 December 2018

Risk Types	RWA: RHB Bank Group RM'000	RWA: RHB Bank RM'000	RWA: RHB Islamic Bank RM'000	RWA: RHB Investment Bank RM'000	Minimum Capital Requirements: RHB Bank Group RM'000	Minimum Capital Requirements: RHB Bank RM'000	Minimum Capital Requirements: RHB Islamic Bank RM'000	Minimum Capital Requirements: RHB Investment Bank RM'000
Credit Risk, of which	104,908,738	81,202,389	20,068,530	612,585	8,392,699	6,496,191	1,605,482	49,007
Under Foundation Internal Ratings-Based (F-IRB) Approach	50,669,274	42,191,889	13,735,988	-	4,053,542	3,375,351	1,098,879	-
Under Advanced Internal Ratings-Based (A-IRB) Approach	28,309,813	21,133,710	7,206,853	-	2,264,785	1,690,697	576,548	-
Under Standardised Approach	25,929,651	17,876,790	5,000,276	612,585	2,074,372	1,430,143	400,022	49,007
Absorbed by PSIA under F-IRB Approach	-	-	(5,220,725)	-	-	-	(417,658)	-
Absorbed by PSIA under Standardised Approach	-	-	(653,862)	-	-	-	(52,309)	-
Market Risk								
Under Standardised Approach	3,852,444	2,945,831	268,130	678,014	308,196	235,666	21,450	54,241
Operational Risk								
Under Basic Indicator Approach	11,762,542	8,394,333	1,679,551	807,022	941,003	671,547	134,364	64,562
Additional RWA due to Capital Floor	-	-	5,599,323	-	-	-	447,946	-
Total	120,523,724	92,542,553	27,615,534	2,097,621	9,641,898	7,403,404	2,209,242	167,810

Capital requirement for the three risk types is derived by multiplying the risk-weighted assets by 8%.

The Credit RWA for RHB Bank Group increased by RM231 million mainly due to the growth in retail exposures but partially netted off by the drop in corporate exposures. There was a marginal decrease in Market RWA for RHB Bank Group by RM7.7 million, mainly due to decrease in Foreign Currency Risk RWA and Option Risk RWA.

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as at 31 December 2019

4.0 CAPITAL STRUCTURE

The constituents of total eligible capital are set out in BNM's Guideline on Capital Adequacy Framework (Capital Components) and Capital Adequacy Framework for Islamic Banks (Capital Components). These include shareholders' funds, after regulatory-related adjustments, and eligible capital instruments issued by the Group. Tier I capital consists primarily of ordinary share capital, retained profits, other reserves and hybrid Tier I capital securities. Tier II capital consists of subordinated obligations, surplus eligible provisions over expected losses and general provisions. Refer to Note 54 in the Financial Statements for the details of these capital instruments.

The following table represents the capital position of RHB Bank Group and RHB Bank as at 31 December 2019 and 31 December 2018:

Table 4: Capital Structure

	RHB Bank Group		RHB Bank@	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Common Equity Tier I Capital/Tier I Capital				
Paid up ordinary share capital	**6,994,103**	6,994,103	**6,994,103**	6,994,103
Retained profits	**15,614,585**	14,791,837	**12,606,320**	12,116,174
Other reserves	**727,132**	722,541	**490,905**	499,913
Fair value through other comprehensive income (FVOCI) reserves	**1,283,816**	319,844	**1,123,748**	299,322
Less:				
Goodwill	**(2,638,198)**	(2,633,383)	**(1,651,542)**	(1,651,542)
Intangible assets (include associated deferred tax liabilities)	**(535,880)**	(563,693)	**(478,305)**	(504,752)
Deferred tax assets	**(175,214)**	(100,192)	**(141,690)**	(55,305)
55% of cumulative gains arising from change in value of FVOCI instruments	**(706,099)**	(175,914)	**(618,061)**	(164,627)
Investment in subsidiaries	**(102,425)**	(102,427)	**(4,713,568)**	(4,711,343)
Investments in associates and joint ventures	**(9,512)**	(25,352)	**-**	-
Other deductions#	**(16,144)**	(39,524)	**(14,189)**	(34,675)
Total Common Equity Tier I Capital	**20,436,164**	19,187,840	**13,597,721**	12,787,268
Hybrid Tier I Capital Securities*	**-**	240,000	**-**	240,000
Qualifying non-controlling interests recognised as Tier I Capital	**220**	10,606	**-**	-
Total Tier I Capital	**20,436,384**	19,438,446	**13,597,721**	13,027,268

4.0 CAPITAL STRUCTURE (CONTINUED)

Table 4: Capital Structure (continued)

	RHB Bank Group		RHB Bank@	
	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Tier II Capital				
Subordinated obligations subject to gradual phase out treatment**	**300,000**	300,000	**300,000**	300,000
Subordinated obligations meeting all relevant criteria	**1,249,527**	2,249,272	**1,249,527**	2,249,272
Qualifying capital instruments of a subsidiary issued to third parties+	**490,764**	501,504	**-**	-
Surplus eligible provisions over expected losses	**478,626**	473,875	**363,909**	379,954
General provisions^	**293,276**	192,590	**183,354**	144,014
Less:				
Investment in capital instrument of financial and insurance/takaful entities	**-**	-	**(134,187)**	-
Total Tier II Capital	**2,812,193**	3,717,241	**1,962,603**	3,073,240
Total Capital	**23,248,577**	23,155,687	**15,560,324**	16,100,508

@ The capital adequacy ratios of the Bank consist of capital base and risk-weighted assets derived from the Bank and its wholly-owned offshore banking subsidiary, RHB Bank (L) Ltd.

Pursuant to Basel II Market Risk Para 5.19 & 5.20 - Valuation Adjustments, the Capital Adequacy Framework (Basel II - Risk-Weighted Assets) calculation shall account for the ageing, liquidity and holding back adjustments on its trading portfolio.

* Hybrid Tier I Capital Securities that are recognised as Tier I capital instruments are subject to gradual phase out treatment effective from 1 January 2013 as prescribed under paragraph 37.7 of the BNM's Guideline on Capital Adequacy Framework (Capital Components).

** Subordinated obligations that are recognised as Tier II capital instruments are subject to gradual phase out treatment effective from 1 January 2013 as prescribed under paragraph 37.7 of the BNM's Guideline on Capital Adequacy Framework (Capital Components).

+ Qualifying subordinated sukuk that are recognised as Tier II capital instruments held by third parties as prescribed under paragraph 17.6 of the BNM's Guideline on Capital Adequacy Framework (Capital Components) which are issued by a fully consolidated subsidiary of the Bank.

^ Pursuant to BNM's policy document on Financial Reporting and Financial Reporting for Islamic Banking Institutions, 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 of the Group and Bank of RM202,449,000 (31 December 2018 : RM61,723,000) and RM101,096,000 (31 December 2018 : RM27,796,000) respectively.

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5.0 RISK MANAGEMENT

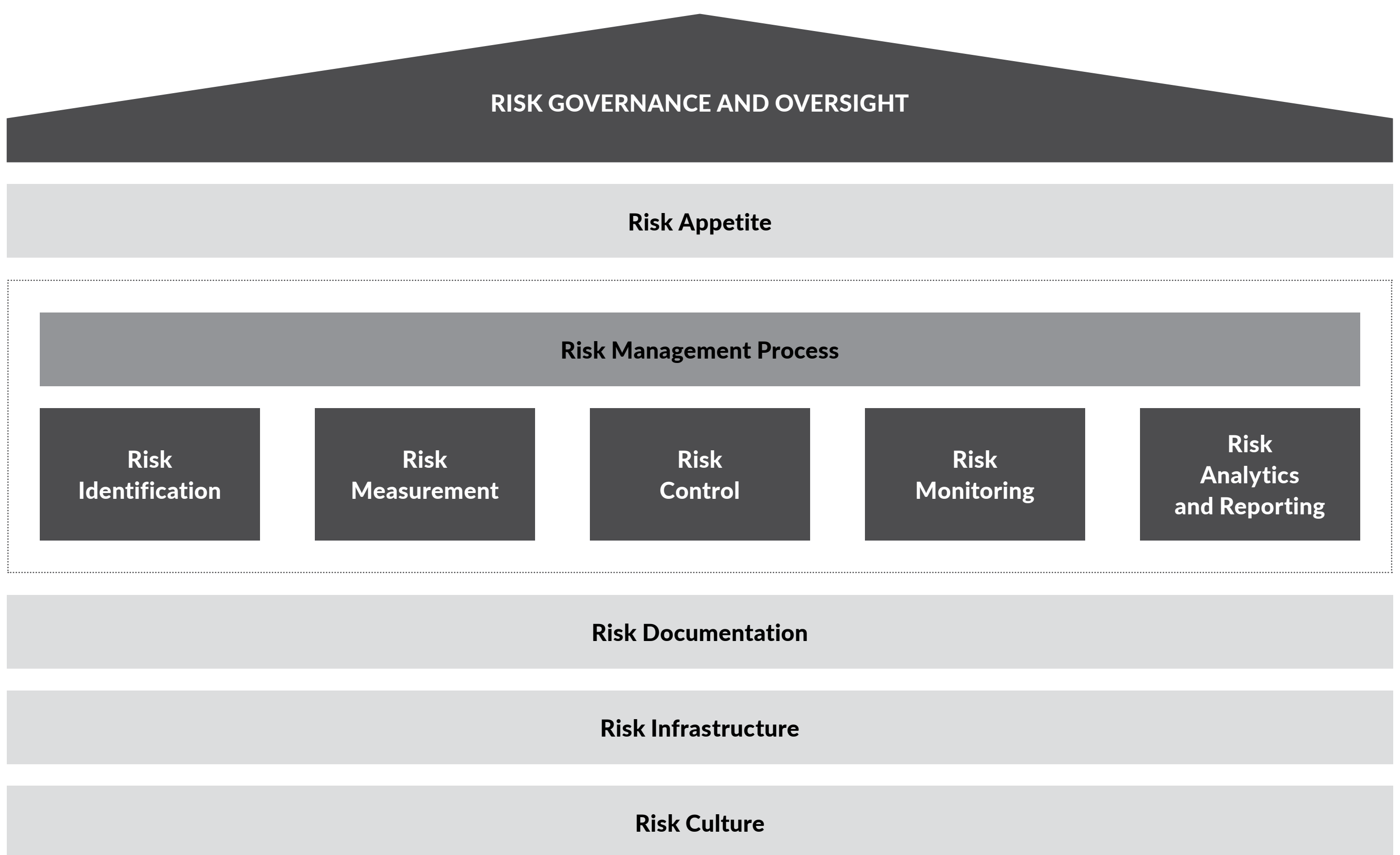
Risk is inherent in the Group's activities and is managed through a process of on-going identification, measurement and monitoring, subject to limits and other controls. Besides credit risk, the Group is exposed to a range of other risk types such as market, liquidity, operational, legal, Shariah, strategic and cross-border, as well as other forms of risk inherent to its strategy, product range and geographical coverage.

Effective risk management is fundamental to drive sustainable growth and shareholders' value, while maintaining competitive advantage, and is thus a central part of the proactive risk management of the Group's operating environment.

The Group Risk Management Framework governs the management of risks in the Group, as follows

- It provides a holistic overview of the risk and control environment of the Group, with risk management aimed towards loss minimisation and protection against losses which may occur through, principally, the failure of effective checks and controls in the organisation.
- It sets out the strategic progression of risk management towards becoming a value creation enterprise. This is realised through building up capabilities and infrastructure in risk management sophistication, and enhanced risk quantification to optimise risk-adjusted returns.

The Group Risk Management Framework is represented in the following diagram:



The following sections describe some of these risk management content areas.

5.0 RISK MANAGEMENT (CONTINUED)

OVERARCHING RISK MANAGEMENT PRINCIPLES

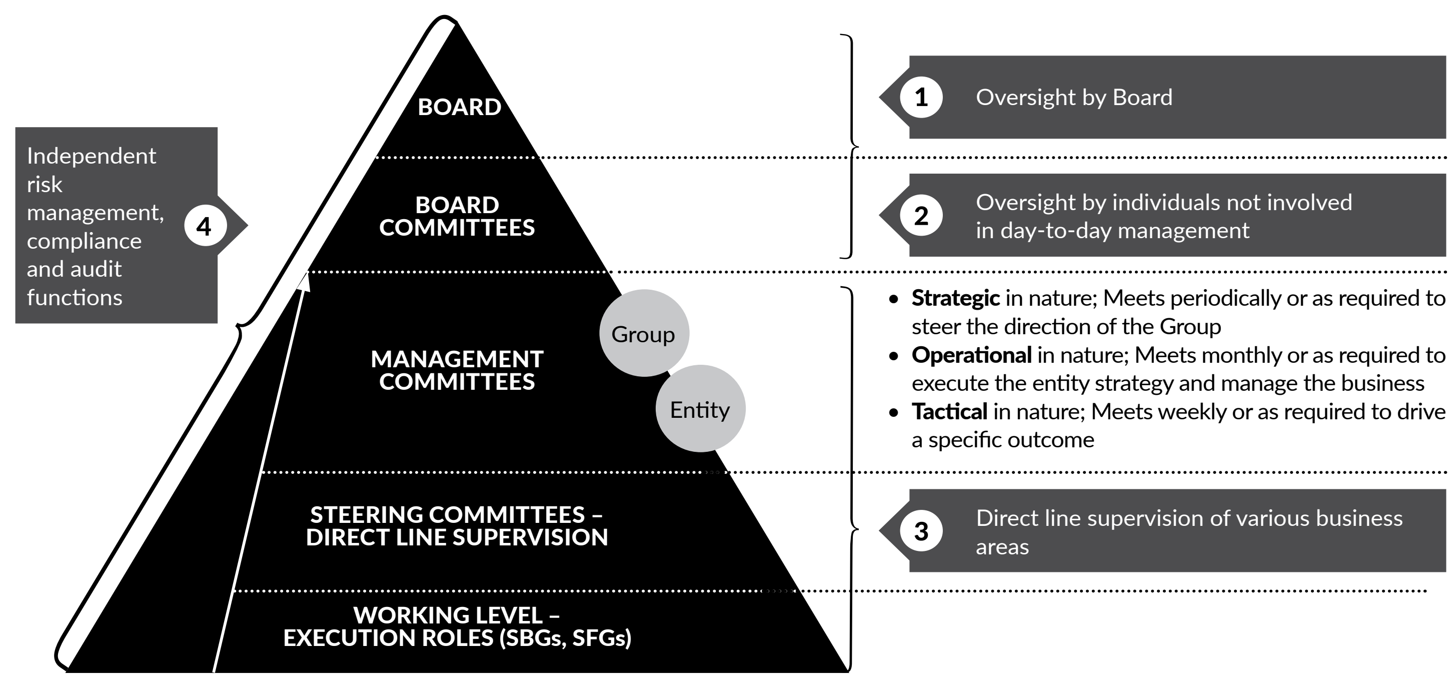
The Risk Management Framework contains five fundamental principles that drive the philosophy of risk management in the Group.

Principle 1: Risk Governance from the Boards of Directors of various operating entities within the Group
The ultimate responsibility of the Boards of Directors in the Group is to ensure that an effective risk management strategy is in place and uniformly understood across the Group. The Group has a structured framework to support the Board's oversight responsibilities.

RISK GOVERNANCE AND ORGANISATION

The Board of Directors (Board), through the respective risk committees and the Group Risk & Credit Management function, establishes the risk appetite and risk principles for the Group and relevant entities. The BRC is the principal Board committee that provides oversight over risk management activities for the Group to ensure that the Group's risk management process is in place and functional. The BRC assists the Board to review the Group's overall risk management philosophy, frameworks, policies and models. The Islamic Risk Management Committee (IRMC) and the Investment Bank Board Risk Committee (IBBRC) assist the respective Boards of RHB Islamic Bank and RHB Investment Bank on risk issues relevant and unique to its business.

The responsibility for the supervision of the day-to-day management of enterprise risk and capital matters is delegated to the GCRC comprising senior management of the Group and which reports to the relevant board committees and the Group Management Committee (GMC). The Investment Bank Risk Management Committee is responsible for oversight of risk management matters relating to RHB Investment Bank Group's business whilst the Group Asset and Liability Committee (Group ALCO) oversees market risk, liquidity risk and balance sheet management. An overview of this governance framework at Group level is as below:



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5.0 RISK MANAGEMENT (CONTINUED)

RISK CULTURE
Principle 2: Clear Understanding of Risk Management Ownership

Proactive risk ownership is important for effective management of risk. This promotes a risk awareness culture throughout the Group. The Group adopts the principle that 'Risk and Compliance is Everyone's Responsibility'.

The strategic business units (SBUs) and strategic functional units (SFUs) of the respective operating entities in the Group are collectively responsible for identifying, managing and reporting risks. The business units manage certain defined risks supported by the services provided by the functional units, including the risk management function. The approach is based on the 'three lines of defence' model as depicted below:

FIRST LINE **Business/Functional Level**	• Responsible for managing day-to-day risks and compliance issues • Business Risk and Compliance Officer is to assist business/functional unit in day-to-day risks and compliance matters
SECOND LINE **Group Risk and Credit Management & Group Compliance**	• Responsible for oversight, establishing governance and providing support to business/functional unit on risk and compliance matters
THIRD LINE **Group Internal Audit**	• Provide independent assurance to the Board that risk and compliance management functions effectively as designed

RISK ENVIRONMENT AND INFRASTRUCTURE
Principle 3: Institutionalisation of a Risk-Focused Organisation

In addition to risk ownership, a risk-focused culture is promoted throughout the Group through strengthening of the central risk management functions and continuous reinforcement of a risk and control environment within the Group.

Central Risk Management Function

Group Risk & Credit Management function, headed by the Group Chief Risk Officer is independent of the business function to ensure that the necessary balance in risk/return decisions is not compromised by short-term pressures to generate revenues.

The roles and responsibilities of the Group Chief Risk Officer include:

- Facilitating the setting of the strategic direction and overall policy on management and control of risk of the Group;
- Ensuring industry best practices in risk management are adopted across the Group, including the setting of risk management parameters and risk models;
- Developing a pro-active, balanced and risk-attuned culture within the Group; and
- Advising senior management, respective risk committees and the Board on risk issues and their possible impact on the Group in the achievement of its objectives and strategies.

Group Risk & Credit Management consisting of Group Risk Management, Group Credit Management and Group Risk Operations provides independent oversight on business activities and implements the Group Risk Management Framework in order to protect and safeguard for the Group's assets, and to prevent and mitigate financial and reputational losses to the Group. Key areas for which Group Risk Management is responsible for include the Group's risk policy and framework, day-to-day risk measurement and monitoring, providing timely risk analysis to management, and ensuring compliance to regulatory risk reporting requirements.

5.0 RISK MANAGEMENT (CONTINUED)

Central Risk Management Function (continued)

Group Credit Management oversees the Group-wide credit evaluation and assessment, approval and credit monitoring functions by providing credit risk assessment assurance on credit proposals, highlighting key risks and potential problematic accounts, and improving credit process efficiency.

Group Risk Operations is responsible for strategising and implementing a comprehensive enterprise-wide risk governance framework, and managing the development of robust risk management infrastructure and tools, aligned with the Group's strategy for growth and keeping pace with the market requirements and competitive business environment. Group Risk Operations drives the operationalisation of the Group's risk transformation initiatives in establishing risk management as a valuable business partner.

Risk and Control Environment

The business and functional heads are accountable for risk management in their businesses and functions, and for overseas operations where they have governance responsibilities. The business and functional units have clear segregation of duties to ensure that business processes are functioning effectively. There is accountability delegated to the appropriate authority to enable them to execute their respective authorities in meeting the business strategies without compromising the risk management process.

The primary responsibility for managing risks, therefore, rests with the business managers who are best equipped to ensure that risk management and control are continuously focused on the way business is conducted. Business activities and processes are continuously reviewed for areas of significant risks and for implementation of appropriate control procedures to ensure they operate within established corporate policies and limits.

The risk management processes within the Group seek to identify, measure, monitor and control risk so that risk exposures are adequately managed and the expected returns adequately compensate the risks.

- Identification: The identification and analysis of the existing and potential risks is a continuing process, in order to facilitate and ensure the risks can be managed and controlled within the risk appetite of the Group and specific entity, where necessary.
- Measurement: Risks are measured, assessed and aggregated using comprehensive qualitative and quantitative risk measurement methodologies, and the process also serves as an important tool as it provides an assessment of capital adequacy and solvency.
- Controlling and Monitoring: Controls, triggers and limits are used to manage risk exposures and to facilitate early identification of potential problem on a timely basis.
- Analytics and Reporting: Risk analysis and reports are prepared at the respective entities and consolidated level as well as business level are regularly escalated to the senior management and relevant Boards of the Group's entities to ensure that the risks identified remain within the established appetite and to support an informed decision-making process.

The Group recognises that effective implementation of the risk management system and process must be supported by a robust set of documentation and infrastructure. Towards this end, the Group has established frameworks, policies and other relevant control documents to ensure clearly defined practices and processes are implemented consistently across the Group.

In terms of risk infrastructure, the Group has organised its resources and talents into dedicated risk management functions, and invested into the technology, including data management, to support the Group's risk management activities.

RISK APPETITE
Principle 4: Alignment of Risk Management to Business Strategies

The Group Risk Management Framework serves to align the Group's business strategy with its risk strategy, and vice-versa. This is articulated through the risk appetite setting and the Group's annual business and financial budgetary plan, which is facilitated by the integration of risk measures in capital management.

Risk appetite describes the types and level of risks the Group is prepared to accept in delivering its business strategies. It is a key component of risk management and is set by the Board, and reported through various metrics that enable the Group to manage capital resources and shareholders' expectations.

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5.0 RISK MANAGEMENT (CONTINUED)

Principle 5: Optimisation of Risk-Adjusted Returns

One of the objectives of capital management is to reflect a risk-adjusted return assumed by the businesses throughout the Group. By linking risk to capital, the risk-adjusted return measure contributes to the creation of shareholders' value by facilitating the allocation of capital to the businesses.

The medium to long-term strategy and principle of risk management of the Group is to intensify the integration of capital management within the Group. The Group is progressively implementing a risk-adjusted return based framework for allocation of capital to business units and for performance measurement and management.

6.0 CREDIT RISK

Credit Risk Definition

Credit risk is the risk of loss arising from customers' or counterparties' failure to fulfil their financial and contractual obligations in accordance to the agreed terms. It stems primarily from the Group's lending/financing, trade finance and its funding, underwritings, investment and trading activities from both on and off-balance sheet transactions.

6.1 Credit Risk Management Oversight and Organisation

The Group Credit Committee (GCC) is the senior management committee empowered to approve or reject all financial investments, counterparty credit and lending/financing up to the defined threshold limits.

GCC will direct, monitor, review and consider such issues as may materially impact on the present and future quality of the Group's loan/asset book. GCC also acts as the body which, through the relevant Board committees, recommends to the respective Boards, on matters pertaining to credit risk (such as credit and underwriting evaluation/approval/procedure, and delegated lending/financing authorities).

The Group Investment Underwriting Committee (GIUC) deliberates, approves and rejects stockbroking/equities/futures business related proposals such as equity underwriting, equity derivatives and structured products, and share margin financing.

The Board Credit Committee's (BCC) main functions are (i) affirming, vetoing or imposing more stringent conditions on credits of the Group which are duly approved by the GCC and/or GIUC, (ii) overseeing the management of impaired and high risk accounts, and (iii) approving credit transactions to connected parties up to the defined threshold limits. BCC also endorses policy loans/financing and loans/financing required by BNM to be referred to the respective members of the Boards for approval.

The Group Credit Management has the functional responsibility to ensure that internal processes and credit underwriting standards are adhered to before financing proposals are approved. All financing proposals are firstly assessed for its credit worthiness by the originating business units before being evaluated by an independent credit manager and decided upon by the delegated lending/financing authority/relevant committees.

All financing exposure limits are approved within a defined credit approval authority framework. Large financing exposures are further subject to post approval credit review by Group Internal Audit. With the exception of credit applications for consumer and approved products under program lending/financing which can be approved by business units' supervisors, all other credit facilities, are subject to independent assessment by a team of dedicated and experienced credit evaluators in Head Office. For proper checks and controls, joint approval is required for all discretionary lending/financing between business and independent credit underwriters. Loans/financing which are beyond the delegated lending/financing authority limits will be escalated to the relevant committees for approval.

Within Group Risk Management, the Group Credit Risk Management has the functional responsibility for credit risk management, portfolio risk monitoring, risk reporting and development of credit policies and guidelines. The Group also conducts regular credit stress tests to assess the credit portfolio's vulnerability to adverse credit risk events.

Regular risk reporting is made to the senior management, respective commitees and the Board. These reports include various credit risk aspects such as portfolio quality, expected losses, and concentration risk exposures. Such reporting allows senior management to identify adverse credit trends, take prompt corrective actions, and ensure appropriate risk-adjusted decision making.

6.0 CREDIT RISK (CONTINUED)

6.2 Credit Risk Management Approach

The Group's credit risk management framework is founded upon BNM's Policy on Credit Risk. The Group abides by its Group Credit Policy which supports the development of a strong credit culture with the objective of maintaining a diversified portfolio, and a reliable and satisfactory risk-weighted return. Industry best practices are instilled in the continual updating of the Group Credit Policy.

The Group's credit risk management process is documented in the Group Credit Guidelines (GCG) and the Group Credit Procedures Manual (GCPM) which set out the operational procedures and guidelines governing the credit processes within the Group.

The GCG and GCPM have been designed to ensure that:

- The process of credit initiation, administration, supervision and management of loans/financing and advances are carried out consistently and uniformly by the business origination and other credit support functions within the Group.
- Procedures and guidelines governing the credit function are in compliance with the credit policies of the Group.

Lending/Financing to Corporate and Institutional Customers

Loans/financing to corporate and institutional customers are individually evaluated and risk-rated. Credit underwriters identify and assess the credit risk of large corporate or institutional customers, or customer groups, taking into consideration their financial and business profiles, industry and economic factors, collateral, or other credit support.

Credit Risk from Investment or Trading Activities

In the course of its trading or investment activities, the Group is also exposed to credit risks from trading, derivative and debt securities activities. Relevant credit guidelines are established to govern the credit risk via guidance on derivatives, hedging and investment related activities of the different exposures.

Lending/Financing to Consumers and Small Businesses

For the consumer and small business sectors, credit risk is managed on a portfolio basis. Such products include residential mortgages/home financing, credit cards, auto loans/financing, commercial property loans/financing, personal financing, Amanah Saham Bumiputera (ASB) financing and retail small and medium-sized enterprises (RSMEs). Credit is prudently assessed and extended leveraging on the product program, which clearly define the credit risk acceptance criteria, post approval review and credit risk control. Credit scorecard together with business rules are adopted to enable objective risk evaluation and consistent decisions, cost efficient processing, and behavioural score monitoring of expected portfolio performance.

Lending/Financing to Share Margin Financing

Loans/financing to share margin clients are based on credit/financing facilities made available to these clients for trading or redemption of securities that are listed in Bursa Malaysia Berhad in accordance with the Bursa Securities Rules.

For share margin financing, credit risk is mitigated through the establishment of appropriate approving authority structure/matrix for the extension of trading/credit limits. Within clearly defined guidelines approved by the Board and in line with applicable laws and regulations, credit risk management also encompasses the systematic credit assessment, close monitoring of limits, exposures and concentration risk to counterparties or issuer, through timely management reporting procedures.

Credit Risk Measurement

Along with judgement and experience, risk measurement or quantification plays a critical role in making informed risk taking and portfolio management decisions. As the nature of credit risk varies by financing type, the Group applies different credit risk measuring tools, so that the credit risk of each financing type is appropriately reflected. These measurement tools are developed for the material credit exposures, which fall under the IRB Approach.

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6.0 CREDIT RISK (CONTINUED)

6.2 Credit Risk Management Approach (continued)

Credit Risk Measurement (continued)

The followings represent the dimensions considered in the credit risk measurement:

1.0 Probability of Default (PD)

Probability of default refer to likelihood that a borrower/customer is unable to meet its debt obligation. For corporate/non-retail financing, the probability of default is measured from obligor (or customer) rating obtained from the risk rating system to determine obligor's level of default risk. The risk rating of each obligor is regularly reviewed to ensure that it actually reflects the debtor's/customer's updated default risk. For retail exposures/financing, the default risk is measured via respective scoring model i.e. application scorecard, behavioural scorecard and customer centric scorecard.

2.0 Loss Given Default (LGD)

LGD is the amount of loss incurred when a borrower/customer defaults. For corporate financing, LGD is determined via the credit risk mitigation adjustment, in which the coverage of collateral and security will determine the level of LGD for a specific transaction. For retail financing, LGD is determined at respective segment (or pool) level.

3.0 Exposure at Default (EAD)

EAD is calculated from the current outstanding balance and availability of committed financing line. In this regard, the key factor is the Group's obligation related to the available financing line. For corporate financing, the EAD is measured at an individual obligor exposure as per BNM's Guideline on Capital Adequacy Framework (Basel II – Risk-Weighted Assets) and the Capital Adequacy Framework for Islamic Banks (Risk-Weighted Assets). For retail financing, the principle of credit risk measurement is similar, but measured on a pooled basis, based on internal models.

6.3 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR)

The management of the following off-balance sheet exposures of the Group is in accordance to the credit risk management approach as set out under Section 6.2 of this document:

- Financial guarantees and standby letters of credit, which represent undertakings that the Group will make payments in the event that its customer cannot meet its obligations to third-parties. These exposures carry the same credit risk as loans/financing even though they are contingent in nature;
- Documentary and commercial letters of credit, which are undertakings by the Group on behalf of its customers. These exposures are usually collateralised by the underlying shipment of goods to which they relate;
- Commitments to extend financing, which includes the unutilised or undrawn portions of financing facilities;
- Unutilised credit card lines; and
- Credit equivalent amount of derivative financial instruments.

Counterparty Credit Risk

Counterparty Credit Risk is the risk that the counterparty to a transaction could default before the final settlement of the transaction's cash flows. An economic loss would occur if the transactions or portfolio of transactions with the counterparty has a positive economic value at the time of default. Unlike a firm's exposure to credit risk through a loan, where the exposure to credit risk is unilateral and only the lending bank faces the risk of loss, CCR creates a bilateral risk of loss; the market value of the transaction can be positive or negative to either counterparty to the transaction. The market value is uncertain and can vary over time with the movement of underlying market factors.

6.0 CREDIT RISK (CONTINUED)

6.3 Off-Balance Sheet Exposures and Counterparty Credit Risk (CCR) (continued)

Counterparty Credit Risk (continued)

Counterparty risk is typically associated with two broad classes of financial products:

- Over-the-counter derivatives such as interest rate/profit rate swaps, FX forwards and credit default swaps.
- Securities financing transactions such as repos and reverse repos; and securities borrowing and lending.

Derivative financial instruments are primarily entered into for hedging purposes. The Group (excluding RHB Islamic Bank) takes trading derivative positions, within pre-set limits, with the expectation to make arbitrage gains from favourable movements in prices or rates.

Any financial loss is calculated based on the cost to replace the defaulted derivative financial instruments with another similar contract in the market. The cost of replacement is equivalent to the difference between the original value of the derivatives at the time of contract with the defaulted counterparty and the current fair value of a similar substitute at current market prices.

All outstanding financial derivative positions are marked-to-market on a daily basis. The Group monitors counterparties' positions and promptly escalates any shortfall in the threshold levels to the relevant parties for next course of action.

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches

The following tables show the credit exposures or Exposure at Default (EAD) as at 31 December 2019 compared with 31 December 2018, segregated by:

- the various types of asset classes, showing details of the exposures by type of approaches, before and after credit risk mitigation (CRM), the corresponding RWA and capital requirements;
- disclosure on off-balance sheet and counterparty credit risk;
- geographical distribution;
- industry sector;
- residual maturity; and
- disclosures under the Standardised Approach by risk weights.

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6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 5a: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2019

RHB Bank Group Exposure Class	Gross Exposures/EAD before CRM RM'000	Net Exposures/EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under Standardised Approach (SA)				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	26,920,496	26,920,496	1,548,525	123,882
Public Sector Entities	12,178,720	12,109,599	181,202	14,496
Banks, Development Financial Institutions & MDBs	12,065,470	12,065,470	4,224,306	337,944
Insurance/Takaful Cos, Securities Firms & Fund Managers	467,809	467,809	456,864	36,549
Corporates	8,675,860	6,878,125	5,691,561	455,325
Regulatory Retail	7,904,673	6,988,028	6,240,533	499,243
Residential Mortgages	704,636	698,635	247,144	19,772
Higher Risk Assets	499,061	499,061	748,591	59,887
Other Assets	4,405,512	4,405,512	2,584,618	206,769
Securitisation Exposures	-	-	-	-
Equity Exposures	789,911	789,911	789,911	63,193
Defaulted Exposures	341,474	337,189	372,056	29,764
Total On-Balance Sheet Exposures	74,953,622	72,159,835	23,085,311	1,846,824
Off-Balance Sheet Exposures				
OTC Derivatives	1,500,970	1,323,081	346,959	27,757
Off-balance sheet exposures other than OTC derivatives or credit derivatives	7,746,103	5,797,957	1,922,110	153,769
Defaulted Exposures	23,343	23,306	14,327	1,146
Total Off-Balance Sheet Exposures	9,270,416	7,144,344	2,283,396	182,672
Total On and Off-Balance Sheet Exposures under SA	84,224,038	79,304,179	25,368,707	2,029,496
Exposures under F-IRB Approach				
On-Balance Sheet Exposures				
Corporates, of which	78,962,953	78,962,953	43,070,897	3,445,671
Corporate Exposures (excluding exposures with firm size adjustments)	43,624,645	45,226,232	22,168,413	1,773,473
Corporate Exposures (with firm size adjustments)	26,743,327	26,743,327	15,654,346	1,252,347
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,959,743	1,724,972	1,399,664	111,973
Income Producing Real Estate	6,635,238	5,268,422	3,848,474	307,878
Defaulted Exposures	2,100,745	2,100,745	74,535	5,963
Total On-Balance Sheet Exposures	81,063,698	81,063,698	43,145,432	3,451,634

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 5a: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2019 (continued)

RHB Bank Group Exposure Class	Gross Exposures/EAD before CRM RM'000	Net Exposures/EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under F-IRB Approach (continued)				
Off-Balance Sheet Exposures				
OTC Derivatives	131,117	131,117	133,087	10,647
Off-balance sheet exposures other than OTC derivatives or credit derivatives	7,799,962	7,799,962	4,406,314	352,505
Defaulted Exposures	50,102	50,102	-	-
Total Off-Balance Sheet Exposures	7,981,181	7,981,181	4,539,401	363,152
Exposures under A-IRB Approach				
On-Balance Sheet Exposures				
Retail, of which	95,350,659	95,350,659	24,332,679	1,946,614
Residential Mortgages Exposures	47,908,190	47,908,190	10,664,009	853,121
Qualifying Revolving Retail Exposures	2,098,887	2,098,887	1,473,938	117,915
Hire Purchase Exposures	7,867,243	7,867,243	2,695,664	215,653
Other Retail Exposures	37,476,339	37,476,339	9,499,068	759,925
Defaulted Exposures	1,820,854	1,820,854	626,895	50,152
Total On-Balance Sheet Exposures	97,171,513	97,171,513	24,959,574	1,996,766
Off-Balance Sheet Exposures				
OTC Derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	13,324,556	13,324,556	2,499,901	199,992
Defaulted Exposures	65,203	65,203	111,408	8,913
Total Off-Balance Sheet Exposures	13,389,759	13,389,759	2,611,309	208,905
Total On and Off-Balance Sheet Exposures before scaling factor under the IRB Approach	199,606,151	199,606,151	75,255,716	6,020,457
Total On and Off-Balance Sheet Exposures after scaling factor, 1.06 under the IRB Approach			79,771,059	6,381,685
Total (Exposures under the SA Approach and Exposures under the IRB Approach)	283,830,189	278,910,330	105,139,766	8,411,181

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6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 5b: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2018

RHB Bank Group Exposure Class	Gross Exposures/EAD before CRM RM'000	Net Exposures/EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under Standardised Approach (SA)				
On-Balance Sheet Exposures				
Sovereigns & Central Banks	24,937,661	24,937,661	1,245,404	99,632
Public Sector Entities	10,484,752	10,484,752	341,890	27,351
Banks, Development Financial Institutions & MDBs	12,361,561	12,361,561	3,920,877	313,670
Insurance/Takaful Cos, Securities Firms & Fund Managers	713,073	713,073	641,102	51,288
Corporates	10,287,093	8,421,012	6,401,856	512,148
Regulatory Retail	7,491,910	6,695,052	5,879,342	470,347
Residential Mortgages	888,628	880,438	312,848	25,028
Higher Risk Assets	494,971	494,971	742,456	59,397
Other Assets	4,910,527	4,910,527	2,932,079	234,566
Securitisation Exposures	-	-	-	-
Equity Exposures	842,708	842,708	842,708	67,417
Defaulted Exposures	317,294	312,471	324,006	25,921
Total On-Balance Sheet Exposures	73,730,178	71,054,226	23,584,568	1,886,765
Off-Balance Sheet Exposures				
OTC Derivatives	2,125,433	1,830,186	505,752	40,460
Off-balance sheet exposures other than OTC derivatives or credit derivatives	6,904,271	5,158,323	1,819,284	145,543
Defaulted Exposures	26,201	26,127	20,047	1,604
Total Off-Balance Sheet Exposures	9,055,905	7,014,636	2,345,083	187,607
Total On and Off-Balance Sheet Exposures under SA	82,786,083	78,068,862	25,929,651	2,074,372
Exposures under F-IRB Approach				
On-Balance Sheet Exposures				
Corporates, of which	72,748,563	72,748,563	42,572,917	3,405,833
Corporate Exposures (excluding exposures with firm size adjustments)	40,686,208	42,157,288	23,547,825	1,883,826
Corporate Exposures (with firm size adjustments)	25,931,911	25,931,911	15,497,128	1,239,770
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,906,227	1,595,001	1,417,628	113,410
Income Producing Real Estate	4,224,217	3,064,363	2,110,336	168,827
Defaulted Exposures	2,237,979	2,237,979	84,309	6,745
Total On-Balance Sheet Exposures	74,986,542	74,986,542	42,657,226	3,412,578

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 5b: Summary of Credit Exposures with Credit Risk Mitigation (CRM) by Asset Class and Minimum Capital Requirements (On and Off-Balance Sheet Exposures) as at 31 December 2018 (continued)

RHB Bank Group Exposure Class	Gross Exposures/EAD before CRM RM'000	Net Exposures/EAD after CRM RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Exposures under F-IRB Approach (continued)				
Off-Balance Sheet Exposures				
OTC Derivatives	284,258	284,258	284,541	22,763
Off-balance sheet exposures other than OTC derivatives or credit derivatives	8,457,342	8,457,342	4,859,435	388,755
Defaulted Exposures	7,100	7,100	-	-
Total Off-Balance Sheet Exposures	8,748,700	8,748,700	5,143,976	411,518
Exposures under A-IRB Approach				
On-Balance Sheet Exposures				
Retail, of which	89,444,481	89,444,481	23,838,357	1,907,069
Residential Mortgages Exposures	43,810,063	43,810,063	9,992,986	799,439
Qualifying Revolving Retail Exposures	2,027,858	2,027,858	1,468,660	117,493
Hire Purchase Exposures	7,842,696	7,842,696	2,764,165	221,133
Other Retail Exposures	35,763,864	35,763,864	9,612,546	769,004
Defaulted Exposures	1,665,700	1,665,700	348,284	27,863
Total On-Balance Sheet Exposures	91,110,181	91,110,181	24,186,641	1,934,932
Off-Balance Sheet Exposures				
OTC Derivatives	-	-	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	12,786,579	12,786,579	2,462,138	196,971
Defaulted Exposures	36,342	36,342	58,592	4,687
Total Off-Balance Sheet Exposures	12,822,921	12,822,921	2,520,730	201,658
Total On and Off-Balance Sheet Exposures before scaling factor under the IRB Approach	187,668,344	187,668,344	74,508,573	5,960,686
Total On and Off-Balance Sheet Exposures after scaling factor, 1.06 under the IRB Approach			78,979,087	6,318,327
Total (Exposures under the SA Approach and Exposures under the IRB Approach)	270,454,427	265,737,206	104,908,738	8,392,699

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6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 6a: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2019

RHB Bank Group Nature of Item	Principal/ Notional Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Direct credit substitutes	1,386,004		1,287,421	637,653
Transaction related contingent items	4,258,393		2,058,639	1,082,763
Short term self liquidating trade related contingencies	1,311,586		274,370	192,090
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	-		-	-
NIFs and obligations under underwriting agreement	-		-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo style transactions	4,119,202		4,119,202	57,408
Foreign exchange related contracts	14,803,615	48,662	218,004	86,993
1 year or less	14,743,355	48,662	217,677	86,424
Over 1 year to 5 years	60,260	-	327	569
Over 5 years	-	-	-	-
Interest/profit rate related contracts	1,654,997	23,926	43,462	34,833
1 year or less	503,714	5,370	5,874	1,164
Over 1 year to 5 years	1,151,283	18,556	37,588	33,669
Over 5 years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	77,026,777	278,580	1,370,621	358,220
Other commitments, such as formal standby facilities and credit/financing lines, with original maturity of over 1 year	27,701,607		20,240,913	6,777,546
Other commitments, such as formal standby facilities and credit/financing lines, with original maturity of up to 1 year	1,861,774		395,120	73,001
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	16,303,840		633,604	133,599
Total	150,427,795	351,168	30,641,356	9,434,106

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 6b: Exposures on Off-Balance Sheet and Counterparty Credit Risk (Before Credit Risk Mitigation) as at 31 December 2018

RHB Bank Group Nature of Item	Principal/ Notional Amount RM'000	Positive Fair Value of Derivative Contracts RM'000	Credit Equivalent Amount RM'000	Risk-Weighted Assets RM'000
Direct credit substitutes	1,586,463		1,489,145	775,702
Transaction related contingent items	5,189,623		2,525,110	1,226,033
Short term self liquidating trade related contingencies	1,096,963		230,311	180,773
Forward asset purchases, forward deposits, partly paid shares and securities which represent commitments with certain drawdowns	20,361		20,361	-
NIFs and obligations under underwriting agreement	-		-	-
Lending of banks' securities or the posting of securities as collateral by banks, including instances where these arise out of repo style transactions	3,300,032		3,300,032	49,234
Foreign exchange related contracts	22,037,911	157,372	481,594	136,430
1 year or less	21,970,914	157,372	480,705	134,884
Over 1 year to 5 years	66,997	-	889	1,546
Over 5 years	-	-	-	-
Interest/profit rate related contracts	1,778,792	14,441	60,250	62,582
1 year or less	127,692	754	1,051	871
Over 1 year to 5 years	1,651,100	13,687	59,199	61,711
Over 5 years	-	-	-	-
OTC derivative transactions and credit derivative contracts subject to valid bilateral netting agreements	93,124,696	523,953	1,867,856	591,282
Other commitments, such as formal standby facilities and credit/financing lines, with original maturity of over 1 year	27,591,598		19,590,614	6,710,059
Other commitments, such as formal standby facilities and credit/financing lines, with original maturity of up to 1 year	1,903,660		413,373	96,732
Any commitments that are unconditionally cancellable at any time by the Bank without prior notice or that effectively provide for automatic cancellation due to deterioration in a borrower's/customer's creditworthiness	15,311,329		648,880	180,963
Total	172,941,428	695,766	30,627,526	10,009,790

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6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 7a: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2019

RHB Bank Group Exposure Class	Malaysia (include Labuan) RM'000	Singapore RM'000	Thailand RM'000	Brunei RM'000	Cambodia RM'000	Laos RM'000	Hong Kong RM'000	Indonesia RM'000	Vietnam RM'000	Total RM'000
Exposures under Standardised Approach										
Sovereigns & Central Banks	22,007,111	4,203,716	663,574	116,309	1,216,971	229,569	-	-	-	28,437,250
Public Sector Entities	12,634,006	623,767	258,860	-	-	-	-	-	-	13,516,633
Banks, Development Financial Institutions & MDBs	10,313,653	4,133,366	150,534	181,533	583,302	971	60,276	100,481	32,140	15,556,256
Insurance/Takaful Cos, Securities Firms & Fund Managers	464,344	6,828	-	-	-	-	2,592	-	-	473,764
Corporates	5,363,171	1,784,682	2,126,510	82,669	1,574,922	59,233	37,507	31,430	-	11,060,124
Regulatory Retail	5,732,397	1,699,721	60,453	100,804	875,411	162,203	19,040	86,688	-	8,736,717
Residential Mortgages	99,025	649,785	-	-	-	-	-	-	-	748,810
Higher Risk Assets	498,644	-	275	-	102	-	-	40	-	499,061
Other Assets	3,498,083	386,441	217,117	23,802	61,441	14,860	36,321	166,366	1,081	4,405,512
Total Exposures under Standardised Approach	60,610,434	13,488,306	3,477,323	505,117	4,312,149	466,836	155,736	385,005	33,221	83,434,127
Exposures under IRB Approach										
Corporates, of which	79,679,746	9,365,133	-	-	-	-	-	-	-	89,044,879
Corporate Exposures (excluding exposures with firm size adjustments)	45,593,730	3,109,540	-	-	-	-	-	-	-	48,703,270
Corporate Exposures (with firm size adjustments)	26,078,960	4,700,129	-	-	-	-	-	-	-	30,779,089
Specialised Lending Exposures (Slotting Approach)										
Project Finance	2,004,426	271,930	-	-	-	-	-	-	-	2,276,356
Income Producing Real Estate	6,002,630	1,283,534	-	-	-	-	-	-	-	7,286,164
Retail, of which	110,561,272	-	-	-	-	-	-	-	-	110,561,272
Residential Mortgages Exposures	50,530,431	-	-	-	-	-	-	-	-	50,530,431
Qualifying Revolving Retail Exposures	3,279,347	-	-	-	-	-	-	-	-	3,279,347
Hire Purchase Exposures	7,926,534	-	-	-	-	-	-	-	-	7,926,534
Other Retail Exposures	48,824,960	-	-	-	-	-	-	-	-	48,824,960
Total Exposures under IRB Approach	190,241,018	9,365,133	-	-	-	-	-	-	-	199,606,151
Total Exposures under Standardised and IRB Approaches	250,851,452	22,853,439	3,477,323	505,117	4,312,149	466,836	155,736	385,005	33,221	283,040,278

Note: This table excludes equity exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 7b: Credit Risk Exposures (Before Credit Risk Mitigation) by Geographical Distribution as at 31 December 2018

RHB Bank Group Exposure Class	Malaysia (include Labuan) RM'000	Singapore RM'000	Thailand RM'000	Brunei RM'000	Cambodia RM'000	Laos RM'000	Hong Kong RM'000	Indonesia RM'000	Vietnam RM'000	Total RM'000
Exposures under Standardised Approach										
Sovereigns & Central Banks	22,201,133	3,211,371	528,329	74,017	926,402	232,657	-	-	-	27,173,909
Public Sector Entities	10,254,742	610,139	309,713	-	-	-	-	-	-	11,174,594
Banks, Development Financial Institutions & MDBs	12,507,977	2,886,402	161,906	176,835	414,800	3,860	52,287	124,720	-	16,328,787
Insurance/Takaful Cos, Securities Firms & Fund Managers	678,635	72,722	-	-	-	-	4,809	-	-	756,166
Corporates	6,131,008	2,238,336	1,824,679	82,847	1,292,656	59,716	102,841	95,328	-	11,827,411
Regulatory Retail	5,350,027	1,648,690	103,151	105,553	830,010	182,965	71,117	58,609	-	8,350,122
Residential Mortgages	99,119	827,769	-	-	-	-	-	-	-	926,888
Higher Risk Assets	494,574	-	255	-	103	-	-	39	-	494,971
Other Assets	4,064,298	426,272	163,920	43,955	55,124	14,475	23,468	119,015	-	4,910,527
Total Exposures under Standardised Approach	61,781,513	11,921,701	3,091,953	483,207	3,519,095	493,673	254,522	397,711	-	81,943,375
Exposures under IRB Approach										
Corporates, of which	75,456,803	8,278,439	-	-	-	-	-	-	-	83,735,242
Corporate Exposures (excluding exposures with firm size adjustments)	43,064,256	3,128,203	-	-	-	-	-	-	-	46,192,459
Corporate Exposures (with firm size adjustments)	25,861,292	4,226,181	-	-	-	-	-	-	-	30,087,473
Specialised Lending Exposures (Slotting Approach)										
Project Finance	1,815,187	548,821	-	-	-	-	-	-	-	2,364,008
Income Producing Real Estate	4,716,068	375,234	-	-	-	-	-	-	-	5,091,302
Retail, of which	103,933,102	-	-	-	-	-	-	-	-	103,933,102
Residential Mortgages Exposures	45,960,133	-	-	-	-	-	-	-	-	45,960,133
Qualifying Revolving Retail Exposures	3,227,566	-	-	-	-	-	-	-	-	3,227,566
Hire Purchase Exposures	7,925,684	-	-	-	-	-	-	-	-	7,925,684
Other Retail Exposures	46,819,719	-	-	-	-	-	-	-	-	46,819,719
Total Exposures under IRB Approach	179,389,905	8,278,439	-	-	-	-	-	-	-	187,668,344
Total Exposures under Standardised and IRB Approaches	241,171,418	20,200,140	3,091,953	483,207	3,519,095	493,673	254,522	397,711	-	269,611,719

Note: This table excludes equity exposures

Basel II Pillar 3 Disclosures

as at 31 December 2019

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 8a: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2019

RHB Bank Group Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Electricity, Gas & Water Supply RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Transport, Storage & Communication RM'000	Finance, Insurance/ Takaful, Real Estate & Business RM'000	Education, Health & Others RM'000	Household RM'000	Others RM'000	Total RM'000
Exposures under Standardised Approach												
Sovereigns & Central Banks	-	-	-	-	-	-	-	11,931,856	16,505,394	-	-	28,437,250
Public Sector Entities	-	-	-	-	98,142	-	82,389	2,899,715	10,436,387	-	-	13,516,633
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	15,556,256	-	-	-	15,556,256
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	473,764	-	-	-	473,764
Corporates	50,194	37,348	753,616	200,393	467,803	966,398	234,781	5,460,227	271,648	2,617,716	-	11,060,124
Regulatory Retail	3,912	3,849	28,323	1,019	28,075	51,248	12,213	30,963	2,997	8,574,118	-	8,736,717
Residential Mortgages	-	-	-	-	-	-	-	-	-	748,810	-	748,810
Higher Risk Assets	-	-	3	-	-	-	-	498,955	-	-	103	499,061
Other Assets	-	-	-	-	-	-	-	165,657	-	-	4,239,855	4,405,512
Total Exposures under Standardised Approach	54,106	41,197	781,942	201,412	594,020	1,017,646	329,383	37,017,393	27,216,426	11,940,644	4,239,958	83,434,127
Exposures under IRB Approach												
Corporates, of which	3,897,669	1,536,206	8,777,827	5,866,660	16,192,399	10,694,132	10,638,206	28,232,473	3,209,307	-	-	89,044,879
Corporate Exposures (excluding exposures with firm size adjustments)	1,202,236	1,124,757	5,074,214	3,235,266	5,304,844	4,715,182	7,926,919	17,706,156	2,413,696	-	-	48,703,270
Corporate Exposures (with firm size adjustments)	2,695,433	176,394	3,363,043	1,972,712	6,335,979	5,267,382	2,552,648	7,619,887	795,611	-	-	30,779,089
Specialised Lending Exposures (Slotting Approach)												
Project Finance	-	235,055	340,570	658,682	1,014,420	-	-	27,629	-	-	-	2,276,356
Income Producing Real Estate	-	-	-	-	3,537,156	711,568	158,639	2,878,801	-	-	-	7,286,164
Retail, of which	319,950	89,882	2,204,401	15,237	2,089,471	5,642,715	649,182	3,311,955	342,617	95,895,862	-	110,561,272
Residential Mortgages Exposures	-	-	-	-	-	-	-	-	-	50,530,431	-	50,530,431
Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	3,279,347	-	3,279,347
Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	7,926,534	-	7,926,534
Other Retail Exposures	319,950	89,882	2,204,401	15,237	2,089,471	5,642,715	649,182	3,311,955	342,617	34,159,550	-	48,824,960
Total Exposures under IRB Approach	4,217,619	1,626,088	10,982,228	5,881,897	18,281,870	16,336,847	11,287,388	31,544,428	3,551,924	95,895,862	-	199,606,151
Total Exposures under Standardised and IRB Approaches	4,271,725	1,667,285	11,764,170	6,083,309	18,875,890	17,354,493	11,616,771	68,561,821	30,768,350	107,836,506	4,239,958	283,040,278

Note: This table excludes equity exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 8b: Credit Risk Exposures (Before Credit Risk Mitigation) by Industry Sector as at 31 December 2018

RHB Bank Group Exposure Class	Agriculture RM'000	Mining & Quarrying RM'000	Manufacturing RM'000	Electricity, Gas & Water Supply RM'000	Construction RM'000	Wholesale, Retail Trade, Restaurants & Hotels RM'000	Transport, Storage & Communication RM'000	Finance, Insurance/ Takaful, Real Estate & Business RM'000	Education, Health & Others RM'000	Household RM'000	Others RM'000	Total RM'000
Exposures under Standardised Approach												
Sovereigns & Central Banks	-	-	-	-	-	-	-	12,579,758	14,594,151	-	-	27,173,909
Public Sector Entities	-	-	-	-	50,419	116	128,778	1,523,942	9,471,339	-	-	11,174,594
Banks, Development Financial Institutions & MDBs	-	-	-	-	-	-	-	16,328,787	-	-	-	16,328,787
Insurance/Takaful Cos, Securities Firms & Fund Managers	-	-	-	-	-	-	-	756,166	-	-	-	756,166
Corporates	125,043	111,061	1,211,406	146,866	500,903	1,040,697	426,956	5,724,799	199,492	2,340,188	-	11,827,411
Regulatory Retail	8,536	9,392	129,734	568	91,636	56,592	43,440	61,139	13,012	7,936,073	-	8,350,122
Residential Mortgages	-	-	-	-	-	-	-	-	-	926,888	-	926,888
Higher Risk Assets	-	-	3	-	-	-	-	494,864	-	-	104	494,971
Other Assets	-	-	-	-	-	-	-	283,769	-	-	4,626,758	4,910,527
Total Exposures under Standardised Approach	133,579	120,453	1,341,143	147,434	642,958	1,097,405	599,174	37,753,224	24,277,994	11,203,149	4,626,862	81,943,375
Exposures under IRB Approach												
Corporates, of which	4,003,256	2,419,760	7,639,237	6,098,358	16,378,971	9,835,928	9,756,502	24,905,213	2,698,017	-	-	83,735,242
Corporate Exposures (excluding exposures with firm size adjustments)	1,127,417	1,941,948	3,770,839	3,535,451	6,791,815	4,379,558	6,951,469	15,760,034	1,933,928	-	-	46,192,459
Corporate Exposures (with firm size adjustments)	2,875,839	168,046	3,486,666	1,834,674	6,055,845	5,094,950	2,805,033	7,002,331	764,089	-	-	30,087,473
Specialised Lending Exposures (Slotting Approach)												
Project Finance	-	309,766	381,732	728,233	944,277	-	-	-	-	-	-	2,364,008
Income Producing Real Estate	-	-	-	-	2,587,034	361,420	-	2,142,848	-	-	-	5,091,302
Retail, of which	313,403	51,423	1,915,427	8,676	1,906,856	5,236,614	464,858	3,129,633	366,960	90,539,252	-	103,933,102
Residential Mortgages Exposures	-	-	-	-	-	-	-	-	-	45,960,133	-	45,960,133
Qualifying Revolving Retail Exposures	-	-	-	-	-	-	-	-	-	3,227,566	-	3,227,566
Hire Purchase Exposures	-	-	-	-	-	-	-	-	-	7,925,684	-	7,925,684
Other Retail Exposures	313,403	51,423	1,915,427	8,676	1,906,856	5,236,614	464,858	3,129,633	366,960	33,425,869	-	46,819,719
Total Exposures under IRB Approach	4,316,659	2,471,183	9,554,664	6,107,034	18,285,827	15,072,542	10,221,360	28,034,846	3,064,977	90,539,252	-	187,668,344
Total Exposures under Standardised and IRB Approaches	4,450,238	2,591,636	10,895,807	6,254,468	18,928,785	16,169,947	10,820,534	65,788,070	27,342,971	101,742,401	4,626,862	269,611,719

Note: This table excludes equity exposures

Basel II Pillar 3 Disclosures

as at 31 December 2019

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 9a: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2019

RHB Bank Group Exposure Class	One year or less RM'000	More than one to five years RM'000	Over five years RM'000	Total RM'000
Exposures under Standardised Approach				
Sovereigns & Central Banks	10,228,762	4,377,357	13,831,131	28,437,250
Public Sector Entities	4,029,948	2,925,277	6,561,408	13,516,633
Banks, Development Financial Institutions & MDBs	9,969,283	4,263,544	1,323,429	15,556,256
Insurance/Takaful Cos, Securities Firms & Fund Managers	177,120	256,921	39,723	473,764
Corporates	4,935,439	3,783,497	2,341,188	11,060,124
Regulatory Retail	1,883,512	1,869,264	4,983,941	8,736,717
Residential Mortgages	960	20,637	727,213	748,810
Higher Risk Assets	377	-	498,684	499,061
Other Assets	-	-	4,405,512	4,405,512
Total Exposures under Standardised Approach	31,225,401	17,496,497	34,712,229	83,434,127
Exposures under IRB Approach				
Corporates, of which	26,490,685	32,187,380	30,366,814	89,044,879
Corporate Exposures (excluding exposures with firm size adjustments)	13,380,370	20,449,349	14,873,551	48,703,270
Corporate Exposures (with firm size adjustments)	10,383,085	8,606,455	11,789,549	30,779,089
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,159,497	527,020	589,839	2,276,356
Income Producing Real Estate	1,567,733	2,604,556	3,113,875	7,286,164
Retail, of which	2,138,108	15,414,969	93,008,195	110,561,272
Residential Mortgages Exposures	36,870	360,007	50,133,554	50,530,431
Qualifying Revolving Retail Exposures	388,128	2,879,502	11,717	3,279,347
Hire Purchase Exposures	144,281	2,558,384	5,223,869	7,926,534
Other Retail Exposures	1,568,829	9,617,076	37,639,055	48,824,960
Total Exposures under IRB Approach	28,628,793	47,602,349	123,375,009	199,606,151
Total Exposures under Standardised and IRB Approaches	59,854,194	65,098,846	158,087,238	283,040,278

Note: This table excludes equity exposures

6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Table 9b: Credit Risk Exposures (Before Credit Risk Mitigation) by Remaining Maturity as at 31 December 2018

RHB Bank Group Exposure Class	One year or less RM'000	More than one to five years RM'000	Over five years RM'000	Total RM'000
Exposures under Standardised Approach				
Sovereigns & Central Banks	9,142,970	7,126,740	10,904,199	27,173,909
Public Sector Entities	757,375	5,740,375	4,676,844	11,174,594
Banks, Development Financial Institutions & MDBs	10,769,010	4,107,992	1,451,785	16,328,787
Insurance/Takaful Cos, Securities Firms & Fund Managers	15,617	261,314	479,235	756,166
Corporates	5,720,039	4,331,718	1,775,654	11,827,411
Regulatory Retail	2,461,791	1,200,628	4,687,703	8,350,122
Residential Mortgages	1,248	20,469	905,171	926,888
Higher Risk Assets	358	-	494,613	494,971
Other Assets	-	-	4,910,527	4,910,527
Total Exposures under Standardised Approach	28,868,408	22,789,236	30,285,731	81,943,375
Exposures under IRB Approach				
Corporates, of which	32,025,471	24,946,708	26,763,063	83,735,242
Corporate Exposures (excluding exposures with firm size adjustments)	16,292,701	16,181,951	13,717,807	46,192,459
Corporate Exposures (with firm size adjustments)	13,140,730	6,761,105	10,185,638	30,087,473
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,120,736	505,552	737,720	2,364,008
Income Producing Real Estate	1,471,304	1,498,100	2,121,898	5,091,302
Retail, of which	6,578,696	11,106,436	86,247,970	103,933,102
Residential Mortgages Exposures	32,110	351,127	45,576,896	45,960,133
Qualifying Revolving Retail Exposures	154,835	3,072,710	21	3,227,566
Hire Purchase Exposures	143,274	3,174,505	4,607,905	7,925,684
Other Retail Exposures	6,248,477	4,508,094	36,063,148	46,819,719
Total Exposures under IRB Approach	38,604,167	36,053,144	113,011,033	187,668,344
Total Exposures under Standardised and IRB Approaches	67,472,575	58,842,380	143,296,764	269,611,719

Note: This table excludes equity exposures

Basel II Pillar 3 Disclosures

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6.0 CREDIT RISK (CONTINUED)

6.4 Credit Exposures and Risk-Weighted Assets by Portfolio and Approaches (continued)

Standardised Approach for Other Portfolios

The Standardised Approach is applied to portfolios that are classified as permanently exempted from the IRB approach, and those portfolios that are currently in transition to the IRB approach. Under this Standardised Approach, the risk weights are prescribed by BNM based on the asset class to which the exposure is assigned.

The following tables show RHB Bank Group's credit exposures for its portfolios with the corresponding risk weights and RWA under the Standardised Approach, after credit risk mitigation (CRM):

Table 10a: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2019

RHB Bank Group Exposure Class	Sovereigns & Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance/ Takaful Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
Supervisory Risk Weights (%)												
0%	26,460,135	12,304,050	338,967	-	1,334,405	-	-	-	1,688,474	-	42,126,031	-
20%	482,831	1,140,674	7,977,827	-	488,782	-	-	-	165,525	-	10,255,639	2,051,128
35%	-	-	-	-	-	-	684,923	-	-	-	684,923	239,723
50%	50,472	-	4,958,932	21,890	178,812	7,734	22,985	-	-	-	5,240,825	2,620,412
75%	-	-	-	-	-	3,466,698	-	-	-	-	3,466,698	2,600,024
100%	1,443,812	-	886,286	451,361	6,689,478	4,028,383	34,604	-	2,551,513	789,911	16,875,348	16,875,348
150%	-	-	-	-	105,247	50,407	-	499,061	-	-	654,715	982,072
Total Exposures	28,437,250	13,444,724	14,162,012	473,251	8,796,724	7,553,222	742,512	499,061	4,405,512	789,911	79,304,179	25,368,707

Table 10b: Portfolios under the Standardised Approach by Risk Weights as at 31 December 2018

RHB Bank Group Exposure Class	Sovereigns & Central Banks RM'000	Public Sector Entities RM'000	Banks, Development Financial Institutions & MDBs RM'000	Insurance/ Takaful Cos, Securities Firms & Fund Managers RM'000	Corporates RM'000	Regulatory Retail RM'000	Residential Mortgages RM'000	Higher Risk Assets RM'000	Other Assets RM'000	Equity Exposures RM'000	Total Exposures after Credit Risk Mitigation RM'000	Total Risk-Weighted Assets RM'000
Supervisory Risk Weights (%)												
0%	25,310,390	9,739,873	126,729	-	789,372	-	-	-	1,751,513	-	37,717,877	-
20%	683,207	1,124,643	9,437,657	35,617	1,543,840	-	-	-	283,669	-	13,108,633	2,621,727
35%	-	-	-	-	-	-	854,479	-	-	-	854,479	299,068
50%	20,633	309,713	4,846,107	86,956	181,668	10,969	32,543	-	-	-	5,488,589	2,744,294
75%	-	-	-	-	-	3,734,819	-	-	-	-	3,734,819	2,801,114
100%	1,159,679	-	565,488	633,081	6,963,627	3,495,182	31,390	-	2,875,345	842,708	16,566,500	16,566,500
150%	-	-	-	-	70,455	32,539	-	494,971	-	-	597965	896,948
Total Exposures	27,173,909	11,174,229	14,975,981	755,654	9,548,962	7,273,509	918,412	494,971	4,910,527	842,708	78,068,862	25,929,651

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings

For sovereigns, corporate and banking institutions, external ratings from approved external credit assessment institutions (ECAIs), where available, are used to calculate the risk-weighted assets and regulatory capital.

The process used to map ECAIs issuer ratings or comparable ECAIs issue ratings, are in accordance to the standards prescribed by BNM. Approved ECAIs are as follows:

- Standard & Poor's (S&P);
- Moody's Investor Services (Moody's);
- Fitch Ratings (Fitch);
- Malaysian Rating Corporation Berhad (MARC);
- Rating Agency Malaysia (RAM); and
- Rating and Investment Information, Inc (R&I).

External ratings for the counterparties are determined as soon as relationship is established and these ratings are tracked and kept updated. Only publicly available credit ratings are used for regulatory risk weighting purpose.

The following tables show the Group's credit exposures for 31 December 2019 compared with 31 December 2018, according to the ratings by ECAIs:

Table 11a: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2019

RHB Bank Group

Ratings of Corporates by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B1 to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Public Sector Entities		780,220	-	-	-	12,664,504
Insurance/Takaful Cos, Securities Firms & Fund Managers		-	21,890	-	-	451,361
Corporates		453,301	112,564	150,854	-	8,080,005

Short Term Ratings of Corporates by Approved ECAIs						
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	R&I	a-1+, a-1	a-2	a-3	b, c	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Banks, Development Financial Institutions & MDBs		-	-	-	-	-
Corporates		-	-	-	-	-

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6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (continued)

The following tables show the Group's credit exposures for 31 December 2019 compared with 31 December 2018, according to the ratings by ECAIs (continued):

Table 11a: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2019 (continued)

Ratings of Sovereigns and Central Banks by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns & Central Banks		3,832,519	22,347,283	713,604	1,216,971	-	326,873

Ratings of Banking Institutions by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs		5,190,927	3,125,842	2,339,256	289,466	-	3,216,521

Table 11b: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2018

RHB Bank Group

Ratings of Corporates by Approved ECAIs						
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Ba3	B1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BB3	B to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BB-	B1 to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BB-	B+ to D	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Public Sector Entities		778,583	-	-	-	10,395,646
Insurance/Takaful Cos, Securities Firms & Fund Managers		35,617	86,956	88,402	-	544,679
Corporates		1,177,796	125,430	151,168	-	7,743,241

6.0 CREDIT RISK (CONTINUED)

6.5 Use of External Ratings (continued)

The following tables show the Group's credit exposures for 31 December 2019 compared with 31 December 2018, according to the ratings by ECAIs (continued):

Table 11b: Rated Exposures According to Ratings by External Credit Assessment Institutions (ECAIs) as at 31 December 2018 (continued)

Short Term Ratings of Corporates by Approved ECAIs						
	Moody's	P-1	P-2	P-3	Others	Unrated
	S&P	A-1	A-2	A-3	Others	Unrated
	Fitch	F1+, F1	F2	F3	B to D	Unrated
	RAM	P-1	P-2	P-3	NP	Unrated
	MARC	MARC-1	MARC-2	MARC-3	MARC-4	Unrated
	R&I	a-1+, a-1	a-2	a-3	b, c	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures						
Banks, Development Financial Institutions & MDBs		-	-	-	-	-
Corporates		351,327	-	-	-	-

Ratings of Sovereigns and Central Banks by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Sovereigns & Central Banks		2,882,146	22,527,294	548,705	922,289	-	293,475

Ratings of Banking Institutions by Approved ECAIs							
	Moody's	Aaa to Aa3	A1 to A3	Baa1 to Baa3	Ba1 to B3	Caa1 to C	Unrated
	S&P	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	Fitch	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to D	Unrated
	RAM	AAA to AA3	A1 to A3	BBB1 to BBB3	BB1 to B3	C1 to D	Unrated
	MARC	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	C+ to D	Unrated
	R&I	AAA to AA-	A+ to A-	BBB+ to BBB-	BB+ to B-	CCC+ to C	Unrated
Exposure Class		RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
On and Off-Balance Sheet Exposures							
Banks, Development Financial Institutions & MDBs		5,258,473	3,828,322	2,185,751	156,579	-	3,546,856

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6.0 CREDIT RISK (CONTINUED)

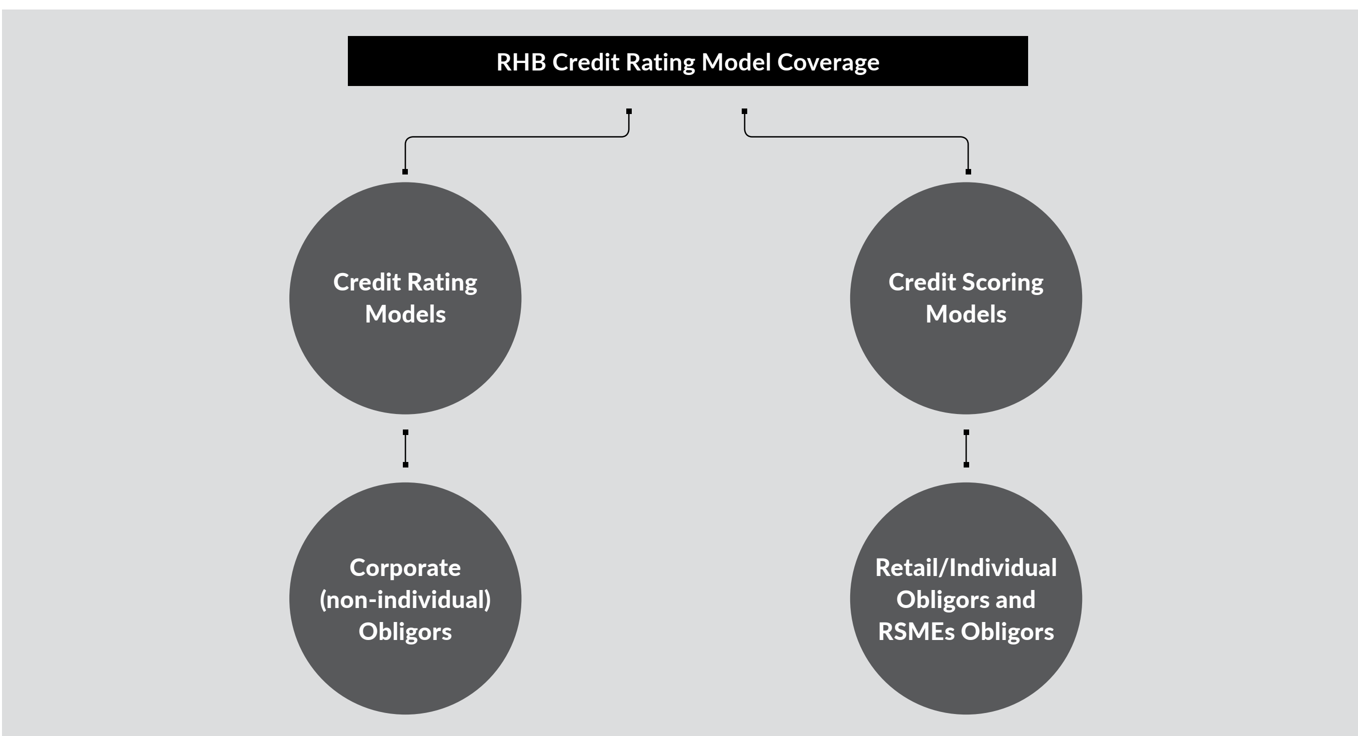
6.6 Internal Credit Rating Models

Internal credit rating models are an integral part of the Group's credit risk management, decision-making process, and regulatory capital calculations. These internal credit rating models are developed by Group Risk Operations with active participation by the relevant credit experts from the Group's functional units and/or business units.

Internal rating model development and implementation process have been established to govern the development and validation of rating models and the application of these models. Specifically, all newly developed models prior to implementation, material changes of the rating systems and validation results must be endorsed by GCRC and approved by BRC. All models are also subject to independent validation by the Model Validation Team before implementation to ensure that all aspects of the model development process have been satisfied. In addition, the models are also subject to annual review and independent validation by the Model Validation Team to ensure that they are performing as expected.

Credit risk/rating models can be broadly classified into:

- Credit Rating Models
- Credit Scoring Models



The credit rating models for corporate (or non-individual) obligors are used to risk rate the creditworthiness of the corporate obligors/guarantors/debt issuers based on their financial standing (such as gearing, expenses and profit) and qualitative aspects (such as management effectiveness and industry environment). Different rating models will be applied subject to the obligor's asset and sales volume to create further risk differentiation.

The credit scoring models are for large volume of exposures that are managed on a portfolio basis, which includes program lending/financing for small and medium-sized enterprises (SMEs). These models are developed through statistical modelling and applied onto the portfolio accordingly. For portfolios where data are readily available or when more granular segmentation is required to support business strategy, more models will be developed and deployed.

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Application of Internal Ratings

The three components of risk parameters, the PD, LGD and EAD are used in variety of applications that measure credit risk across the entire portfolio.

- Credit Approval : PD models are used in the credit approval process in both retail and non-retail portfolios. In high volume retail portfolios, application scorecard, behaviour scorecard and customer centric scorecard are used as one of the risk management tools.
- Policy : Policies are established to govern the use of ratings in credit decisions and monitoring.
- Reporting : Model performance monitoring report is submitted to senior management on periodic basis.
- Capital Management : The capital management and allocation plan takes into consideration the projected RWA computed based on internal rating.
- Risk Limits : The internal ratings are used in establishing the Group's various internal limits (such as industry risk limit).
- Risk Reward and Pricing : PD, EAD and LGD metrics are used to assess profitability of deals to allow for risk-informed pricing considerations and strategic decisions.

F-IRB for Non-Retail Portfolios

The major non-retail portfolios of the Group are on the Foundation Internal Ratings-Based (F-IRB) approach for regulatory capital requirements. Specialised lending/financing uses supervisory slotting criteria. Under this approach, internal rating models are used to estimate the PD for each obligor, while the LGD and EAD parameters are prescribed by BNM. The PD models are developed with a combination of quantitative and qualitative factors.

A-IRB for Retail Portfolios

For regulatory capital requirements, the Group has adopted the Advanced Internal Ratings-Based (A-IRB) approach for the retail portfolios, i.e. residential mortgages/home financing, credit cards, auto loans/financing, commercial property financing, personal financing, ASB financing and RSMEs. The Group is continuously working on migrating its relevant significant portfolio under the Standardised Approach towards IRB compliance. The risk estimates – PD, LGD and EAD; are calibrated for these retail portfolios/pools. In addition, application scorecard, behavioural scorecard and customer centric scorecard are developed and implemented for use in credit approval decision support such as limit setting, credit score cut-off and approval, monitoring and reporting.

The following tables set out:

- Exposures subject to the Supervisory Risk Weights;
- Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weights;
- Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weight; and
- Exposures under IRB Approach by Actual Losses versus Expected Losses.

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6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 12a: Exposures Subject to the Supervisory Risk Weights under the IRB Approach as at 31 December 2019

Disclosure on Specialised Lending Exposures under the Supervisory Slotting Criteria

RHB Bank Group	Exposure After Credit Risk Mitigation					
Supervisory Categories/Risk Weights	Strong RM'000	Good RM'000	Satisfactory RM'000	Weak RM'000	Default RM'000	Total RM'000
Specialised Lending Exposures						
Project Finance	1,790	1,708,235	294,686	-	36,874	2,041,585
Income Producing Real Estate	2,161,775	3,280,082	351,627	24,595	-	5,818,079
Total Exposures after Credit Risk Mitigation	2,163,565	4,988,317	646,313	24,595	36,874	7,859,664
Total Risk-Weighted Assets	1,281,205	3,857,080	743,260	61,488	-	5,943,033

Table 12b: Exposures Subject to the Supervisory Risk Weights under the IRB Approach as at 31 December 2018

Disclosure on Specialised Lending Exposures under the Supervisory Slotting Criteria

RHB Bank Group	Exposure After Credit Risk Mitigation					
Supervisory Categories/Risk Weights	Strong RM'000	Good RM'000	Satisfactory RM'000	Weak RM'000	Default RM'000	Total RM'000
Specialised Lending Exposures						
Project Finance	863,017	436,178	676,745	-	-	1,975,940
Income Producing Real Estate	2,539,085	972,702	146,392	27,129	-	3,685,308
Total Exposures after Credit Risk Mitigation	3,402,102	1,408,880	823,137	27,129	-	5,661,248
Total Risk-Weighted Assets	2,110,657	1,267,992	946,608	67,822	-	4,393,079

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 13a: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weight as at 31 December 2019

RHB Bank Group Probability of Default (PD) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weight %	Undrawn Commitments RM'000
Non Retail Exposures				
Corporate Exposures (excluding exposures with firm size adjustments)				
0 to 1	33,394,136	35.91	41.80	6,251,751
>1 to 4	4,792,853	42.18	104.23	1,445,299
>4 to 12	9,658,298	13.10	48.64	2,860,165
>12 to <100	1,199,205	10.94	54.94	91,436
Default or 100	1,361,634	43.24	3.55	-
Total Corporate Exposures (excluding exposures with firm size adjustments)	50,406,126			10,648,651
Corporate Exposures (with firm size adjustments)				
0 to 1	16,128,850	36.85	42.15	5,638,974
>1 to 4	8,750,648	36.70	76.07	2,304,334
>4 to 12	3,042,642	28.61	84.16	812,784
>12 to <100	2,104,610	15.28	63.63	179,049
Default or 100	752,339	36.91	3.48	-
Total Corporate Exposures (with firm size adjustments)	30,779,089			8,935,141
Total Non Retail Exposures	81,185,215			19,583,792
Retail Exposures				
Residential Mortgages Exposures				
0 to 3	45,604,407	16.52	18.14	1,795,771
>3 to 10	2,489,230	16.69	52.66	68,064
>10 to 20	426,979	16.24	80.56	7,467
>20 to <100	1,260,251	16.43	86.30	1,375
Default or 100	749,564	16.43	30.16	19,024
Total Residential Mortgages Exposures	50,530,431			1,891,701

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6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 13a: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weight as at 31 December 2019 (continued)

RHB Bank Group Probability of Default (PD) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weight %	Undrawn Commitments RM'000
Retail Exposures (continued)				
Qualifying Revolving Retail Exposures				
0 to 3	1,617,152	58.55	28.13	3,373,934
>3 to 10	1,164,181	57.84	75.22	502,133
>10 to 20	251,426	56.16	118.24	69,269
>20 to <100	181,851	54.37	151.21	33,144
Default or 100	64,737	54.77	103.10	-
Total Qualifying Revolving Retail Exposures	3,279,347			3,978,480
Hire Purchase Exposures				
0 to 3	7,489,418	43.85	31.69	-
>3 to 10	115,023	46.60	69.17	-
>10 to 20	216,113	45.20	86.27	-
>20 to <100	46,689	45.90	119.99	-
Default or 100	59,291	46.04	0.92	-
Total Hire Purchase Exposures	7,926,534			-
Other Retail Exposures				
0 to 3	34,072,054	20.86	18.79	11,287,199
>3 to 10	11,622,130	20.30	30.27	333,309
>10 to 20	906,134	33.27	69.49	28,921
>20 to <100	1,212,177	23.90	55.29	41,248
Default or 100	1,012,465	33.79	43.95	30,530
Total Other Retail Exposures	48,824,960			11,721,207
Total Retail Exposures	110,561,272			17,591,388
Total Non Retail & Retail Exposures under IRB Approach	191,746,487			37,175,180

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 13b: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weight as at 31 December 2018

RHB Bank Group Probability of Default (PD) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weight %	Undrawn Commitments RM'000
Non Retail Exposures				
Corporate Exposures (excluding exposures with firm size adjustments)				
0 to 1	29,221,505	40.47	45.10	5,913,033
>1 to 4	5,430,509	39.62	101.14	1,724,106
>4 to 12	11,070,904	14.47	60.17	3,036,805
>12 to <100	718,458	11.32	60.12	173,948
Default or 100	1,545,145	42.62	5.36	-
Total Corporate Exposures (excluding exposures with firm size adjustments)	47,986,521			10,847,892
Corporate Exposures (with firm size adjustments)				
0 to 1	15,634,827	37.32	42.02	4,732,878
>1 to 4	9,146,535	38.58	82.23	2,230,165
>4 to 12	2,929,951	32.13	94.11	844,935
>12 to <100	1,676,226	9.94	42.35	107,312
Default or 100	699,934	38.87	0.22	-
Total Corporate Exposures (with firm size adjustments)	30,087,473			7,915,290
Total Non Retail Exposures	78,073,994			18,763,182
Retail Exposures				
Residential Mortgages Exposures				
0 to 3	41,155,847	16.47	18.38	1,416,058
>3 to 10	2,507,832	16.64	52.87	62,186
>10 to 20	513,822	16.35	81.14	7,482
>20 to <100	1,120,967	16.42	86.25	2,679
Default or 100	661,665	16.45	21.11	8,798
Total Residential Mortgages Exposures	45,960,133			1,497,203

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6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 13b: Exposures under the IRB Approach by PD Band, Exposure Weighted Average Loss Given Default (LGD) and Exposure Weighted Average Risk Weight as at 31 December 2018 (continued)

RHB Bank Group Probability of Default (PD) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average LGD %	Exposure Weighted Average Risk Weight %	Undrawn Commitments RM'000
Retail Exposures (continued)				
Qualifying Revolving Retail Exposures				
0 to 3	1,542,529	58.19	28.08	3,897,842
>3 to 10	1,149,279	57.79	75.08	666,359
>10 to 20	278,677	56.72	118.25	108,401
>20 to <100	196,910	53.85	148.54	84,193
Default or 100	60,171	54.66	116.49	-
Total Qualifying Revolving Retail Exposures	3,227,566			4,756,795
Hire Purchase Exposures				
0 to 3	7,375,614	43.75	32.10	-
>3 to 10	158,486	46.62	68.90	-
>10 to 20	247,025	45.29	86.59	-
>20 to <100	61,571	45.99	119.03	-
Default or 100	82,988	46.37	0.17	-
Total Hire Purchase Exposures	7,925,684			-
Other Retail Exposures				
0 to 3	32,222,861	20.79	19.27	10,936,109
>3 to 10	11,246,463	22.25	33.25	368,887
>10 to 20	1,207,610	28.46	59.22	63,569
>20 to <100	1,245,567	24.10	54.52	26,833
Default or 100	897,218	34.20	21.95	11,970
Total Other Retail Exposures	46,819,719			11,407,368
Total Retail Exposures	103,933,102			17,661,366
Total Non Retail & Retail Exposures under IRB Approach	182,007,096			36,424,548

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 14a: Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weight as at 31 December 2019

RHB Bank Group Expected Losses (EL) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average Risk Weight %	Undrawn Commitments RM'000
Retail Exposures			
Residential Mortgages Exposures			
0 to 1	47,636,601	19.40	1,848,750
>1 to 10	2,112,216	87.76	40,783
>10 to <100	698,712	20.45	1,042
100	82,902	0.00	1,126
Total Residential Mortgages Exposures	50,530,431		1,891,701
Qualifying Revolving Retail Exposures			
0 to 1	1,263,892	24.07	2,893,099
>1 to 10	1,749,485	74.25	1,052,237
>10 to <100	265,970	137.70	33,144
100	-	0.00	-
Total Qualifying Revolving Retail Exposures	3,279,347		3,978,480
Hire Purchase Exposures			
0 to 1	7,214,097	30.51	-
>1 to 10	610,870	72.56	-
>10 to <100	85,490	60.65	-
100	16,077	0.00	-
Total Hire Purchase Exposures	7,926,534		-
Other Retail Exposures			
0 to 1	42,084,758	16.45	11,505,870
>1 to 10	5,310,541	72.81	186,065
>10 to <100	1,248,927	70.03	28,450
100	180,734	0.00	822
Total Other Retail Exposures	48,824,960		11,721,207
Total Retail Exposures	110,561,272		17,591,388

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6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 14b: Exposures under the A-IRB Approach by EL Range and Exposure Weighted Average Risk Weight as at 31 December 2018

RHB Bank Group Expected Losses (EL) Range (%)	Exposure At Default After Credit Risk Mitigation RM'000	Exposure Weighted Average Risk Weight %	Undrawn Commitments RM'000
Retail Exposures			
Residential Mortgages Exposures			
0 to 1	43,171,059	19.70	1,456,399
>1 to 10	2,078,268	85.87	38,634
>10 to <100	639,235	19.50	1,083
100	71,571	0.00	1,087
Total Residential Mortgages Exposures	45,960,133		1,497,203
Qualifying Revolving Retail Exposures			
0 to 1	1,193,315	23.74	3,280,110
>1 to 10	1,759,543	74.93	1,390,505
>10 to <100	274,708	140.67	86,180
100	-	0.00	-
Total Qualifying Revolving Retail Exposures	3,227,566		4,756,795
Hire Purchase Exposures			
0 to 1	7,131,763	31.06	-
>1 to 10	658,832	73.70	-
>10 to <100	115,778	54.74	-
100	19,311	0.00	-
Total Hire Purchase Exposures	7,925,684		-
Other Retail Exposures			
0 to 1	39,829,312	16.70	11,156,186
>1 to 10	5,634,876	73.75	233,566
>10 to <100	1,200,238	61.03	17,268
100	155,293	0.00	348
Total Other Retail Exposures	46,819,719		11,407,368
Total Retail Exposures	103,933,102		17,661,366

6.0 CREDIT RISK (CONTINUED)

6.6 Internal Credit Rating Models (continued)

Table 15: Exposures under IRB Approach by Actual Losses versus Expected Losses

RHB Bank Group Exposure Class	Actual Losses as at 31 December 2019 RM'000	Expected Losses as at 31 December 2018 RM'000	Actual Losses as at 31 December 2018 RM'000	Expected Losses as at 31 December 2017 RM'000
Corporates, of which				
Corporate Exposures (excluding exposures with firm size adjustments)	**86,274**	242,452	16,673	154,291
Corporate Exposures (with firm size adjustments)	**85,325**	199,259	74,081	241,792
Specialised Lending Exposures (Slotting Approach)				
- Project Finance	**-**	25,649	-	19,103
- Income Producing Real Estate	**-**	19,033	-	13,951
Retail, of which				
Residential Mortgages Exposures	**75,167**	154,533	69,738	157,558
Qualifying Revolving Retail Exposures	**59,242**	108,864	62,170	105,050
Hire Purchase Exposures	**26,840**	51,950	40,225	62,780
Other Retail Exposures	**337,329**	389,599	295,326	509,114
Total	**670,177**	1,191,339	558,213	1,263,639

Actual losses are derived from impairment allowances and write-offs during the year, while expected losses (EL) measures the loss expected from the Group's credit exposures as at 31 December of the preceding year.

A comparison of actual losses and EL provides some insight of the predictive power of the IRB approach models used by the Group; however the two metrics are not directly comparable due to the differences in methodology. In particular, the EL used in this comparison is the forecast credit loss from the counterparty defaults of the Group's exposures over a one-year period and is computed as the product of PD, LGD and EAD for the Group's exposures as at 31 December of the preceding year.

6.7 Credit Risk Monitoring and Control

Credit Risk Mitigation

The Group generally does not grant credit facilities solely on the basis of collateral provided. All credit facilities are granted based on the credit standing of the borrower/customer, source of repayment and debt/financing servicing ability.

Collateral is taken whenever possible to mitigate the credit risk assumed, subject to the Group's policies that govern the eligibility of collateral used for credit risk mitigation. Reliance on collateral when taken is carefully assessed in the light of issues such as legal certainty and enforceability, market valuation and counterparty risk of the guarantor. Recognised collaterals where relevant, include both financial and physical assets. Financial collaterals include cash deposits, shares and unit trusts, while physical collateral includes land and buildings, and vehicles. Apart from financial collateral and physical collateral, the Group has defined standards on the acceptance of guarantors as credit risk mitigants.

Collateral is valued in accordance with the Group's policy on collateral valuation, which prescribes the frequency of valuation for different collateral/securities types, based on liquidity and volatility of the collateral value and the underlying product or risk exposure. The value of collaterals/securities pledged is monitored periodically, analysed and updated concurrently with the annual/periodic renewal of facilities, as well as updated into the Group's collateral system.

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6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

Credit Risk Mitigation (continued)

The Group also accepts non-tangible securities as support, such as guarantees from individuals, corporates and institutions, bank guarantees, debenture and assignment of contract proceeds, subject to internal guidelines on eligibility. Currently, the Group does not employ the use of derivative credit instruments and On-Balance sheet netting to mitigate its financing exposures. Where possible, the Group enters into International Swaps and Derivatives Association (ISDA) Master Agreement with its derivative and swap counterparties as the master agreement provides the legal certainty that the credit exposures between counterparties will be netted.

Equity securities or collaterals acquired arising from debt conversions are accounted for as disposal of the loan/financing and acquisition of equity securities or investment properties. Any further impairment of the assets or business acquired is treated as impairment of the relevant asset or business rather than as impairment of the original instrument.

The Group has established mechanism to monitor credit and market concentration within its credit mitigation.

Table 16a: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2019

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000
On-Balance Sheet Exposures			
Sovereigns & Central Banks	26,920,496	-	-
Public Sector Entities	12,178,720	11,203,588	69,121
Banks, Development Financial Institutions & MDBs	12,065,470	338,968	-
Insurance/Takaful Cos, Securities Firms & Fund Managers	467,809	-	-
Corporates	8,675,860	825,846	1,797,735
Regulatory Retail	7,904,673	-	916,645
Residential Mortgages	704,636	-	6,001
Higher Risk Assets	499,061	-	-
Other Assets	4,405,512	-	-
Securitisation Exposures	-	-	-
Equity Exposures	789,911	-	-
Defaulted Exposures	341,474	48	4,285
Total On-Balance Sheet Exposures	74,953,622	12,368,450	2,793,787
Off-Balance Sheet Exposures			
OTC Derivatives	1,500,970	-	177,889
Off-balance sheet exposures other than OTC derivatives or credit derivatives	7,746,103	1,628,591	1,948,146
Defaulted Exposures	23,343	15,863	37
Total Off-Balance Sheet Exposures	9,270,416	1,644,454	2,126,072
Total On and Off-Balance Sheet Exposures	84,224,038	14,012,904	4,919,859

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

Table 16b: Credit Risk Mitigation of Portfolios under the Standardised Approach as at 31 December 2018

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000
On-Balance Sheet Exposures			
Sovereigns & Central Banks	24,937,661	-	-
Public Sector Entities	10,484,752	9,239,873	-
Banks, Development Financial Institutions & MDBs	12,361,561	126,729	-
Insurance/Takaful Cos, Securities Firms & Fund Managers	713,073	-	-
Corporates	10,287,093	789,372	1,866,081
Regulatory Retail	7,491,910	-	796,859
Residential Mortgages	888,628	-	8,190
Higher Risk Assets	494,971	-	-
Other Assets	4,910,527	-	-
Securitisation Exposures	-	-	-
Equity Exposures	842,708	-	-
Defaulted Exposures	317,294	-	4,823
Total On-Balance Sheet Exposures	73,730,178	10,155,974	2,675,953
Off-Balance Sheet Exposures			
OTC Derivatives	2,125,433	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	6,904,271	500,000	2,041,195
Defaulted Exposures	26,201	14,717	73
Total Off-Balance Sheet Exposures	9,055,905	514,717	2,041,268
Total On and Off-Balance Sheet Exposures	82,786,083	10,670,691	4,717,221

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6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

Table 17a: Credit Risk Mitigation of Portfolios under the IRB Approach as at 31 December 2019

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000	Gross Exposures Covered by Other Eligible Collateral RM'000
On-Balance Sheet Exposures				
Corporates, of which	78,962,953	23,712,724	2,978,238	12,957,644
Corporate Exposures (excluding exposures with firm size adjustments)	43,624,645	16,645,996	902,475	2,615,874
Corporate Exposures (with firm size adjustments)	26,743,327	5,465,141	2,075,763	10,341,770
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,959,743	234,771	-	-
Income Producing Real Estate	6,635,238	1,366,816	-	-
Retail, of which	95,350,659	33,903	8,475,965	64,058,844
Residential Mortgages Exposures	47,908,190	-	-	47,732,732
Qualifying Revolving Retail Exposures	2,098,887	-	-	-
Hire Purchase Exposures	7,867,243	-	-	-
Other Retail Exposures	37,476,339	33,903	8,475,965	16,326,112
Defaulted Exposures	3,921,599	163,860	37,283	1,539,229
Total On-Balance Sheet Exposures	178,235,211	23,910,487	11,491,486	78,555,717
Off-Balance Sheet Exposures				
OTC Derivatives	131,117	-	41	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	21,124,518	1,363,345	912,662	11,220,730
Defaulted Exposures	115,305	-	20	42,093
Total Off-Balance Sheet Exposures	21,370,940	1,363,345	912,723	11,262,823
Total On and Off-Balance Sheet Exposures	199,606,151	25,273,832	12,404,209	89,818,540

6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

Table 17b: Credit Risk Mitigation of Portfolios under the IRB Approach as at 31 December 2018

RHB Bank Group Exposure Class	Gross Exposures Before Credit Risk Mitigation RM'000	Gross Exposures Covered by Guarantees/ Credit Derivatives RM'000	Gross Exposures Covered by Eligible Financial Collateral RM'000	Gross Exposures Covered by Other Eligible Collateral RM'000
On-Balance Sheet Exposures				
Corporates, of which	72,748,563	19,786,970	4,124,540	12,512,128
Corporate Exposures (excluding exposures with firm size adjustments)	40,686,208	12,342,439	2,185,099	2,323,477
Corporate Exposures (with firm size adjustments)	25,931,911	5,973,451	1,939,441	10,188,651
Specialised Lending Exposures (Slotting Approach)				
Project Finance	1,906,227	311,226	-	-
Income Producing Real Estate	4,224,217	1,159,854	-	-
Retail, of which	89,444,481	26,127	8,267,017	59,317,460
Residential Mortgages Exposures	43,810,063	-	-	43,629,442
Qualifying Revolving Retail Exposures	2,027,858	-	-	-
Hire Purchase Exposures	7,842,696	-	-	-
Other Retail Exposures	35,763,864	26,127	8,267,017	15,688,018
Defaulted Exposures	3,903,679	78,972	24,070	1,442,212
Total On-Balance Sheet Exposures	166,096,723	19,892,069	12,415,627	73,271,800
Off-Balance Sheet Exposures				
OTC Derivatives	284,258	62,943	-	-
Off-balance sheet exposures other than OTC derivatives or credit derivatives	21,243,921	1,605,888	781,754	10,171,551
Defaulted Exposures	43,442	-	2,707	20,445
Total Off-Balance Sheet Exposures	21,571,621	1,668,831	784,461	10,191,996
Total On and Off-Balance Sheet Exposures	187,668,344	21,560,900	13,200,088	83,463,796

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6.0 CREDIT RISK (CONTINUED)

6.7 Credit Risk Monitoring and Control (continued)

Credit Concentration Risk

Risk concentration refers to an exposure with the potential to produce losses that are substantial enough to threaten the financial condition of a banking institution. Risk concentrations can materialise from excessive exposures to a single counterparty or group of connected counterparties, a particular instrument or a particular market segment.

The Group manages the diversification of its portfolio to avoid undue credit concentration risk. Credit concentration risk exists in lending/financing to single customer groups, borrowers/customers engaged in similar activities, or diverse groups of borrowers/customers that could be affected by similar economic or underlying shares/counters pledged or other factors. To manage this concentration risk, appropriate exposure thresholds/limits are established accordingly.

Analysis of any single large exposure and group of exposures is regularly conducted and the lending/financing units undertake regular account updates, monitoring and management of these exposures.

Industry and sector-specific analysis are also incorporated within the overall credit risk management regiment. In this respect, the Group seeks to continually update lending or financing guidelines based on periodic reviews and updates of industry and sector risk factors and economic outlook. This facilitates better management of credit concentration risk.

Credit Monitoring and Annual Reviews

The Group regularly monitors credit exposures, portfolio performance, and external trends which may impact risk management outcomes. Internal risk management reports generated for senior management, respective risk committees and Board, and include information on portfolio quality, credit rating migration and concentration risk exposures.

In addition to the on-going qualitative assessment by the account relationship managers, reviews are conducted at least once a year with updated information on the customer's financial position, market position, industry and economic condition and account conduct. Specific loans/financings may be reviewed more frequently under appropriate circumstances. Such circumstances may arise if, for instance, the Group believes that heightened risk exists in a particular industry, or the borrower/customer exhibits early warning signals such as defaulted on obligations to suppliers or other financial institutions or is facing cash flow or other difficulties.

Within Group Risk & Credit Management, there is a mechanism in place for credit monitoring to flag-out problematic loans/financing (watch list accounts) for intensive monitoring under Watchlist Credit Management. These are accounts which may be exhibiting early distress patterns or in the early stages of delinquency but not yet in default.

For these cases, Watchlist Credit Management department will conduct independent assessment and work closely with the business units to implement strategies to address lending/business relationships under Watchlist Credit Management to rehabilitate the accounts after discussion with the borrower/customer to determine the root cause of the problem which may result in rescheduling, restructuring or "exit" strategies to be applied. For the larger accounts, regular position update meetings are held with business units to review or revise these strategies. The relevant guidelines are refined from time to time, to better identify, monitor and resolve such accounts.

Group Internal Audit conducts independent post-approval reviews on a sampling basis to ensure that the quality of credit appraisals and approval standards is in accordance with the credit underwriting standards and financing policies established by the Group's management, and relevant laws and regulations.

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing

The Group adopts BNM's guidelines on Financial Reporting. The principles in this guidelines are in line with those applicable under the International Financial Reporting Standards compliant framework, Malaysian Financial Reporting Standards 9 (MFRS 9).

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 Fair Value Through Profit & Loss and equity securities classified under Fair Value through Other Comprehensive Income or FVOCI, which are not subject to impairment assessment. Off-balance sheet items that are subject to ECL include financial guarantees and undrawn loan/financing commitments.

MFRS 9 does not distinguish between individual assessment and collective assessment. The Group first assess whether objective evidence of impairment exists for financial assets which are individually significant. If the Group 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.

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:

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.

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.

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 PD, LGD and EAD models. Certain ECL models are leveraging on the existing Group's Basel II Internal Ratings-Based model, where feasible or available, with necessary adjustment to meet MFRS 9 requirements.

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6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

Individual Assessment - Impairment Triggers

The borrower/customer assessed under Impairment Allowances (IA) shall be classified as impaired under any one of the following situations:

1. When the principal or interest/profit or both, of any facility(s) of the borrower/customer is past due for 90 days or 3 months and above.
2. In the case of revolving facilities (eg overdraft facilities), the borrower/customer of the facility shall be classified as impaired where the outstanding amount has remained in excess of the approved limit for 90 days or 3 months and above.
3. Where the amount is past due or the outstanding amount has been in excess of the approved limit for less than 90 days or 3 months, the loan/financing exhibits weaknesses (refer to impairment trigger) that would render it to be classified as impaired.
4. Where repayments of the loans/financing are scheduled on intervals of 3 months or longer, the borrower/customer is classified as impaired as soon as a default occurs.
5. Upon occurrence of any one or more Mandatory Status Triggers (MSTs) or any two or more Ancillary Status Triggers (ASTs). These MSTs and ASTs are pre-defined trigger events approved by the Group to facilitate impairment classification.
6. In the case of share margin facilities, the borrower/customer shall be classified as impaired where the force selling ratio is triggered and after a period of time after force selling has commenced or where margin of finance exceeds a set threshold above the force selling ratio.

Note:
For R&R facilities, the customer shall be classified as impaired in accordance with paras 1 to 4 above based on the revised or restructured terms.

Individual Impairment Allowances

Borrowers/customers under individual assessment and triggered either by any one of the MSTs or any two of the ASTs will be classified as impaired. Consequently, impairment assessment is to be carried out on these impaired borrowers/customers, based on reasonable and well documented estimates of the future cashflows/realisations of collateral that is expected to recover from the impaired borrowers/customers i.e. net present value of future cashflows are discounted based on original effective interest/profit rates and compared against carrying amount. Any impairment on the shortfalls will be provided in full immediately.

Re-classification and Recovery of Impaired Borrowers/Customers

An impaired borrower/customer may be re-classified as a non-impaired status under the following situations:

1. When the loan/financing repayment of the impaired borrower/customer has improved with the principal or interest/profit or both, of its facilities with the Group being past due less than 90 days or 3 months.
2. Where the borrower/customer exhibits weakness(es) that render it to be classified as impaired, even though the loan/financing is past-due less than 90 days or 3 months, such borrowers may be reclassified as non-impaired status when these weaknesses have been subsequently addressed or resolved.
3. Where the borrower/customer has been individually assessed as impaired due to either any one or more MSTs or any two or more ASTs, the borrower/customer may be reclassified as non-impaired status when these triggers have since been addressed and resolved totally, or with only one AST remaining.
4. When the borrower's/customer's share margin account no longer meet the impairment criteria above.

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

Write-Off of Impaired Loans/Financing

All loans/financing that satisfy any one of the following criteria, may be recommended for write-off:

1. Deemed irrecoverable, worthless and with slim prospect of recovery.
2. Waiver under approved composite settlement schemes.
3. Abandoned project with no sign of revival. The definition of abandoned project must be in compliance with the definition stated under valuation for abandoned projects.
4. Completed projects but is left abandoned or no occupancy for 12 months with 2 rounds of abortive auctions. This includes units/lots in the same complex/project but have not put up for auction due to cost savings reason.
5. Loans/financing secured with properties which have undergone more than 5 rounds of abortive auctions.
6. Loans/financing secured with property with balance outstanding below RM5,000 subject to judgment obtained against all and borrower(s)/customer(s) uncontactable.
7. For retail and programmed lending/financing impaired loans/financing, the write-off may be expedited for those with ageing of 12 months and above, provided legal action has reached at least writ of summon filed.
8. In the case of credit card and personal financing, aging is at least 6 months and above.

Partial write-offs of impaired loans/financing is permitted under the following circumstances:

1. The value of security (net recoverable amount in the case of IA) is less than the balance outstanding (including principal, accrued interest and other charges) and topping up of the security deficiency is not forthcoming.
2. The shortfall in security value over the outstanding balance (including principal, accrued interest, and any other charges) is uncollectible and worthless; or
3. Loans/financings secured with properties classified as impaired > 3 years with 3 rounds of abortive auctions. The balance outstanding is written down to 50% of the value of security, with the shortfall to be written off.
4. The Group is in the final stage of realising the security/collateral; or
5. The balance outstanding is written down to the value of security i.e. shortfall in security value over the outstanding balances is written-off.
6. Upon disposal of the security, shortfall arising from the set off of auction proceeds against written down balance outstanding, if any, will be written off immediately.
7. In the case of approved settlement arrangement, the Group shall write down the outstanding balance to approved settlement sum at the point of approval of the settlement agreement.

This policy of impairment loans/financing write-off is intended to provide a timely and consistent methodology for loans/financing to be written-off and to reflect the true value of assets in the Group's books.

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6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following tables show RHB Bank Group's impaired and past due loans/financing and allowances by industry sector as at 31 December 2019 compared with 31 December 2018:

Table 18a: Impaired and Past Due Loans/Financing and Impairment Allowances by Industry Sector as at 31 December 2019

RHB Bank Group Industry Sector	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Allowance For Credit Losses RM'000
Agriculture	60,515	71,407	59,161
Mining & Quarrying	205,586	749	317,769
Manufacturing	505,152	91,363	475,011
Electricity, Gas & Water Supply	288,619	2,848	90,321
Construction	272,855	115,565	256,535
Wholesale, Retail Trade, Restaurants & Hotels	311,918	206,297	221,335
Transport, Storage & Communication	422,749	35,491	269,919
Finance, Insurance/Takaful, Real Estate & Business	222,659	102,932	230,261
Education, Health & Others	32,962	31,535	12,220
Household	1,124,457	4,979,890	833,196
Others	31,703	69,941	214,354
Total	3,479,175	5,708,018	2,980,082

Table 18b: Impaired and Past Due Loans/Financing and Impairment Allowances by Industry Sector as at 31 December 2018

RHB Bank Group Industry Sector	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Allowance For Credit Losses RM'000
Agriculture	67,839	37,994	51,858
Mining & Quarrying	202,393	6,204	339,083
Manufacturing	478,806	64,773	496,489
Electricity, Gas & Water Supply	89,747	1,456	67,387
Construction	305,692	69,387	324,316
Wholesale, Retail Trade, Restaurants & Hotels	359,494	177,061	205,530
Transport, Storage & Communication	455,837	31,122	372,420
Finance, Insurance/Takaful, Real Estate & Business	362,056	124,627	254,431
Education, Health & Others	17,924	29,034	15,208
Household	1,109,278	4,716,315	878,163
Others	34,488	20,256	246,708
Total	3,483,554	5,278,229	3,251,593

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following table shows the charges/(write back) and write-offs for impairment by industry sector as at 31 December 2019 compared with 31 December 2018:

Table 19: Net Charges/(Write back) and Write-Offs for Loans/Financing Impairment by Industry Sector

RHB Bank Group	Twelve Months Period Ended 2019		Twelve Months Period Ended 2018	
Industry Sector	Net Charges/ (Write back) for Lifetime ECL Credit Impaired (Stage 3) RM'000	Write-Offs for Lifetime ECL Credit Impaired (Stage 3) RM'000	Net Charges/ (Write back) for Lifetime ECL Credit Impaired (Stage 3) RM'000	Write-Offs for Lifetime ECL Credit Impaired (Stage 3) RM'000
Agriculture	13,327	(20)	306	(174)
Mining & Quarrying	40,251	-	7,801	-
Manufacturing	20,914	(51,349)	10,730	(9,806)
Electricity, Gas & Water Supply	41,192	(23,192)	23,956	-
Construction	48,250	(83,880)	(115,211)	(16,675)
Wholesale, Retail Trade, Restaurants & Hotels	11,943	(14,858)	(13,924)	(69,057)
Transport, Storage & Communication	14,161	(89,599)	(9,964)	(75,589)
Finance, Insurance/Takaful, Real Estate & Business	33,037	(26,583)	12,881	(32,936)
Education, Health & Others	1,631	(382)	1,139	(2,709)
Household	350,525	(376,614)	315,104	(338,930)
Others	(18,834)	(5,859)	49,062	(16,095)
Total	556,397	(672,336)	281,880	(561,971)

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6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following tables show RHB Bank Group's impaired and past due loans/financing & allowances by geographical distribution as at 31 December 2019 compared with 31 December 2018:

Table 20a: Impaired and Past Due Loans/Financing and Impairment Allowances by Geographical Distribution as at 31 December 2019

RHB Bank Group Geographical Distribution	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Allowance For Credit Losses RM'000
Malaysia	2,206,536	4,845,109	2,028,334
Labuan Offshore	266,821	-	238,698
Singapore	865,907	593,567	642,078
Thailand	34,476	14,328	30,406
Brunei	6,440	10,052	678
Cambodia	81,881	47,118	34,085
Hong Kong	97	-	97
Lao	17,017	197,844	5,706
Total	3,479,175	5,708,018	2,980,082

Table 20b: Impaired and Past Due Loans/Financing and Impairment Allowances by Geographical Distribution as at 31 December 2018

RHB Bank Group Geographical Distribution	Impaired Loans and Advances/ Financing RM'000	Past Due Loans/ Financing RM'000	Allowance For Credit Losses RM'000
Malaysia	2,195,609	4,932,062	2,076,722
Labuan Offshore	285,737	-	282,193
Singapore	838,978	97,161	793,927
Thailand	33,682	1,045	27,862
Brunei	16,357	18,777	748
Cambodia	88,715	22,439	58,868
Hong Kong	16	-	16
Lao	24,460	206,745	11,257
Total	3,483,554	5,278,229	3,251,593

6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following tables show the reconciliation of changes to loans/financing impairment allowances as at 31 December 2019 compared with 31 December 2018:

Table 21a: Reconciliation of Changes to Loans/Financing Impairment Allowances as at 31 December 2019

RHB Bank Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Balance as at the beginning of the financial year	591,911	994,604	1,665,078	3,251,593
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	182,069	(141,866)	(40,203)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(35,256)	87,303	(52,047)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(11,211)	(49,845)	61,056	-
	135,602	(104,408)	(31,194)	-
Allowance made/(written back) during the financial year	(136,778)	284,210	740,370	887,802
Bad debts written off	-	-	(672,336)	(672,336)
Changes in modification	(15,311)	(24,356)	(2)	(39,669)
Derecognition	(73,990)	(220,406)	(152,777)	(447,173)
Exchange differences	661	(593)	(203)	(135)
Balance as at the end of the financial year	502,095	929,051	1,548,936	2,980,082

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6.0 CREDIT RISK (CONTINUED)

6.8 Impairment Allowances for Loans/Financing (continued)

The following tables show the reconciliation of changes to loans/financing impairment allowances as at 31 December 2019 compared with 31 December 2018: (continued):

Table 21b: Reconciliation of Changes to Loans/Financing Impairment Allowances as at 31 December 2018

RHB Bank Group	12-month ECL (Stage 1) RM'000	Lifetime ECL not credit impaired (Stage 2) RM'000	Lifetime ECL credit impaired (Stage 3) RM'000	Total RM'000
Balance as at the beginning of the financial year	513,570	925,900	1,803,107	3,242,577
Changes due to financial assets recognised in the opening balance that have been:				
- Transferred to 12-month ECL (Stage 1)	210,496	(131,950)	(78,546)	-
- Transferred to Lifetime ECL not credit impaired (Stage 2)	(42,112)	87,737	(45,625)	-
- Transferred to Lifetime ECL credit impaired (Stage 3)	(12,056)	(45,327)	57,383	-
	156,328	(89,540)	(66,788)	-
Allowance made/(written back) during the financial year	(31,805)	250,854	724,343	943,392
Bad debts written off	-	-	(561,971)	(561,971)
Derecognition	(46,617)	(95,675)	(375,675)	(517,967)
Reclassification from financial assets at FVOCI	-	-	135,716	135,716
Exchange differences	435	3,065	6,346	9,846
Balance as at the end of the financial year	591,911	994,604	1,665,078	3,251,593

7.0 MARKET RISK

Market risk is the risk of losses arising from adverse movements in market drivers, such as interest/profit rates, credit spreads, equity prices, currency exchange rates and commodity prices. Under this definition, market risk will constitute:

- the interest/profit rate and equity risks pertaining to financial instruments in the trading book; and
- foreign exchange risk and commodities risk in the trading and banking books.

The Group transacts in financial instruments such as debt papers and derivative instruments such as futures, forwards, swaps, and options. Derivative instruments are contracts whose characteristics and value are derived from the underlying instruments that can be a reference to an underlying that may constitute of interest/profit rates, exchange rates, debt paper, equity, indices and commodities.

7.0 MARKET RISK (CONTINUED)

The Group Market Risk Management within Group Risk Management is the working level that forms a centralised function to support senior management in the development of market risk framework, risk limits, operationalise the processes and implement measurement methodologies to ensure adequate risk control and oversight are in place. The main responsibility of managing market risk as the first line of defence remains at the respective business units.

The Group Asset and Liability Committee (Group ALCO), GCRC and IBRMC perform a critical role in the management of market risk and support the board committees in the overall market risk management. The management committees meet regularly and is the forum where strategic and tactical decisions are made for the management of market risk; this includes the development of the Group's market risk strategy, market risk management structure and the policies as well as measurement techniques to be put in place.

The Group has established Group Trading Book Policy Statement, frameworks and risk limits as guidance for market risk management. These documents are reviewed regularly and/or upon change in significant event that has a material impact on policy compliance or regulatory changes.

Market Risk Measurement and Control

The Group applies risk monitoring and assessment tools to measure trading book positions and market risk factors. Statistical and non-statistical risk assessment tools applied include Value-at-Risk (VaR), sensitivity analysis and stress testing.

The Group adopts a systematic approach in managing these risks by types of instruments and nature of exposure. Market risk is primarily monitored and controlled via a structure of limits and triggers ie cut loss, VaR, trading and notional limit set in accordance with the size of positions and risk tolerance appetites.

In addition, the Group conducts periodic stress testing of its respective portfolios to ascertain market risk under abnormal market conditions.

Market Risk Monitoring and Reporting

For effective control of market risk, defined management action triggers and risk limits are established and actively monitored. Only authorised trading activities may be undertaken by the specific business units within the allocated limits. All trading positions are monitored independently on a daily basis and in accordance to the established escalation procedures and the key actions to be undertaken. Market risk exposure reports are presented to the senior management, relevant committees and the Board.

Hedging Activities

Hedging activities designated for hedge accounting are governed by the Group's Hedging Policy that prescribes the overall hedge activities that can be executed by the Group and the subsequent control procedures such as effectiveness measurement and reporting to Group ALCO.

Hedging instruments used to mitigate these risks include options, futures, forwards and swaps that are approved by the Board. Execution of the hedging is carried out by the relevant division through the Group's treasury functions with the approval of Group ALCO.

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7.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk

The Group applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2019 and 31 December 2018 are shown in the tables below:

Table 22a: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2019

RHB Bank Group Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	82,804,775	80,475,397	2,802,501	224,200
Equity Position Risk	33,084	8,383	187,786	15,023
Foreign Currency Risk	869,885	79,814	841,656	67,333
Options Risk	50,258	79,559	12,779	1,022
Total			3,844,722	307,578

RHB Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	85,103,978	82,969,162	2,703,482	216,279
Equity Position Risk	2,111	-	5,805	464
Foreign Currency Risk	708,811	119,451	680,583	54,447
Options Risk	52,369	71,176	4,167	333
Total			3,394,037	271,523

RHB Islamic Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Profit Rate Risk	10,387,986	10,196,715	249,700	19,976
Equity Position Risk	-	-	-	-
Foreign Currency Risk	43,818	9,884	43,818	3,505
Options Risk	-	-	-	-
Total			293,518	23,481

7.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk (continued)

The Group applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2019 and 31 December 2018 are shown in the tables below: (continued)

Table 22a: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2019 (continued)

RHB Investment Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	13,500	13,394	-	-
Equity Position Risk	23,565	9,454	38,182	3,055
Foreign Currency Risk	82,792	47,365	82,792	6,623
Options Risk	-	9,454	6,804	544
Total			127,778	10,222

Note:
As at 31 December 2019,
1. *RHB Bank Group did not have any exposure under commodity risk and inventory risk, and market risk exposure absorbed by PSIA.*
2. *RHB Bank did not have any exposure under commodity risk and inventory risk, and market risk exposure absorbed by PSIA.*
3. *RHB Islamic Bank did not have any exposure under equity position risk, commodity risk, inventory risk, options risk, and market risk exposure absorbed by PSIA.*
4. *RHB Investment Bank did not have any exposure under commodity risk and inventory risk. The equity position risk is computed based on net long and net short position.*

Table 22b: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2018

RHB Bank Group Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	103,655,634	101,650,268	2,503,081	200,246
Equity Position Risk	24,749	11,332	71,757	5,741
Foreign Currency Risk	1,074,218	130,166	1,057,283	84,583
Options Risk	168,498	28,728	220,323	17,626
Total			3,852,444	308,196

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7.0 MARKET RISK (CONTINUED)

Capital Treatment for Market Risk (continued)

The Group applies the Standardised Approach to calculate market risk capital requirements in accordance with BNM's Guideline. The market risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2019 and 31 December 2018 are shown in the tables below (continued):

Table 22b: Market Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2018 (continued)

RHB Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	106,934,978	105,176,520	2,417,320	193,385
Equity Position Risk	-	-	-	-
Foreign Currency Risk	544,756	114,108	527,821	42,226
Options Risk	18,331	17,397	690	55
Total			2,945,831	235,666

RHB Islamic Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Profit Rate Risk	10,408,900	10,160,321	241,398	19,312
Equity Position Risk	-	-	-	-
Foreign Currency Risk	2,218	26,733	26,732	2,138
Options Risk	-	-	-	-
Total			268,130	21,450

RHB Investment Bank Market Risk	Long Position RM'000	Short Position RM'000	Risk-Weighted Assets RM'000	Minimum Capital Requirements RM'000
Interest Rate Risk/Profit Rate Risk	5,890	5,870	-	-
Equity Position Risk	19,300	11,332	21,982	1,758
Foreign Currency Risk	436,935	264,231	436,935	34,955
Options Risk	150,000	11,332	219,097	17,528
Total			678,014	54,241

Note:
As at 31 December 2018,
1. *RHB Bank Group did not have any exposure under commodity risk and inventory risk, and market risk exposure absorbed by PSIA.*
2. *RHB Bank did not have any exposure under equity position risk, commodity risk and inventory risk, and market risk exposure absorbed by PSIA.*
3. *RHB Islamic Bank did not have any exposure under equity position risk, commodity risk, inventory risk, options risk, and market risk exposure absorbed by PSIA.*
4. *RHB Investment Bank did not have any exposure under commodity risk and inventory risk. The equity position risk is computed based on net long and net short position.*

8.0 EQUITY EXPOSURES IN THE BANKING BOOK

Equity risk is the risk of decline in the net realisable value of equity exposures in the banking book. These include:

- Investment in securities (listed and unlisted equity holdings, whether direct/indirect, and includes private equity); and
- Investment in associate companies and joint ventures.

The Group holds positions as a result of debt equity conversions and for socio-economic and non- socio-economic purposes, which are deemed as non-trading instruments.

Holding of publicly traded equity investments comprise quoted shares which are traded actively in the stock exchange. All publicly traded equity exposures and unquoted investments are stated at fair value.

The Group Impairment Guidelines provides the guidance of debt equity conversions and management of such exposures to ensure that these exposures are effectively managed and accounted for in the Group's books.

For regulatory capital purpose, the Group adopts the Standardised Approach to calculate the risk-weighted exposures. The risk-weighted assets of equity investments of the Group as at 31 December 2019 and 31 December 2018 are shown in the tables below:

Table 23: Equity Exposures in the Banking Book

RHB Bank Group	Gross Credit Exposures		Risk-Weighted Assets	
Equity Type	2019 RM'000	2018 RM'000	2019 RM'000	2018 RM'000
Publicly traded				
Investment in unit trust funds	**92,983**	36,342	**92,983**	36,342
Holdings of equity investments	**9,889**	137,212	**9,889**	137,212
Privately held				
For socio economic purposes	**692,961**	674,216	**695,922**	677,177
For non socio economic purposes	**493,139**	489,050	**739,708**	733,574
Other equity	**-**	860	**-**	860
Total	**1,288,972**	1,337,680	**1,538,502**	1,585,165

	2019 RM'000	2018 RM'000
Cumulative Realised Gains/(Loss) from Sale and Liquidations	**5,664**	(832)
Total Net Unrealised Gains/(Loss)	**82,078**	499,643

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9.0 LIQUIDITY RISK

Liquidity risk is the risk of the Group being unable to maintain sufficient liquidity to meet its financial commitments and obligations when they fall due and transact at a reasonable cost. Liquidity risk also arises from the inability to manage unplanned decreases or changes in funding sources.

There are two types of liquidity risk, namely funding liquidity and market liquidity risk. Funding liquidity risk is the risk that the Group is unable to meet efficiently both expected and unexpected current and future cash flow and collateral needs without affecting either daily operations or the financial condition of the Group. Market liquidity risk is the risk that the Group cannot easily offset or eliminate a position at the market price because of inadequate market depth or market disruption.

The primary role of a bank in terms of financial intermediation is the transformation of short-term deposits into long-term financing. By fulfilling the role of maturity transformation, banks are inherently susceptible to liquidity mismatches and consequently funding and market liquidity risk.

Through the Group's Liquidity Risk Policy, the Group manages the funding and market liquidity risk to ensure that banking operations continue uninterrupted under normal and stressed conditions. The key objective that underpins the Group's Liquidity Risk Policy includes maintaining financial market confidence at all times, protecting key stakeholders' interests and meeting regulatory liquidity requirements.

The Group ALCO supports the board committees by performing the critical role in the management of liquidity risk, and is responsible for establishing strategies that assist in controlling and reducing any potential exposure to liquidity risk. The Group ALCO meets regularly and is the forum where strategic and tactical decisions are made for the management of liquidity risk and the Group's balance sheet profile. Global and domestic economic data, information and events are deliberated at the Group ALCO meetings which enables the Group to determine its actions and reactions in the capital markets. The Group ALCO is also the governance body which sets interest/profit rates for liabilities products as well as reference rates for financing products and services. Group ALCO is supported by Group Asset and Liability Management (Group ALM) at the working level. Group ALM monitors liquidity risk limits/Management Action Triggers (MATs) and reports to Group ALCO the liquidity risk profile on monthly basis.

The liquidity management process involves establishing liquidity management policies and limits, regular monitoring against liquidity risk limits, regular stress testing, and establishing contingency funding plans. These processes are subject to regular reviews to ensure that they remain relevant in the context of prevailing market conditions. Some of the key liquidity risk management tools are top depositors' mixture, funding source mixture, maturity profile of funding sources, and contingency funding lines.

The Group has adopted the BNM's liquidity standards on Liquidity Coverage Ratio, to ensure maintenance of adequate stock of unencumbered high-quality liquid assets to survive the liquidity needs for 30 calendar day under liquidity stress condition. For NSFR, the Group continues to monitor and maintains the ratio above regulatory requirement pending its implementation effective 1 July 2020.

The Group's Liquidity Incident Management Procedure establishes guidelines for managing liquidity crisis, identifying early warning signs of a possible liquidity event and the need for heightened liquidity risk monitoring and reduced liquidity risk exposure. In addition, it also identifies the individuals responsible for formulating and executing the Group's response to a liquidity event. The Group's Liquidity Incident Management Procedure also covers the entire Group's operations including foreign branch operations.

10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK

Interest rate risk/rate of return risk in the banking book refers to the risk of the Group's earnings and economic value of equity due to the adverse movements in interest rate/benchmark rate. The risk may arise from the mismatches in the timing of re-pricing of assets and liabilities from both on and off-balance sheet positions in the banking book, changes in slope and shape of the yield curve, basis risk and optionality risk.

Interest rate risk/rate of return risk in the banking book comprises:

Re-pricing risk (mismatch risk)	• Arises from timing differences in the maturity (for fixed-rate) and re-pricing (for floating-rate) of bank assets, liabilities, and off-balance sheet positions. While such re-pricing mismatches are fundamental to the business of banking, they can expose a bank's income and underlying economic value to unanticipated fluctuations as interest/benchmark rates vary;
Basis risk	• Arises from imperfect correlation in the adjustment of the rates earned and paid on different instruments with otherwise similar re-pricing characteristics. When interest/benchmark rates change, these differences can give rise to unexpected changes in the cash flows and earnings spread between assets, liabilities and off-balance sheet instruments of similar maturities or re-pricing frequencies;
Yield curve risk	• Arises when unanticipated shifts of the yield curve have adverse effects on the Group's income or underlying economic value; and
Embedded optionality	• Arises primarily from options that are embedded in many banking book positions (eg some fixed rate mortgage/home financing products give borrowers/customers the option to prepay the loan/financing early without penalty, call deposit, where customers have the option of withdrawing the deposit funds at any time).

Earnings-at-Risk (EaR) and Economic Value of Equity (EVE) are used to assess interest rate risk/rate of return risk in the banking book. They are computed based on the re-pricing gap profile of the banking book using BNM's standard template. Assets and liabilities are bucketed based on their remaining tenure to maturity or next re-price dates. The measurement of EaR and EVE is conducted on a monthly basis.

The Group ALCO supports the board risk committees in establishing policies, strategies and limits for the management of balance sheet risk exposure. The Group ALM within Group Risk Management supports the Group ALCO in the monthly monitoring and reporting of the interest rate/rate of return risk profile of the banking book. The primary objective in managing balance sheet risk is to manage the net interest/profit income and economic value of equity, as well as to ensure that interest rate risk/rate of return risk exposures in the banking book are maintained within defined risk tolerances.

In addition, the Group ALM Policy is established to provide the governance of interest rate risk/rate of return risk in the banking book. Interest/benchmark rate sensitivity triggers are applied on earnings for the respective profit centres within the Group. The Group regularly considers the economics and necessity of increasing or reducing its interest rate risk/rate of return risk hedges.

In line with the Group ALM Policy to achieve a balance between profitability from banking activities and minimising risk to earnings and capital from changes in interest/benchmark rates, interest rate risk/rate of return risk to earnings is controlled using MATs and identified escalation procedures.

Stress testing is also performed regularly to determine the adequacy of capital in meeting the impact of extreme interest/benchmark rate movements on the balance sheet. Such tests are also performed to provide early warnings of potential extreme losses, facilitating proactive management of interest rate risk/rate of return risk in the banking book in an environment of rapid financial market changes.

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10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

The impact of changes in interest/benchmark rates to net earnings and economic value as at 31 December 2019 and 31 December 2018 are shown in the following tables:

Table 24a: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2019

RHB Bank Group	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings		Increase/(Decline) in Economic Value	
Currency	Impact based on +100 basis points RM'000	Impact based on -100 basis points RM'000	Impact based on +100 basis points RM'000	Impact based on -100 basis points RM'000
MYR - Malaysian Ringgit	373,909	(373,909)	(1,699,034)	1,699,034
USD - US Dollar	(51,195)	51,195	83,528	(83,528)
Others[1]	37,944	(37,944)	(1,526)	1,526
Total	360,658	(360,658)	(1,617,032)	1,617,032

Table 24b: Interest Rate Risk/Rate of Return Risk in the Banking Book as at 31 December 2018

RHB Bank Group	Impact on Position as at Reporting Period (100 basis points) Parallel Shift			
	Increase/(Decline) in Earnings		Increase/(Decline) in Economic Value	
Currency	Impact based on +100 basis points RM'000	Impact based on -100 basis points RM'000	Impact based on +100 basis points RM'000	Impact based on -100 basis points RM'000
MYR - Malaysian Ringgit	304,697	(304,697)	(1,369,735)	1,369,735
USD - US Dollar	(36,599)	36,599	32,689	(32,689)
Others[1]	21,164	(21,164)	(18,815)	18,815
Total	289,262	(289,262)	(1,355,861)	1,355,861

Note:
1. *Inclusive of GBP, EUR, SGD, etc*
2. *The EaR and EVE exposures are additive and do not take into account any correlation impact in the aggregation.*
3. *The earnings and economic values were computed based on the standardised approach adopted by BNM.*

The impact to net earnings above represents financial assets and liabilities that have been prepared on the following basis:

- Interest/benchmark rate sensitive assets and liabilities with residual maturity or re-pricing tenure of up to one year that is not captured in the trading portfolio are slotted into time bands based on the maturity or re-pricing tenure, whichever is earlier.
- A set of risk weights with its respective time band is used to project the applicable basis point interest/benchmark rate change impact.
- For assets and liabilities with non-fix maturity, e.g., current and savings accounts, certain assumptions are made to reflect the actual sensitivity behaviour of interest/benchmark rate bearing items.

10.0 INTEREST RATE RISK/RATE OF RETURN RISK IN THE BANKING BOOK (CONTINUED)

Economic value is characterised by the impact of interest/benchmark rates changes on the value of all net cash flows, i.e., the effect on the economic value of the Group's assets, liabilities and off-balance sheet positions. This provides a more comprehensive view of the potential long-term effects of changes in interest/benchmark rates than is offered by the earnings perspective. The scenarios used are based on the assumption that all key variables for all maturities move at the same time and by the same magnitude and do not incorporate actions that would be otherwise taken by the business units and risk management to mitigate the effect of this movement in key variables.

11.0 OPERATIONAL RISK

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people, systems and/or external events, which also includes IT, legal and Shariah non-compliance risk but excludes strategic and reputational risk. Operational risk is inherent in the Group's operations and can never be eliminated entirely. The impact can be in the form of actual financial loss as well as non-financial loss such as loss of reputation, non-compliance and unsatisfactory service level to customers.

One of the Group's primary safeguards against operational risk is the existence of a sound internal control system, based on the principle of dual control checks and balances, segregation of duties, independent checks and verification processes, and a segmented system access control and authorisation process. These controls are documented through a set of policies and procedures at the respective business and operation level.

The Group's Operational Risk Management Framework comprises a wide range of activities and elements, broadly classified into:

Analysis and Enhancement	• The Group has implemented a Basel II compliant operational risk management system to support its workflow and analytical capabilities.
Education and Awareness	• The Group undertakes change management activities to improve risk management knowledge, culture and practices of the Group personnel. This is aligned with the principle and requirement that the front-line business and support units of the Group, are by nature of their direct involvement in interfacing with customers and in operating the business, responsible for managing operational risk and acting as the first line of defence.
Monitoring and Intervention	• This is where the principal head office risk control units, including the risk management function, compliance function and the internal audit function, actively manage operational non-compliances and incidences as a second and third line of defence respectively. The second line of defence also undertakes recovery actions, including business continuity measures in cases of incidents causing disruption to business activities.

Operational Risk Management Function and Organisation

The Group Operational Risk Management within Group Risk Management has functional responsibility for the development of operational risk framework, policy and methodologies, and providing guidance and information to the business units on operational risk areas. Its responsibility also includes generating a broader understanding and awareness of operational risk issues at all levels in the Group. It also ensures that operational risks from new products, processes and systems are adequately managed and mitigated.

The respective business units are primarily responsible for managing operational risk on a day-to-day basis.

Regular operational risk reporting is made to the senior management, respective committees and the Board. These reports include various operational risk information such as risk analysis, risk mitigation action plans, risk tools outcomes, risk appetite breaches, significant operational risk events and control failures, and lessons learnt. In addition, key operational risk incidents are reported to senior management daily. Such reporting enables senior management to identify adverse operational lapses, take prompt corrective actions, and ensure appropriate risk mitigation decision making and action plans.

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11.0 OPERATIONAL RISK (CONTINUED)

Operational Risk Management Processes and Tools

The Group applies a defined operational risk management process in managing operational risk to enable an institutional and transparent operational risk management practice. The five (5) processes are as follows:

1. Establish the context;
2. Risk identification;
3. Risk analysis;
4. Risk mitigating; and
5. Risk monitoring.

The Group uses relevant operational risk tools and methodologies to support and ensure an effective operational risk management process. The following tools are being used:

- **Risk and Control Self-Assessment (RCSA)**

  RCSA is a methodology to build risk profile for each business and support unit. RCSA sets out a structured process for the identification and assessment of inherent operational risk, the effectiveness of the control environment, and the adequacy of the risk mitigation in place. The RCSA process is facilitated by the business and support units themselves jointly with personnel from Group Operational Risk Management.

- **Key Risk Indicators (KRI)**

  KRI is a measurable indicator utilised to track and monitor key operational risk exposures. KRI serves as an early warning signal; once a risk indicator exceeds the predefined threshold, a warning message is sent to a predefined list of users. Business and support units are required to monitor their risk exposures via KRIs and are required to develop specific and concrete plans to address those where indicators are unfavourable. KRIs are embedded into critical processes to provide early warning signals of increasing risk and/or control failures by flagging up frequencies of events as a mechanism for continuous risk assessment and monitoring.

- **Key Control Testing (KCT)**

  KCT is a methodology to assist business/functional units in performing assessments periodically to determine the effectiveness of key controls by evaluating whether the control procedures/activities are adequately designed to achieve the goals of the function and control objectives; and testing whether the key controls are operating as intended in actual practice. Effective KCT can lead to early detection of control weakness and deficiencies which will assist the senior management and business/functional units to quickly focus on control weakness and take concentrated efforts where they are most needed.

- **Incident Management and Loss Data Collection (IMLDC)**

  IMLDC provides structured process for the management of operational risk incidents that have occurred, from the point of discovery until resolution. Business and functional units are required to report all incidences within defined reporting timeline operational losses for further analysis of root cause to avoid further recurrence. This is also useful for reviewing the effectiveness of the RCSA and KRIs.

- **Scenario Analysis**

  Scenario Analysis is used to identify plausible risk scenario that could materialise for assessment. A plausible risk scenario is a possible event resulting in unexpected and extreme losses which may arise when considering a sequence of control failures or individually significant events. Business/functional units are required to assess the potential outcomes related to a variety of operational risks failure, evaluate the vulnerabilities of the Group to the manifestation of plausible risk scenario, and put in appropriate risk mitigation plans to safeguard the Group's safety and soundness.

11.0 OPERATIONAL RISK (CONTINUED)

Risk Mitigation and Controls

Risk mitigation strategies are used to minimise risk to an acceptable level and aim to decrease the likelihood of an undesirable event and the impact on the business, should it occur. The control tools and techniques, amongst others, are as follows:

- **Strengthening internal controls**

  Internal controls are designed to commensurate operational risk exposures faced by the Group. It is mainly categorised into five components, namely:

  a. Control environment – management oversight and risk culture, which sets the tone and serves as a foundation for all other components;

  b. Risk assessment – analyses identified risks to achieve objectives and ensure risks are well managed;

  c. Control activities – policies and procedures implemented manually and/or system-based to ensure management's directives are executed effectively and efficiently;

  d. Information and communication – relevant operational risk information are captured and communicated accordingly for decision making. Such information must be effective for utilisation, delivered timely, confidentiality is preserved, conform integrity needs, comply with relevant law/regulations, sufficient availability and reliable; and

  e. Monitoring – ongoing assessment and correcting deficiencies of internal control to assure it is operating as intended.

- **Business Continuity Management**

  To mitigate the impact of unforeseen operational risk events, the Group has on-going and actively managed Business Continuity Management (BCM) programme for its major critical business operations and activities at the Head Office, data centre, and branches' locations. The BCM programme is subject to regular testing to ensure efficacy, reliability and functionality, and come under the responsibility of the Group Business Continuity Management Department.

  The Board of Directors has an oversight function through the BRC and GCRC. The Group Business Continuity Committee, which reports to GCRC, is the committee that oversees the Group's business continuity framework, policies, budget and plans.

- **Outsourcing**

  Due to the need to outsource for cost and operational efficiency, policy and guidelines are put in place to ensure that the risks arising from outsourcing activities are adequately identified, assessed and managed prior to entering into any new arrangements and on an on-going basis.

- **Insurance/Takaful Management**

  The Group considers risk transfer by means of insurance/Takaful to mitigate operational risk. The Group has a programme of insurance/Takaful designed to reduce its exposure to liability and to protect its assets. The Group purchases insurance/Takaful from leading insurers/Takaful providers in the market covering fraud, theft, property and casualty, business disruption, liability and other risks for which it may be held responsible. These are provided by third-party insurers/Takaful providers and will financially mitigate the economic consequences of risks.

11.0 OPERATIONAL RISK (CONTINUED)

Technology Risk

Technology Risk refers to the business risk associated with the use, ownership, operation, involvement, influence and adoption of IT within an enterprise.

The Group recognises the risk arising from the advancement and reliance upon information technology to support business operations through the deployment of advance technology and online systems to provide customers with convenient and reliable products and services. The Group's Technology Risk Management Framework ensures that a governance structure is in place for the identification, assessment and management of technology risks within existing IT operations as well as prior to deployment of applications and systems for internal as well as external customers.

Cyber Risk

Cyber Risk refers to threats or vulnerabilities emanating from the connectivity of internal infrastructure to external networks such as the Internet.

This is an inherent risk associated to the industry moving towards the Internet as a channel for the delivery of banking services. The Group recognises the risks associated to cyber and as part of the mitigation shall continuously identify suitable security devices to be deployed and ensure sufficient resources with the right skill sets were allocated to manage this risk. The Group also subscribed to the various threat intelligence providers to obtain the latest cyber landscape information that will used for the risk mitigation. To further provide assurance that the Internet facing application systems are secured, the Group engaged reputable IT security service providers to perform periodic vulnerability assessment/penetration testing where weaknesses detected shall be duly resolved with attestation from external consultants.

New Product and Services Approval Process

The Group has established a Policy on Product Development and Approval and Guidelines on Introduction of New/Variation of Products & Services Lifecycle which governs the risk management of new products, services, or significant changes thereto. The responsible units have a duty to assess the operational risk for new product launches and/or significant changes in product features or related processes and working systems, as well as to ensure that operational risk is at an acceptable level at all times.

Legal Risk

Legal risk is part of operational risk. It can arise from unenforceable, unfavourable, defective or unintended contracts; lawsuits or claims; developments in laws and regulations, or non-compliance with applicable laws and regulations. Business units work together with the Group's legal counsel and external legal counsel to ensure that legal risk is effectively managed.

Capital Treatment for Operational Risk

The Group adopts the Basic Indicator Approach for the calculation of regulatory operational risk capital requirements. The operational risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2019 and 31 December 2018, are shown below:

Table 25a: Operational Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2019

Operational Risk	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
Risk-Weighted Assets	12,058,426	8,535,951	1,937,774	784,006
Minimum Capital Requirements	964,674	682,876	155,022	62,720

11.0 OPERATIONAL RISK (CONTINUED)

Capital Treatment for Operational Risk (continued)

The Group adopts the Basic Indicator Approach for the calculation of regulatory operational risk capital requirements. The operational risk-weighted assets and the corresponding capital requirements for RHB Bank Group, RHB Bank, RHB Islamic Bank and RHB Investment Bank as at 31 December 2019 and 31 December 2018, are shown below: (continued)

Table 25b: Operational Risk-Weighted Assets and Minimum Capital Requirements as at 31 December 2018

Operational Risk	RHB Bank Group RM'000	RHB Bank RM'000	RHB Islamic Bank RM'000	RHB Investment Bank RM'000
Risk-Weighted Assets	11,762,542	8,394,333	1,679,551	807,022
Minimum Capital Requirements	941,003	671,547	134,364	64,562

12.0 COUNTRY CROSS-BORDER RISK

Country cross-border risk is the risk that the Group will be unable to obtain payment from customers or third-parties on their contractual obligations as a result of certain actions taken by foreign governments.

Cross-border assets comprise loans/financing and advances, interest/profit bearing deposits/placements with other banks, trade and other bills, acceptances, derivatives, certificates of deposit and other negotiable instruments, investment securities and other formal commitments where the counterparty is resident in a country other than where the assets are recorded. Cross-border assets also include exposures to local residents denominated in currencies other than the local currency.

The Group is guided by the Group Guidance on Cross-Border Business, particularly on ethics in business practices, key success factors in managing such business, and the internal control measures which are essential to provide adequate protection to its customers as well as the Group's interest, thus reducing the risks associated with business activities. In addition, the Group is also guided by the Country Risk limit, to manage the credit concentration risk arising from changes in the country's business environment where the Group has exposure in.

13.0 REPUTATIONAL RISK

Reputational risk is defined as the risk that negative publicity regarding the conduct of the Group or any of the entities within the Group, and its business practices or associations, whether true or not, will adversely affect its revenues, operations or customer base, or require costly litigation or other defensive measures. It also undermines public confidence in the Group, affecting the share price.

Reputational risk in the Group is managed and controlled through codes of conduct, governance practices and risk management practices, policies, procedures and training. The Group has developed and implemented a reputational risk management policy. The key elements in the management of reputational risk include:

- Practice good corporate governance and culture of integrity to promote execution and achievement of corporate strategies and business objective.
- Manage reputational risk within a very low risk appetite with zero tolerance for incidences that affect the Group's reputation.
- Adopt sound risk management practices that include the practice of building "reputation capital" and earning the goodwill of key stakeholder.
- Maintain proper mechanisms to monitor and escalate material lapses/breaches of internal and regulatory policies/guidelines that may place the Group's reputation at risk.
- Maintain proper channels of communication in dealing with internal and external stakeholders.

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13.0 REPUTATIONAL RISK (CONTINUED)

For the Group's overseas operations, it is the responsibility of the Country Heads to promote awareness and application of the Group's policy and procedures regarding reputational risk, in all dealings with customers, potential investors and host regulators.

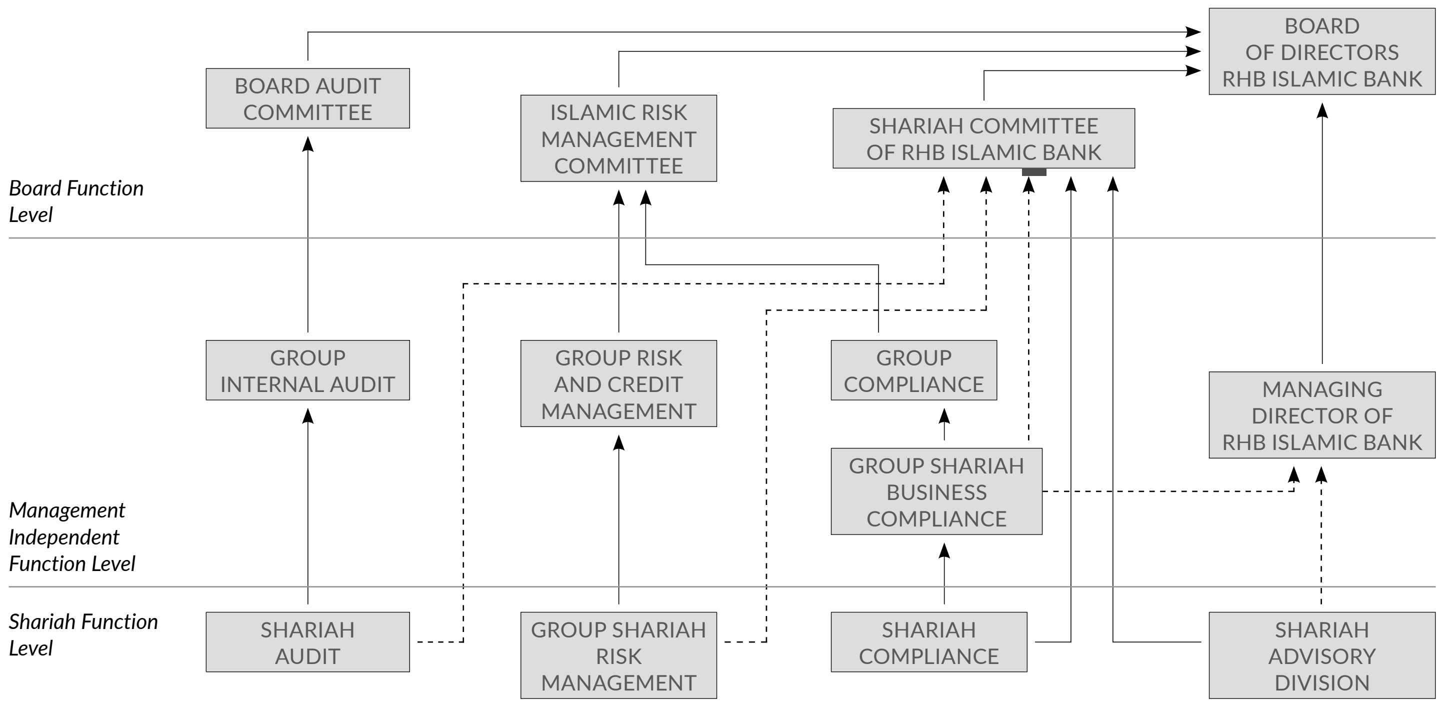
14.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE

Shariah non-compliance risk is the risk of loss arising from the failure to comply with the Shariah rules and principles as determined by the Shariah Committee of RHB Islamic Bank or any other relevant body, such as BNM's Shariah Advisory Council.

A Shariah Governance Framework has been developed with the objective of governing the entire Shariah compliance process within Islamic banking operations, and to:

- Ensure that the planning, development, and implementation of the Islamic Bank's products, services and conduct of business are in accordance with Shariah principles;
- Ensure that the Bank's operations do not contravene any of the Shariah principles and authorities' regulations related to the Shariah; and
- Act as a guide on the Bank's expectations to all personnel engaged in the Bank's activities; to ensure that all such functions are based on the Shariah principles, practices and prudence.

The reporting structure of Shariah governance is as follows:



The Shariah Committee of RHB Islamic Bank (SCR) was established under BNM's Shariah Governance Framework.

The main duties and responsibilities of SCR are to advise the Board of Directors on Shariah matters in relation to Islamic Banking business and operations, to endorse Shariah compliance manuals, to endorse and validate relevant documents as well as to provide written Shariah opinion on new products and RHB Islamic Bank's financial statements.

14.0 SHARIAH NON-COMPLIANCE RISK AND GOVERNANCE (CONTINUED)

On a functional basis, RHB Islamic Bank is supported by Shariah Advisory Division, Group Shariah Risk Management, Group Shariah Business Compliance and Shariah Audit.

The Head of Shariah Advisory Division reports functionally to the SCR and administratively to the Managing Director of RHB Islamic Bank.

The main duties and responsibilities of Shariah Advisory Division include, but not limited to, conduct reviews on Islamic products and services; provide internal Shariah advisory support to the management of RHB Islamic Bank in its daily business and operational matters; assist the SCR in elaborating and discussing on pertinent Shariah issues; provide in-depth research on competitive analysis in order to assist the SCR's decision-making process; ensure the internal Shariah governance, the internal process flow and policies, and Shariah approval processes are well managed and maintained in an efficient manner; ensure the Bank is in compliance with the highest standard of Shariah governance as set by BNM; serve as the secretariat of the SCR and to act as the mediator between the management and the SCR; oversee the computation and distribution of zakat and funds to be channeled to charity; and to represent RHB Islamic Bank in any Shariah related matters.

The key role and responsibilities of Group Shariah Risk Management is to facilitate the process of identifying, measuring, monitoring and controlling of Shariah non-compliance risks inherent in the Islamic business and operations to mitigate any potential Shariah non-compliance events. Group Shariah Risk Management also performs independent assessment and provides support relating to Shariah non-compliance risk.

Group Shariah Business Compliance conducts review and assists the SCR in providing opinions from Shariah perspective in relation to the status of Shariah compliance of products, services and operations of the Islamic business operations. Shariah Audit provides independent assessment and objective assurance designed to add value and improve the degree of compliance in relation to the Islamic business operations, with the main objective of ensuring a sound and effective internal control system for Shariah compliance.

Any incidences of Shariah non-compliance are reported to the SCR, the GCRC, IRMC, BRC, the Board of Directors of RHB Islamic Bank and BNM. Remedial actions may include the immediate termination of the Shariah non-compliant products or services and de-recognition of Shariah non-compliant income.

There is no major Shariah non-compliant event or income arising from the Islamic products or services during the financial year 2019.

15.0 FORWARD LOOKING STATEMENTS

This document could or may contain forward looking statements that are based on current expectations as well as assumptions or anticipation of future events. These forward looking statements can be identified by the fact that they do not relate only to historical or current facts, and often use words such as anticipate, target, expect, estimate, intend, plan, believe, will, may, should, would, could or other words of similar expressions.

Undue reliance should not be placed on any of such statements. By their nature, forward looking statements are subject to risks and uncertainty because they relate to future events and circumstances, including, but not limited to domestic and global economic and business conditions, the effects of continued volatility in the credit markets, market-related risks such as changes in interest/profit rates and exchange rates, changes in regulation, and future business combinations or dispositions. As a result, the Group's actual future results may differ materially from the plans, goals, and the expectations contained in the forward looking statements.

The Group undertakes no obligation to revise or update any forward looking statements contained in this document, regardless of whether these statements are affected as a result of new information, future events or otherwise.

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15.0 FORWARD LOOKING STATEMENTS (CONTINUED)

Table 26: Glossary of Terms

A-IRB	Advanced Internal Ratings-Based Approach
BCC	Board Credit Committee
BCM	Business Continuity Management
BNM	Bank Negara Malaysia
Board	Board of Directors
BRC	Board Risk Committee
CAFIB	Capital Adequacy Framework for Islamic Banks
CCB	Capital Conservation Buffer
CCR	Counterparty Credit Risk
CCyB	Countercyclical Capital Buffer
CET	Common Equity Tier
CRM	Credit Risk Mitigation
DFIs	Development Financial Institutions
EAD	Exposure at Default
EaR	Earnings-at-Risk
ECAIs	External Credit Assessment Institutions
EL	Expected Loss
EUR	Euro Dollar
EVE	Economic Value of Equity
F-IRB	Foundation Internal Ratings-Based Approach
Fitch	Fitch Ratings
GBP	Pound Sterling
GCC	Group Credit Committee
GCG	Group Credit Guidelines
GCPM	Group Credit Procedures Manual
GCRC	Group Capital and Risk Committee
GIUC	Group Investment Underwriting Committee
GMC	Group Management Committee
Group ALCO	Group Asset and Liability Committee
Group ALM	Group Asset and Liability Management
IBRMC	Investment Bank Risk Management Committee
ICAAP	Internal Capital Adequacy Assessment Process
IMLDC	Incident Management and Loss Data Collection
IRB Approach	Internal Ratings-Based Approach
IRMC	Islamic Risk Management Committee
ISDA	International Swaps and Derivatives Association
KCT	Key Control Testing
KRI	Key Risk Indicators
LCR	Liquidity Coverage Ratio
LGD	Loss Given Default
MARC	Malaysian Rating Corporation Berhad
MATs	Management Action Triggers
MDBs	Multilateral Development Banks
MFRS 9	Malaysian Financial Reporting Standards 9
MFRS 139	Malaysian Financial Reporting Standards 139
Moody's	Moody's Investors Service
MYR	Malaysian Ringgit
NIFs	Notes Issuance Facilities
NSFR	Net Stable Funding Ratio
OTC	Over-the-Counter
PD	Probability of Default
PSIA	Profit Sharing Investment Accounts
R&I	Rating and Investment Information, Inc
RAM	Rating Agency Malaysia
RCSA	Risk and Control Self-Assessment
RM'000	Malaysian Ringgit in nearest thousand
RSME	Retail Small and Medium-Sized Enterprises
RWCAF	Risk-Weighted Capital Adequacy Framework
RWA	Risk-Weighted Assets
SA	Standardised Approach
SCR	Shariah Committee of RHB Islamic Bank
SBUs	Strategic Business Units
SFUs	Strategic Functional Units
SGD	Singapore Dollar
S&P	Standard & Poor's
VaR	Value-at-Risk

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